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**Organising for Advertising Creativity:
Differential Effects of Agency Structure, Absorptive
Capacity, and Abrasion on Originality and Appropriateness**

A thesis
submitted in fulfilment
of the requirements for the degree
of
Doctor of Philosophy in Marketing
at
The University of Waikato
by
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THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

2016

Word Count: 34357

Abstract

The aim of this thesis has been to extend our understanding of creativity. Creativity is an area that is vital to society, but most commentators agree is a complex area that has been under researched. The setting for this research was the advertising industry. This industry was chosen as it is one of the few industry's that focuses primarily on the creative thinking process and has highly specialist personnel concentrating on creative ideation. However, unlike the majority of research on creativity, the aim of this thesis was to shed light on a range of interactive, processing capacity, and knowledge elements, in the creative thinking process, rather than looking at divergent thinking processes in isolation.

This thesis is made up of four articles in Chapter's Two to Five. The first of these articles is a replication and extension of the seminal study made by Koslow, Sasser and Riordan (2006) "*Do Marketing Clients Really Get the Advertising They Deserve: Agency Views of How Clients Influence Creativity.*" The article extends the findings from this seminal work in a different country context.

The next article looks into a number of structural elements driving creativity in the agency-client relationship and found a number of key interactions affecting the creativity of outcomes.

The third article delved into the area of absorptive capacity. In the creative thinking process a key limit is the ability of an organisation or individual to absorb the knowledge required to generate highly creative ideas. Research enabled the development of a model that illustrates the creative frontier, which is

also the absorptive capacity frontier. The model indicates the trade-off that occurs between updating our beliefs with continuing to maintain these beliefs. The final article provides a model that summarises many of the key findings from the thesis. Using Agency Theory a new conceptual model that applies this in the context of absorptive capacity is developed. This model begins the process of trying to identify the key variables driving creative outputs in an agency setting and their complex interactions. Each article discusses the very real managerial implications of the findings for both advertising agencies and their clients, as well as the implications for managers as a whole. Additionally it is acknowledged that there is significant complexity in the creative thinking process and this is addressed in areas for further research.

“I don’t build in order to have clients. I have clients in order to build.”

– Howard Roark.

Shai Dorsai!

To the formative giants:

To the men of industry: Roark, Danneskjold, d'Anconia, Reardan, Askston, and Galt; and those who are bringing such ideas to reality.

To the constants: Dance, Marx, Bez, Hone, Ahuld.

To my supervisors, Scott and Mark: for at least coming part way up the Congo.

To Geoff 'Tank' Todd: for a true test of the human condition.

To EABHE: your support has been without condition.

To precious Jade and giant Surtr

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Chapter One

From Institution to Agency

Chapter One: From Institution to Agency

A century has now passed since Schumpeter (1912/1934) advocated ‘creative destruction’ and ‘industrial mutation’ as fundamental to the adaptation of economic structures. Creativity (most commonly in its guise as ‘innovation’) continues to be posited as being of critical importance to organisations as they face up to the realities of increased competition and the complexities of dynamic technological and social change (Scott, 1995; Mumford and Simonton, 1997; Sutton, 2001; Unsworth, 2001; Perry-Smith and Shalley, 2003; Elsbach & Kramer, 2003; Daft, 2010), and impermanence (Weick, 2009). So much so that it seems almost mandatory for contemporary articles of organisational and managerial literatures to open with a statement on the importance of creativity and innovation. Between 2007 and 2009, creativity was the most common keyword used in organisational behaviour manuscripts accepted for publication in the *Academy of Management Journal* (Morrison, 2010).

Organisations that do not adapt through their own internal endeavours, or by acquiring external ideas, can find themselves fundamentally disconnected from domains of influence and ‘locked out’ (Levinthal, 1991) from critical knowledge shifts required to remain competitive. Innovation is the only alternative to organisational decline (Kanter, 1983; Drucker, 1989; Scott, 1995). In 2010 Daft declared that the primary overarching theme to emerge from his textbook *“Organisational Theory and Design”* is the pursuit and management of rapid innovation.

Creativity is one of a variety of mechanisms empowering adaptation, innovation, and organisational change (King and Anderson, 2002). Creativity needs to be viewed for what it is; a learning mechanism, but specifically a purposeful learning mechanism for synthesising new information into and between domains of knowledge and activity.

Creativity is a crucial part of the knowledge generation process. This learning capability in itself has value to an organisation irrespective of the immediate outputs that may occur. Creative reasoning allows us to adapt to our environment with new combinations of ideas in order to improve our current ways of thinking.

A successful creative process requires organisations and their members to step away from some parts of the knowledge which order and guide activity. Creative knowledge environments are those which actively choose to invest in policies, processes, and communication behaviours that ‘unstick’ knowledge (Szulanski, 1990; von Hippel, 1994), and are willing to question continued adherence to rigid structures, processes, and embedded competencies (Leonard-Barton, 1992).

To absorb new knowledge, organisations need integrated socio-cognitive capabilities to scan for relevant externally held information, a quanta of domain specific knowledge to recognise the value of the new information, the capacity to combine the new information with the knowledge that has been previously embedded in the organising of activity, and the capability to derive and realise

value from the new knowledge and activity. (Cohen and Levinthal, 1990; Lane, Koka, and Pathak, 2006)

Further, the new combinations that are established through a creative process must be original, and also fit for purpose, that is, appropriate to the domain of activity and acceptable to the field who define the structure of that domain (Csikszentmihalyi, 1999). At an organisational level, the second criteria must pass within an organisation's manifest capacity for strategic interaction with its external environment.

This thesis proceeds with one mission: to better understand the conditions that incentivise the emergence of ideas – both original and strategically appropriate – from the creative process in commercial settings. This question is unique because it recognises that it is not just new or novel ideas that are subject to socio-cognitive evaluation processes, but that these processes also affect the emergence of appropriate ideas within organisations.

Set in the context of creative advertising production, this thesis furthers our understanding of absorptive learning capacity and creative knowledge environments. The aim is to shed light on the underlying Individual-Group level interactions that affect socio-cognitive processing capacity and knowledge absorption in the creative process, rather than the approach taken by much research in the creativity field that looks at divergent thinking processes in isolation.

