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# Recent Research

by Georgia Flight

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On the appeal of logos, the impact of downsizing, the contagiousness of crisis, and the value of IT.

by Georgia Flight

## Why Random Logos Reel Us In

**Title:** Of Frog Wines and Frowning Watches: Semantic Priming, Perceptual Fluency, and Brand Evaluation
**Authors:** Aparna A. Labroo (alabroo@chicagoGSB.edu), Ravi Dhar (ravi.dhar@yale.edu), and Norbert Schwarz (nschwarz@umich.edu)
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What makes us react to logos that have no obvious connection to their product — an apple on a computer label, a crocodile on a shirt? Marketers have long known that a distinct image on a logo can help get consumers' attention, but the authors of a recent study wanted to pinpoint why people react favorably to images with no clear link to the product they're buying.

The authors surveyed 110 college students, asking them to visualize the word *frog* and then showing them two wine labels, one

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with a frog on it and one without. They then asked the students which product they would be more likely to buy. The authors found a strong connection between how easy it was for a person to process a logo's perceptual features (that is, how familiar they were with a frog) and how much they liked the product. Therefore, they concluded that using widely recognizable symbols as a logo choice could enhance a product's sales.

What's more, the cognitive processing of the image can be affected by exposure to semantic cues in the rest of a consumer's environment. For example, when people watch a television show featuring Kermit the Frog before viewing a wine label with a frog on it, it makes them even more likely to choose the image-related product over wines with other labels.

**Bottom Line:** Easy-to-comprehend and easy-to-recall images used in a logo can greatly enhance a product's popularity, even if the logo has no meaningful association with the item itself. Moreover, these simple logos create a strong visual identity that is readily triggered by everyday word and image associations.

## Less Is More

**Title:** How Different Team Downsizing Approaches Influence Team-Level Adaptation and Performance
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The way a company approaches downsizing can make or break its performance. Using 355 undergraduates as their sample, the authors randomly assigned five-person teams to work on military-based command-and-control simulations. The teams' performance was gauged first at full strength in control groups and then after one of three separate downsizing approaches was applied to the same groups.

The first approach was to maintain the hierarchy, eliminating one or more members but keeping the leader in place. The researchers found that performance suffered. They concluded that this was an undesirable option, because the structure of the unit and the behavior of its members didn't change, and adapting behavior to the new working conditions is essential to maintaining performance during downsizing.

The second approach was to eliminate the hierarchy by removing only the leader and leaving the remaining team members as equals. The loss of the team leader prompted considerable behavioral and structural adjustments as the team worked to maintain performance levels. The authors wrote that this was the most successful of the downsizing methods.

The third downsizing strategy was to integrate the hierarchy. One team member was removed and the leader was demoted into the vacant job. Blending the leader into the rest of the team eliminated inefficient status differentiation. But the unit's performance still declined more than that of the team that eliminated hierarchy, because the very presence of the former leader ensured that the other members didn't depart from old behavioral and work patterns.

**Bottom Line:** The way a team is composed after downsizing occurs has a significant effect on the performance of that team. Eliminating hierarchy helps employees adapt and keeps performance steady.

### How Your Competitor's Troubles May Hurt You

**Title:** Misery Loves Company: The Spread of Negative Impacts Resulting from an Organizational Crisis
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Arthur Andersen. ValuJet. Union Carbide. What do these companies bring to mind? All faced crises that sent shockwaves through their respective industries. By examining these and a number of other historical examples, the authors of this paper aimed to find out how a crisis in one organization might spill over into others in its industry.

They found that the greater the uncertainty created in an industry by an individual company's crisis, the likelier other companies in that industry were to be negatively affected. For example, when Air France's Concorde crashed in 2000, killing all passengers and crew, as well as several people on the ground, British Airways was forced to immediately ground its Concordes as well. Some industries, such as those that rely on risky and complex technology systems or that are susceptible to environmental disasters, are inherently crisis-prone. However, a company with a relatively simple organizational structure and a good reputation is less likely to be affected by crisis spillover than is a company with a complex structure and a poor image.

Another factor in determining spillover is the role of external play-

**There is a positive link between IT spending and future profitability; determining what to target in the IT budget is the critical factor.**

ers — the press, regulatory bodies, academics, and analysts. A negative article in the local paper or a poor forecast from an equity analyst about an individual company can affect the reputation of the entire industry. The authors offer a strategy they call "preferential detachment," which includes efforts to distance an organization from stricken companies in its industry to limit risk.

**Bottom Line:** When a company is in trouble, other organizations in the industry can protect themselves by building confidence internally among stakeholders and externally among media and analysts. It may also help to undertake a restructuring or change initiative that could help them avoid the fate of the troubled firm.

### How Much Should IT Cost?

**Title:** Determinants and Consequences of Firm Information Technology Budgets
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Is information technology investment a good predictor of a company's future success? And if so, how much should organizations invest in their underlying IT infrastructure, and when? Those were just two of the questions this study examined by reviewing data from the InformationWeek 500, a group of companies with track records of spending heavily on information technology.

The authors show that there is a positive link between IT spending and a firm's future profitability. But determining what to target in the IT budget is the critical factor. According to the authors, chief information officers should ignore industry averages when setting their IT budgets, and instead focus on IT that helps them automate costly business processes or better capture and analyze reporting of the firm's activities and performance. Although optimal levels of IT spending will vary greatly on the basis of environmental, technological, and organizational factors, according to the research, any increase in a firm's IT budget, irrespective of how the funds are allocated, will increase its shareholder returns. For instance, increasing a firm's IT budget 1 percent will boost its shareholder returns, on average, by 1.17 percent each year for the three years after the investment is made.

**Bottom Line:** Incremental, strategic investments in information technology produce consistent, long-term positive returns. +

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