The thesis advances through the following research questions:

1. What external characteristics incentivise an ad agency's response in the Client-Agency relationship?
2. Do these cues influence the emergence of both original and strategically-appropriate ideas?
3. Do agency responses result in qualitatively different 'flavours' of advertising?
4. If so, are there particular group processes or structural forms that contribute to different advertising outcomes?

CREATIVITY

For the most part creativity is a rather evasive, abstract and nebulous concept, addressed in most applied literatures with perhaps far too shallow a treatment and understanding. Even within the domain of Creativity Research, there has been frequent superficial treatment of many of the key paradoxes, contentions, and competing definitions (Runco, 2007; Runco and Jaeger, 2012). Runco and Jaeger (2012) are unequivocal that the long-standing and broadly accepted - hence *standard definition* – of creativity is bipartite; for something to be defined as 'creative' it must be valued for both its Originality and its Appropriateness.

The criteria of 'originality', 'novelty' or 'uniqueness' of a product is the clearly distinguishable, most respected, objectively expressible, and articulated aspect of any creativity definition, in both every day and academic use. (Sternberg, 2001; Sternberg, 1985; Nickerson, 1999; Runco and Sakamoto, 1999; Runco and Charles, 1993; Koslow, Sasser and Riordan, 2003). In addition to the

‘novelty’ factor, western definitions of creativity also have a ‘functional’ component which places a material and subjective value on a creative product (Lubart, 1999; Misra, Srivastava, and Misra, 2006), commonly in the form of appropriateness, effectiveness, usefulness, or fit (Mayer, 1999; Nickerson, 1999; Runco and Jaeger, 2012). In the advertising literature, appropriateness is frequently referred to as being ‘on client strategy’ (Sasser and Koslow, 2008).

Whether an Original and Appropriate output i.e. a creative product, is labelled synonymously as novel or unique on one dimension, and useful or effective on the other dimension, neither criterion is sufficient on its own (Runco, 1988). Empirical tests of measures of originality, appropriateness, and subjective creativity by the likes of Runco and Charles (1993), Runco, Eisenman, and Harris (1997), and Koslow, Sasser, and Riordan (2003) have all confirmed this bipartite requirement. Moreover, and much like the exploration-exploitation dilemma in organisational learning (March, 1991; Laureiro-Martinez, Brusoni, Canessa, and Zollo, 2014), recent research points to the conclusion that there may be a trade-off between the two components during the creative process (Kilgour and Koslow, 2009), and it may be sensible to view the output of creative processes as having a distinct ‘flavour’ of creativity.

A Dynamic Capability

Creative ideas involve selective combination of unusual or ‘out-of-favour’ concepts, often a combination of knowledge from domains that diverge from the existing knowledge resources of the organisation. Such ideas can be understood as emerging from outside an organisation’s cognitive boundaries, that is, to some

extent creative ideas are situated externally to the organisation. While creative ideas may be generated by individuals operating within an organisation, until those ideas are evaluated and absorbed into the organisation through their learning processes, they have no realisable value, and remain externally-held. An organisation needs the ability to recognise the value to itself which resides in those 'outlying' ideas and creative behaviours. It expands the organisations potential for value creation and opens up a wider range of possibilities in terms of opportunities for learning, growth and revenue.

In Sternberg and Lubart's Investment Theory (1991; 1992; 1996), creative processes and products emerge from interactions between six fundamental resources. These interrelated resources include: intellectual skills (synthetic, analytical and pragmatic); knowledge (domain-specific and multi-domain); thinking styles (particularly an ability to switch between intellectual, cognitive and behavioural modes); personality; motivation, and; the situational environment. In a competing socio-psychological perspective, the important focus is on interactions between varying levels of domain knowledge, creative relevant skills (for set or script breaking), and motivation to utilise these skills (Amabile, 1996; Kilgour, 2007). It is motivation to create that is significantly influenced by the surrounding contextual situation, including the inhibiting or facilitating nature of the field and domain.

Creativity is an active choice – an investment - on the part of the participating entity (Sternberg and Lubart, 1996). The most fundamental resource in creative endeavour is intrinsic motivation (Amabile, 1996; Koslow, Sasser, and

Riordan, 2003). But a caveat is necessary here; in one of the principal affirmations of the field, the creative choice is highly sensitive to external information and evaluation.

For advertising agencies, and other knowledge-intensive organisations, clientele are a fundamental institutional force that influences the complexity of structures and the control mechanisms they adopt. Indeed, the principal source of uncertainty for the advertising agency is the client themselves (Jones, 1987; Ouchi, 1977; Haytko, 2004; Beverland, Farrelly, and Woodhatch 2007), for “when clients are close to an organisational boundary - or within an organisation, the latter has to control the uncertainty associated with its relationship with them” (Jones, 1987, 197). This uncertainty includes dimensions of how the creative task is presented and how it will be evaluated, and these conditions may well incentivise how much agency or discretion an advertising agency has in the development of commercial marketing communication products.

AGENTS OF ADVERTISING PRODUCTION

Advertising agencies endure as organisations, and although the vast majority might not function at full efficiency (Silk and Berndt, 1993), agencies attain considerable size and profitability as both stand-alone organisational systems or through the use of networked holding structures (Horskey, 2006; Cheong, de Gregorio, and Kim, 2014). Agencies are ‘not flimsy’ (von Nordenflycht, 2011), but in many ways neither are they ‘firm’. In over fifty years of academic research into the nature of the advertising organisation, scholars have been persistently confounded in their attempts to explain the activities of

advertising agencies within existing organisational paradigms (Sasser and Koslow, 2008). Sasser and Koslow (2008) argue that advertising production is a paradigm of its own.

Much of the difficulty in understanding advertising production of creative ideas stems from one major source of uncertainty: the inherent difficulty in measuring advertising performance upon consumer behaviour, and the subsequent effect 'the creative' message has on sales of an advertiser's product. In other words, performance ambiguity, outcome uncertainty, and measurement issues, remain central to the problems of efficient organisation for advertising development.

Notwithstanding these factors, half-a-trillion dollars of billings continue to be spent globally each year on the advertising industry ("Marketers to boost global ad spending this year to \$540 billion", 2015), and the particularly expertise of external advertising agencies remain in demand despite an increasingly inefficient pattern of advertising spending by advertisers (Cheong et al, 2014; Ashley and Oliver, 2010). Moving advertising production 'in-house' may be a panacea to larger organisations with the resources to support such structures (Horskey, 2006), but the question of advertising performance and measurability remains unanswered. Even practitioners' viewpoints suggest that there are ways in which advertising can be made more palatable and effective.

"Each year, we chose to be uncreative most of the time, and we choose to spend more money on those uncreative campaigns than we do on the

creative ones. Those campaigns go on to be, on average, much less effective than the creatively awarded ones. And because we've spent more money on them, return on marketing investment is seriously diminished" (Hurman, 2011, 163).

Clearly, advertising production can be better conducted to create value for advertisers, creative agencies, and consumers (Mehta, 2000; West, Kover, and Caruana, 2008).

Institutional Influences

One particular under-studied area of advertising production is that of the Client-agency interaction, and how institutional influences endemic in this relationship may shape the creative product. Advertising agencies are exemplar of creative, complex, and knowledge-intensive organisations. They are simultaneously both agents of entrepreneurship and institutionalising agents (Barley and Tolbert, 1997; Beckert, 1999). In this way they are fundamentally influenced by the surrounding context.

On one hand, agencies stated purpose is to produce script-breaking, break-through communications - communications that codify and set a new frame to be embedded as knowledge. Such action is that of memetic transfer (Dawkins, 1976; Csikszentmihalyi, 1999). However, advertising agencies also have a role in the continuity of those memes, at least while such domain-specific knowledge retains a valued purpose in connecting advertisers and consumers; this is a mimetic action.

Replicability and originality are inextricably linked (Hofstadter, 1980), as are organisational learning and organisational inertia (Levinthal, 1991).

Classic economic research studies determined that advertisers are tied to their domain, predominantly taking relational and isomorphic positions with regard to competitors in the same market category (Oster, 1982; White, 1981). Accordingly, advertisers often present parity positions, and expect advertising agencies to create a differentiating feature for a non-differentiated product (Budner, 1994). In an analysis of interviews with creative leaders of the past 30 years, the impression was that agencies are increasingly presented with the challenge of parity positions by their clients (Ashley and Oliver, 2010). Koslow, Sasser and Riordan's (2006) oft-cited position is that clients consequently get what they deserve from their advertising agencies, and more often than not, what they get is not creative, adding little in the way of learning to the Client-Agent system.

Organisational theorists have principally addressed Client-Agent relationships through six perspectives, spanning from the Economic to the Sociological, (Barringer and Harrison, 2000), for which two are pivotal: a) New Institutional Economics, and b) Organisational Learning.

Amongst prominent New Institutional Economic templates of organisational analysis and strategic management are those of the Transaction Cost Approach - which attempts to explain how organisations form and maintain boundaries between their environments (Coase, 1937; Williamson, 1975; Jones,

1987; Anacona and Caudwell, 1992) - and its analogue, Agency Theory - which examines a principal's attempts to externalise its costs by driving efficiency and control into an agency relationship (Ross, 1973; Mitnick, 1973; Mitnick, 1975; Mitnick, 2006; Jensen and Meckling, 1976; Levinthal, 1988; Eisenhardt, 1989; Bergen, Dutta, and Walker, 1992). Advertising Agencies have occasionally been examined through these frameworks (Jones, 1987; Ellis and Johnson, 1993; Spake, D'Souza, Crutchfield, and Morgan, 1999; Zhau, 2005), and there is some justification for such investigations where more Vendor-type transactional relationships (Haytko, 2004) are prescribed.

Given that the vast majority of advertising communications cannot be considered 'creative', information asymmetries in the client's ability to select and monitor the agency (their sophistication regarding advertising effects, evaluation of performance, and persuasion knowledge of agency sell-in techniques), together with the agency's ability to persuade clients of the merits of a campaign, may be significant drivers of learning effects and creativity flavour.

Whilst providing useful insights, the transaction cost and agency theory approaches are open to criticism in that they present an inherently narrow economic view of organisations (Bergen et al, 1992; Nilakant and Rao, 1994; Shapiro, 2005). Contemporary and more organically-organised firms present a range of dynamics and technological complexities that are outside of the ability of new institutional economic analysis to adequately address, particularly when the technology in question is human-based (von Nordenflycht, 2011; Nilakant and Rao, 1994), and/or the means-ends employed in a transformation are poorly

understood. In the advertising agency setting, the understandings of advertising evaluation, and the creative technology employed, are far from complete. Consequently, issues of control are prominent and the potential for client-agency conflict is accentuated (Maynard and Murphy, 1996).

An alternative perspective is knowledge-based, and centres instead on organisational learning (Huber, 2006). Principal among this perspective is a framework that has captured attention of economists, organisational learning, and strategic management theorists alike: absorptive capacity. First applied to the context of knowledge flows by Cohen and Levinthal (1989)¹, absorptive capacity seeks to explain how some firms are capable of up-taking external knowledge better than others to become more innovative. absorptive capacity helps scholars understand innovation (Lane, Koka, and Pathak 2006), and the concept can be extended to studying creativity that occurs within organisations.

Absorptive capacity provides an overarching conceptual framework for organisations, placing institutional and inter-organisational relationship considerations as factors that condition and incentivise the internal socio-cognitive processes of organisational learning. It is perhaps more straightforwardly compatible with the study of organising for creative advertising

¹ van den Bosch, van Wijk, and Volberda (2003) pinpointed the first use of the term absorptive capacity to Kedia and Bhagat (1988) in the context of technology transfers between nations. The term surfaces in other economic literature applications i.e. capital, labour, and international development, prior to 1988, but remained relatively undeveloped and with no explicit relation to knowledge transfers. It appears Cohen and Levinthal (1989) were the first to associate a firm's 'learning' i.e. its absorptive capacity, with the capabilities of the firm to innovate. It is at this point that investment in prior-related knowledge is introduced as a fundamental antecedent of absorptive capacity.

than transaction cost or agency theory approaches, in that Agency-Client interaction is positioned as a learning relationship rather than a simple contracting problem.

The absorptive capacity framework also differs from agency theory in that it treats knowledge as something that is more than ‘purchasable’. Costs are incurred in developing the socio-cognitive processes necessary to learn and use information from the external environment (Elmquist and Segrinstin, 2007). Leading organisations are not passive absorbers of knowledge, and must actively seek new external knowledge in order to create new knowledge and “do something quite different” (Cohen and Levinthal, 1989, 570).

Schumpeter’s (1934) position was one that the organisation must voluntarily break with its own dominant logic in order to remain competitive; he termed this ‘creative destruction’. But, this can be a risky proposition for organisations competing for resources, especially when Ricardian rents from exploiting an embedded logic can appear a more easily attainable goal. Organisations that have not invested in processes that enable beliefs to be updated can be locked-out from critical domain knowledge and changes in the domain (Levinthal, 1991; March, 1991). Absorptive capacity recognises that transfers of knowledge across boundaries are generally incomplete (Szulanski, 1990; Anand and Khana, 2000; Tsai, 2001), and benefit one party more than the other (Mowery, Oxley and Silverman, 1996; Lane and Lubatkin, 1998; Carlile, 2004). This suggests that Agency-Client relationships tend to be uneven in knowledge and power distribution.

Unfortunately, the relationship between absorptive capacity and creativity has only occasionally been studied (cf> Ganesan, Malter, and Rindfleisch, 2005²; Verbeke et al, 2008; Sung and Choi, 2012³). Verbeke et al (2008) demonstrated that advertising agencies with increased absorptive capacity won more advertising awards. In this, creativity and absorptive capacity appear to have similar properties (Cohen and Levinthal, 1990) in terms of generating ‘a feedback system that enhances our need for further creative play’ (Corballis, 2014, 147).

Knowledge Intensity

A related area of study is knowledge intensity. Advertising agencies are knowledge-intensive systems (Starbuck, 1992; Alvesson, 1993; Verbeke, 2008). To deliver a commercially creative product, advertising agencies need information about the task that they are expected to perform, the environment in which the task is set, and also about what is considered an appropriate and useful solution within the domain and by the client. To this end, some research on advertising has focused on the supply of information between client-agency (Sutherland, Duke and Abernethy, 1994; Murphy and Maynard, 1996), and how agencies manage the interface with the client (Haytko, 2004; Beverland et al, 2007)

As with other knowledge intensive or human-based services, (von Nordenflycht, 2007), advertising agencies can be considered to be primarily ‘systems of persuasion’ (Alvesson, 1993). To be creative, a new idea must be expressed and exposed to evaluation by a wider-social grouping - a process that is

² Under terminology of ‘Knowledge Acquisition’ rather than absorptive capacity per se.

³ Using terminology of ‘Team Knowledge Management’ (TKM).

highly subjective, and sensitive to context (Csikszentmihalyi, 1996; Simonton, 1999). Preferences and biases for various types of thinking styles, information, or interpretations clash both in the open, and behind closed-doors, as sense is negotiated between the different values and vested interests placed on particular forms of knowledge. Influence over information becomes paramount, so communication and legitimising activities play fundamental roles in this process.

Persuasion requires more than just a communication transaction from host to vector; it requires some form of socialisation or *habitus* (Bourdieu, 1986; Bourdieu, 1993) within the field. Habitus brings persuasive value through both interpersonal relationships and knowledge power (Perry-Smith and Shalley, 2003; Salancik and Pfeffer, 1974). While the use of divergent thinking techniques can improve the generation of original ideas (Kilgour, 2007; Kilgour and Koslow, 2009), this does not mean that the field will accept the results. There needs to be awareness of the judgement criteria used by the field at different stages of the creative thinking process. This judgement criterion is based upon the institutionalised rules and content of the domain, and it is this knowledge of the judgement criteria and the judges themselves that are evident in many creative breakthroughs.

Like creative thinking processes, habitus is not developed through intuition alone. Advertising agencies go to considerable effort to develop habitus, investing heavily in interpersonal relationships with their client base (Haytko, 2004), and in the industry-award institutions that provide the backbone for their professional and creative autonomy (Kilgour and Koslow, 2012). But there is a

point where habitus becomes a constraint, and longevity in collaborative relationships coincides with stability and exploitation of a domain with diminishing returns to learning, creativity, and ultimately revenue (Buchanan and Michell, 1992; Gambetti, Biraghi, Schultz, and Graffigna, 2015).

This pragmatic bias towards already held knowledge is a wide-spread phenomenon. Recent studies using an Implicit Association Test (IAT) have confirmed that even if individuals explicitly extol the benefits and their openness to a creative idea, any motivation to reduce uncertainty will serve only to create a negative bias towards creative thinking (Mueller, Melwani, and Goncalo, 2012). This effect intrudes not just into the idea generation process of an individual, but also extends into their ability to recognise creative from more common place and familiar ideas (Mueller et al, 2012; Kilgour and Koslow, 2009).

Even if all information is exchanged between actors, the tendency to maintain initial preference structures restricts assimilation and particularly absorption (Greitmeyer and Schultz-Hardt, 2003). In the stream of research stemming from the seminal studies by Asch (1955), group information exchange processes are demonstrably inhibited by ex-ante awareness of preferences within the group (Mojzisch and Schulz-Hardt, 2010; Berns, Chappelow, Zink, Pagnoni, Martin-Skurski, and Richards, 2005), and the social-evaluations of others (Campbell-Meiklejohn, Bach, Roepstorff, Dolan, and Firth, 2010). Agencies actively pursue and absorb knowledge of client preferences, even extending this knowledge outside of the business relationship and into the personal world of the client (Haytko, 2004). Although advertising agencies might have the capability

and disposition to explore new avenues for a brand, if the preferences of the client are for exploiting existing knowledge structures, then agencies will be institutionally and cognitively bound in their ability to deliver creative advertising. The incentives for delivering a ‘responsive’ form of advertising ‘creative’ (Unsworth, 2001; Beverland et al, 2007) that keeps the client satisfied (Haytko, 2004; Buchanan and Michell, 1992; Doyle et al, 1982) come at a cost to learning and exploration (March 1991; Levinthal, 1991; Levinthal and March, 1993; Goleman, 2014).

Incentives and Information: A Capacity for Creative Absorption

This thesis argues that there are insights to be gleaned for creative advertising development from both agency theory and absorptive capacity. Both approaches have at their heart incentive structures and informational inputs, equally cornerstones of creativity theory (Amabile, 1996). If clients control for direct costs through contracting action (agency theory approaches), costs are incurred to the learning that can occur through the client-agency relationship. Similarly, if the advertising agency responds to other environmental conditions as if clients are controlling their activity, learning is inhibited. Moreover, client organisations which are willing to invest in exploration and learning with their advertising agencies may reap rewards significantly greater than those who are more bound to exploiting a particular competitive position. Such incentives condition the capability of advertising agencies to deliver the break-through creative product that is their *raison d’être* (White, 1972).

The advertising literature skirts around these ideas. Whilst the richness of the extant research is extremely valuable to how our understanding of advertising agency processes have developed, without some attempt at integration of the current body of literature, agencies will continue to remain an enigma.

One of the difficulties in advertising creativity research is the overwhelming perception that originality is the driver and ultimate goal of creativity (Koslow 2015). This in some way belies the purpose of advertising development. If the advertising campaign strategy is correctly aligned with the dynamics of the domain, then the campaign should hit the drivers of the target consumer. This may or may not require a greater proportion of originality. Equally, campaign strategy can remain fixed to the currently accepted logic of the client, at a cost to maintaining environmental fit. A revised strategic position may directly challenge the knowledge-base and decision-making processes upon which previous decisions were legitimated. Advertising agencies manage a wide-range of client contexts and task inputs that place differing demands on their information processing capability.

In the field of advertising creativity research, three main external resources have been identified: Client's willingness to explore, the use of consumer research, and the use of formal evaluation methods. In contrast, the use of a creative brief has been demonstrated to contain little influence on creative output (Sutherland et al, 1994). Perhaps the key influence of whether a motivational investment is made in creative information processing comes from cues interpreted from these three resources. That is, the nature in which a problem is presented has significant

bearing on the learning style that is enacted (Unsworth, 2001; Unsworth, Wall, and Carter, 2005). These resources may determine whether an advertising campaign follows a known and legitimised structural route (declarative and exploitative), or a more epistemic and exploratory approach in which a new sense of knowledge can be realised (Giddens, 1984; Taylor and van Emery, 2000).

CONSTRUCTION OF THESIS

This thesis presents an enterprise⁴ approach to how we think about organising for advertising creativity. On its surface are questions of institutional change and control of advertising creativity. At its heart, lie questions of communication and learning, the *site* of organisation (Taylor and van Emery, 2000; Weick, 2001).

Chapter Two presents the first of four manuscripts intended for publication. *“Do Marketing Clients Really Get the Advertising They Deserve?: The Trade-off Between Strategy and Originality in Australia and New Zealand”* replicates and extends the seminal study of Koslow, Sasser, and Riordan (2006). This manuscript makes some significant contributions, extending Koslow et al’s original study in three principal directions: a) demonstrating the similarity in advertising development systems used between United States and Australasian advertising agencies; b) demonstrating the applicability of Koslow et al’s scales for cross-cultural and other advertising settings; and, markedly c) exposing differential effects on the component measures of creativity, Originality and

⁴ “An enduring group of related activities aimed at producing a series of kindred products” (Gruber and Wallace, 1999, 105)

Strategy. The reader may note that Chapter Two presents a more thorough explanation of the analytical method and measures used in the thesis. This manuscript is currently subject to a ‘minor revision’ in the Journal of Advertising review process pending a final publication decision.

Chapter Three, “*Structural Drivers of Creativity: Resource Rigidities in Campaign Team Composition Effect Advertising Creative Flavour*” explores the seldom studied structural bases of the learning relationship within which the advertising agency is embedded. It is instructive because structure is a function of both institutional forces, and the information processing technology required by the task environment. This manuscript is currently subject to revision for publication in the Journal of Advertising Research review process pending a final publication decision.

Chapter Four, “*Absorptive Capacity in Creative Advertising Development: How Cohesion and Friction Moderate Learning’s Effects*”, steps inside the ‘black box’ of absorptive capacity, and investigates two dynamic knowledge-based processes that form principal constructs within an absorptive capacity model of organising for creative advertising: Conflict and Cohesion. Specifically, the paper addresses affect-based versions of these dynamic processes for learning. This manuscript is being prepared for submission to the Journal of Marketing Science.

Chapter Five - a conceptual ‘framing-piece’ - offers a discussion of a classical theory of organisation, that of Agency Theory, as applied to advertising development and the learning relationship between the client (Principal) and the

commercial communication expert (Agent). The manuscript “*Beyond Agency Theory: An Advertising Agency Governance Perspective*”, argues that a relaxed-view of formal Agency Theory is necessary to understand the advertising organisation; and that such a perspective needs to take into account the institutional and informational resources that are accessible to the agency. This manuscript has been prepared for submission to Marketing Theory.

The activity of the advertising agency is conditioned by incentives derived outside of a formal contract. It’s contribution summarises the body of work directed towards the client-agency advertising relationship, but extends the theory by looking beyond the simple economic/compensation relationship for propositions on how the nature of these relationships more widely influence the development of creative communication products. Such influences on the creative product have largely not been examined in the literature to date, and present a significant area for research on agency discretion and boundary-definition.

Chapter Six provides a capstone for the thesis. The enterprise receives a summary discussion, with limitations and concluding remarks.

References cited in each of the publication manuscripts are included at the end of the relevant chapter in the preferred format of the journal. References for Chapter One and Two are to be found in a separate bibliography section at the end of the thesis. Also appended for the reader’s information is a supplementary

overview to the main methodology through which this research has been conducted, including the survey instrument employed.

Chapter Two

*Do Marketing Clients Really Get the Advertising They
Deserve?:*

*The Trade-off Between Strategy and Originality
in Australia and New Zealand*

Chapter Two: Do Marketing Clients Really Get the Advertising They Deserve?

ABSTRACT

This paper replicates the role clients play in their agency's advertising development process, as investigated by Koslow, Sasser and Riordan (2006) but with data from Australia and New Zealand agencies. The role of client willingness to explore ideas is again found to be a critical reason why some clients receive more creative campaigns than others. Although some of the complex interactions found by Koslow, Sasser and Riordan (2006) were not replicated, additional analyses suggest other patterns in the data. Some marketer-related factors like client sophistication and the use of consumer research improve how strategic campaigns are, but they do so at the cost of originality. The net effect on the total creativity of a campaign may be minimal, but the character or flavour of that creativity may change dramatically. Again, marketers seeking accountability for their campaigns creativity need look no farther than themselves.

Advertising scholars have recently focused on why some advertising campaigns are more creative than others (Sasser and Koslow 2008) and one area investigated is the role of marketing clients in their agency's advertising development process (Reid 2014; Waller, Shao and Bao 2010). Clients should give direction to agencies, provide resources to them and evaluate them appropriately (Koslow, Sasser and Riordan 2006). If clients do not receive highly creative work they seek—or need—they should consider what they may have done (inadvertently or intentionally) to constrain or demotivate their agency (Koslow 2015).

However, the proposition that clients may influence the quality of their agency's creative work also begs two questions: 1) how confident can we be that this effect is real and if so, 2) how can the work be better managed to improve it? To address the first question, one possibility is that these effects are specific to the advertising markets in which the data was collected (New York and Detroit)—and may not operate as strongly outside the US. West (1993) discovered that where deviation from an agency's creative philosophy was noted, both Canadian and US agencies claimed that the client was the major inhibiting factor.

Some significant differences in the nature of the creative involvement with strategy development and execution and the perceived degree of freedom afforded copywriters and art directors were found in the three countries. Senior UK creatives regarded themselves as more involved and more independent than their North American counterparts in these processes. This was particularly important in relation to clients and in the selection of ideas... contrary to the expectation, the result indicated that North American creatives have a closer and more strategic relationship with their clients than their UK counterparts, who operated with greater autonomy and control (West 1993, p. 60)

Hackley (2003) confirmed the continuance of this situation, noting that UK agencies are considered to be strategic partners with clients whereas US

agencies are perceived to be strategic suppliers of advertising with the client retaining responsibility for the development of strategy. Taylor, Hoy and Haley (1996) note how French advertising professionals use different approaches to creating advertising than their American counterparts that does not focus as much on clients, but still produce effective work. Li et al (2008) emphasise a greater role for market conditions on the quality of work produced by Chinese agencies because a high percentage of their work comes from pitches which downplay client dynamics. Thus, this paper replicates Koslow, Sasser and Riordan (2006) outside the US, focusing on two markets, Australia and New Zealand, with similar dynamics, but reputations for achieving highly creative work.

Another concern often raised regarding any survey based methodology is that of common methods variance (Podsakoff et al 2003). That is, effects may be driven by yeah-saying biases or extreme response styles rather than the underlying effects of interest. To address this concern Sasser and Koslow (2012) used a model that estimated a mean for each individual respondent, but did so as a fixed effect. A better technical approach would be to apply a hierarchical linear model with random effects for respondents, which is the approach this research uses. Therefore, researchers can be confident that the effects found are a function of within subject effects rather than being driven by between subject biases.

However, the more difficult of the two questions—what can be done to improve work if clients have such a large influence—may be addressed by being more specific about the nature of creativity. Overall, research in advertising recognises that a creative advertisement needs to be both original *and* strategic (Sasser and Koslow 2008), but these two aspects appear to trade off against one another in experimental settings. Kilgour and Koslow (2009) note that some

creativity techniques work by increasing the originality of advertising campaigns produced, yet may do so at the expense of how on-strategy a campaign is. Other approaches work by enhancing how on-strategy campaigns are, but harm the originality of the work. Unfortunately, Kilgour and Koslow (2009) could find no tool that could increase originality and strategy at the same time. Because prior research has primarily focused only on a total quantum (incorporating originality and strategy simultaneously) there is an opportunity to learn when this total effect is broken down. That is, some aspects of client direction, resourcing or evaluation may enhance the originality of campaigns at the expense of strategy, other aspects may help the strategy while reducing originality. In other words, the “flavour” of advertising creativity may change, in addition to its net quantum.

Therefore, this research replicates Koslow, Sasser and Riordan (2006) in a different geographic region with a technically better model, and also extends it by considering a wider set of dependant measures. The focus remains on independent constructs that were significant and impactful in predicting creativity: client willingness to explore new ideas, client sophistication, use of consumer research and use of formal testing. Identically worded items were used. Not included is the construct of whether the client’s brief contained a strategy because it was not significant at $\alpha=.05$ in any of Koslow, Sasser and Riordan (2006)’s models, whether as a one-way effect or part of an interaction. We also do not include time pressure, budget tightness or level of the client in the client’s hierarchy because their effects were either not directly significant or only amplified the effects of other variables.

To develop a better understanding of the role of clients in the development of their advertising, the context of the replication, the Australian and New Zealand

advertising markets, is discussed first. Next, the components of creativity are explored, and then the role of clients in the development of those components is assessed. Models using over six hundred campaigns are reported on and implications discussed.

THEORY DEVELOPMENT

Advertising Creativity in Australia and New Zealand

In many ways, the Australasian system of advertising production is currently similar to that of the US, UK, and other advanced economies. Scholars document the development of Australasian advertising from a colonial backwater to the modern, sophisticated market it now is (Crawford 2012; Dickenson 2012). Just less than two decades ago, Kitchen and Schultz (1999) noted that IMC in the region was at an introduction stage compared to the mature stage in the US, but current research shows that media development in Australia is currently at a mature stage (Young 2010) with Australian web audiences acting similarly to US and UK audiences (Rogers et al 2007). The relationship between strategy and effectiveness is similar between the US and Australia (Frazer, Sheehan and Patti 2002) and advertising regulation systems are comparable (Rotfeld, Jevons and Powell 2004). Durden, Orsman and Michell (1997) note that the reasons for switching advertising agencies are the same in New Zealand as in the US. Some scholars now use Australian samples as representative of any advanced, mature market (e.g., Farrelly and Quester 2003; Harker 2003; Luxton, Reid and Mavondo 2015). Most importantly, client influence is similar in both the US and Australasia (Waller, Shao and Bao 2010).

What is distinctive about Australasian advertising, however, is the region's high level of creativity. The Gunn Report (2015) compiles a comprehensive count of what agencies in which countries win creativity awards so as to document the value of creativity. It lists five countries that appear to have a dominant position in winning advertising creativity awards, the US, UK, Germany, Brazil and Argentina, which have all landed in the Gunn Report's Top 10 regularly over the last decade and a half. The top agencies in the US produced 1,294 winning campaigns during the 2007-2014 period, while the UK, Germany, Brazil and Argentina agencies have produced 970, 549, 789, and 612 respectively. However, the US only appears to dominate because of its huge domestic advertising market. If wins were weighted by population or advertising market size, the US's relative advantage in wins drops to a fraction compared to the other four markets. Australia and New Zealand are credited with numerous wins (584 and 246 respectively) relative to their advertising market size, producing outcomes similar to the UK with a market half the size as the UK—and less than a tenth the US. Thus, if one wants to better understand how advertising production dynamics similar to the US result in a high level creative performance, Australia and New Zealand are appropriate choices for study (see Polonsky and Waller 1995).

But What Is Creativity?

Advertising scholars have largely followed the established research traditions of creativity research in that creative advertising is defined as that which is original *but also* useful, appropriate or acceptable in some way (Runco and Jaeger 2012). Sasser and Koslow (2008) note all advertising researchers use notions of originality, novelty or newness in their operationalisations, but different

scholars use slightly different definitions of useful, appropriate or acceptable advertising. However, they also stress that models predicting creativity do not appear sensitive to the exact specification of that useful, appropriate or acceptable component. Instead, they emphasise that this second component be chosen based on the research context, which in the case of Koslow, Sasser and Riordan (2006) was how strategic campaigns are. It is important to note that no inferences are made regarding which department within the agency contributes to either creativity component. For example, Koslow (2015) notes how account planners may contribute to how original the underlying selling premise is and creatives likewise take a lacklustre, generic strategy, and enhance it.

Some confusion still remains regarding the creativity construct. Kilgour, Sasser and Koslow (2013) note that what practitioners consider “worth of winning creativity awards” differs rather interestingly from what advertising creatives and account executives consider to be creativity when evaluating their own personal work. That which wins creativity awards is largely considered to be highly original work with little focus on how strategic the work is, but when considering their own work, originality and strategy have more evenly matched influence on perceptions of creativity. The emphasis award-winning work has on originality rather than some kind of appropriateness component like meaningfulness or relevance is reinforced in how award judges evaluate work (West, Caruana and Leelapanyalert 2013) and consumers perceive award winners (Lehnert, Till and Ospina 2014).

To provide an example of what this research defines as creativity, consider a situation in which a set of advertisements are evaluated on their originality and strategy using scales ranging from 1 to 10, which builds off the “HumanKind”

scale used by Leo Burnett (Bernardin and Tutssel 2010). Some campaigns may be lacking in originality and thus score a 1 or 2, while others are outstanding meriting a 9 or 10. Similar scoring may be provided for whether the finished work is on-strategy and thus built on good strategy that fits the client well. One may represent an ad scoring 4 on originality but 7 on strategy as (4, 7). If a campaign is low on both originality and strategy, it may be a (2, 2) campaign and is clearly uncreative, but outstanding work may be (9, 9), which is highly creative. Work scored (5, 5) may be somewhere in between. However, work that is original, yet not strategic, as in (7, 4) is harder to place as is work that is more strategic and less original like (5, 9).

An economist may approach this measurement problem using a Cobb-Douglas multiplicative production function with equal weights with constant returns to scale (Zellner, Kmenta and Dreze 1966). Thus, ads scoring (6, 4), (5, 5) or (3, 8) may all receive similar total scores for creativity (e.g., 4.9, 5.0 and 4.9 respectively), but they would also have different “flavours” in that the first ad in the series is weighted toward originality while the third is more strategic in character. Prior research in creativity—whether in the advertising domain or outside of it—generally treat a (3, 7) campaign as equal to a (7, 3) campaign, which is decidedly not true. Therefore, the insight of Kilgour and Koslow (2009) is that we can use creativity tools to shift the campaigns produced from mostly (3, 7) campaigns to (5, 4) or (7, 3) campaigns to (4, 5), but it is much, much harder to get to (7, 7) campaigns. This research seeks to separate out originality and strategy from merely focusing on creativity alone.

Do Clients Get the Advertising Creativity They Deserve?

For many researchers, the idea that clients influence, enhance or restrict their agencies' creativity is still controversial. Strutton and Taylor (2011) report that iconic "MadMan" Don Draper encounters clients who must be carefully managed but Draper still concludes: "Most ad men believe clients are the thing that gets in the way of good work. I've never experienced that." That is, Draper is frequently sells good work to difficult clients. Is Draper right in that clients don't get in the way—or do clients get what they deserve?

Harris and Taylor (2003) report a commonly held desire that agencies and clients need to be partners—and express disappointment that partnerships rarely extend to important decisions like setting budgets. Yet much research considers that the quality of the agency-client relationship is based on trust (Caceres and Paparoidamis 2007; Wang et al 2013) and related concepts like goal congruence (Dou et al 2010) or client involvement (Grant, McLeod and Shaw 2012) to improve the quality of and satisfaction with the agency's creative work. In this stream of trust-oriented relationship-focused research, clients are often—but not always—characterised as passive in nature, simply choosing to trust their agency with a perceived risk, or not trust them. If clients would just trust their agencies, commit to them, and cooperate with them, better creative outcomes are possible (Duhan and Sandik 2009).

However, much of the trust-oriented research uses marketing clients as informants, and a different perspective comes from agency informants. Instead of focusing on trust or other relationship oriented factors, studies like Koslow, Sasser and Riordan (2006) focus on three dimensions of the agency's social environment

in that marketing clients need to 1) set direction, 2) resource the agency and 3) evaluate work appropriately.

Setting direction, however, does not mean a client must walk into the agency with a finished brief, but instead focuses on the client being open to fresh thinking while working through an agency's strategy development process. To contrast trust with openness, the former assumes the client accepts the agency's professional judgement that a hard to evaluate ad execution will work. The latter implies the client actively reconsiders its views on the kinds of solutions it will consider, moves away from an initial strategic brief and goes on a creative journey with the agency. And openness like this is hard work (Koslow 2015).

Resourcing the agency typically involves providing information about customers and the market to allow the agency to make better decisions about what will persuade consumers. For example, Sutherland, Duke and Abernethy (2004) present a model of marketing information flow detailing the kinds of information inputs agencies need and usually agencies don't receive enough information. This isn't so much an information-sharing issue in that clients should be advised to trust their agencies enough to provide information. Clients almost always share what reports they have. Instead, it is more a question of whether or not the client has useful, objective consumer research information to begin with (Helgesen 1992).

Finally, agencies need to be reasonably evaluated. Considerable research in creativity shows that merely evaluating creativity can kill it (Amabile 1996). It may seem counter intuitive, but as Koslow, Sasser and Riordan (2006) show, copytesting results in the hands of a sophisticated client can be threatening to an agency. The concern is that copytesting results in the wrong hands can lead to the

agency being fired (Koslow 2015). Given the reality that clients facing market share declines sometimes scapegoat their agencies (Kulkarni, Vora and Brown 2003) agency concerns about reasonable evaluations are rational.

The Influence of Direction, Resourcing and Evaluation on Campaigns

Although Koslow, Sasser and Riordan (2006) discussed the effects of direction, resourcing and evaluation on creativity in total, this can also be broken down by how original and strategic work is. At issue is the trade-off between originality and strategy—and whether clients shift the creative character of their work along the scale from more original and less strategic to less original and more strategic or vice versa. Only in the situation where both originality and strategy are influenced similarly by the same factors can one argue clients get in the way of good work.

Client openness is the key factor in setting direction (Koslow, Sasser and Riordan 2006), having positive influence on both strategy and originality, but it should have more influence on campaign originality. Open clients should welcome and appreciate the strategy focus of the account planning processes agencies provide developing clear objectives and sound strategies that can be translated into persuasive advertising (Morrison and Haley 2003). Planners do their best work for clients when planners interpret information about the client's market, rather than merely collect this information (Hackley 2003). The focus is on thinking and strategising about what is best to achieve the client's overall business objectives and is done with the client as a willing participant (Steel 1998). Although an open client is clearly an asset in developing insightful advertising strategy, account planning comes into its own to facilitate, support and advocate

the highly original and unexpected ideas that the creative department can come up with (Hackley 2003). Thus, a client willing to take thoughtfully calculated risks—the ultimate in an open client—is able to accept highly original work that will be distinctive in the marketplace (West 1999; West and Berthon 1997).

H1: Client openness increases both how strategic and original their campaigns are, but has a larger effect on originality, with the total effect on creativity being positive.

Providing consumer research is a critical way clients resource their agency to improve creativity (Koslow, Sasser and Riordan 2006), but unlike openness, this factor presents trade-offs. Hackley (2003) notes controversies in account planning over the role of formal consumer research. Some appear to welcome such information for the tighter strategy it can support, but others react to consumer research negatively as if such information runs the risk of leading to creative dead-ends. Such an effect has been observed in creative thinking, such that consumer research often served to fixate thinking on strategic ideas at the expense of originality (Kilgour and Koslow 2009). Thus, using consumer research may result in more strategic, but less original advertising. Yet the overall level of creativity should be greater.

H2: Use of consumer research should increase how strategic campaigns are, at the expense of campaign originality, but overall creativity should increase.

To explain how clients' evaluation of their campaigns influences creativity, Koslow, Sasser and Riordan's (2006) research emphasised the role of sophisticated clients. Although one may have hoped that sophisticated clients have the knowledge and experience to work productively with their agencies to do great work, it is disturbing that the empirical evidence shows that they instead suppress how creative their advertising is. Koslow (2015) observes sophisticated clients may scare their agency and inadvertently set up negative interpersonal dynamics making an agency more timid about suggesting original ideas, instead emphasising more strategic ones that sophisticated clients could be expected to prefer. Another possibility is that sophisticated clients are so focused on strategy, that agencies become functionally fixated on strategy and shifts the character of the work from more original to more strategic (see Kilgour and Koslow 2009). Either way, sophisticated clients should end up with more strategic, less original, but overall less creative work than unsophisticated clients.

H3: Client sophistication increases how strategic their campaigns are at the expense of campaign originality, and the net effect on creativity is negative.

Finally, the controversial effects of formal copytesting can possibly be observed within the trade-off framework presented. Although the merits of routine copytesting are often discussed in advertising, the net effect on creativity appears to be equivocal (Koslow, Sasser and Riordan 2006). Testing can set up the negative evaluation dynamics Amabile (1996) warns can suppress creativity, but such tests can also persuade a skittish client to accept risky work (Koslow 2015).

For all the handwringing over whether testing kills creativity, it may be that it changes the character of those ideas instead. That is, formal advertising testing may shift the focus of campaigns from original to strategic, but in so doing, the net effects of each are cancelled out in any measure of creativity.

H4: Formal copytesting of advertising shifts the character of campaigns from more original to more strategic, with no net effect on creativity.

METHOD

Sample

The data came from 203 advertising agency employees who were mostly in account management or planning (59.6%). Another 22.7% were in creative, 4.4% in media and 13.3% in other areas. Thus, the sample is much more heavily weighted toward account management than the original sample. Additionally, 41.4% came from Sydney, 25.6% from Melbourne and the rest from Auckland. Respondents were well educated in that 40.1% had three or four year university degrees, and 29.7% had postgraduate degrees. The sample was also young with 53.9% between 25 and 34 and 28.9% between 35 and 44. Average time in the advertising industry was 9.8 years. The top five media used in these campaigns were web, television, magazines, outdoor and newspapers which were components in 55.0%, 50.4%, 40.3%, 36.0% and 32.4% of the media used respectively, and overall an average of 3.2 media were used in each campaign. Respondents represented a wide range of levels and experience, and the accounts they worked on were a wide range as well.

Respondents came from nine of the largest agencies in Auckland, 10 of the largest in Melbourne and 11 of the largest in Sydney. Almost all of these agencies offices were part of international agency networks owned by the five major agency holding companies. Similar to the original, this sample is representative of big agencies and the majority of billings in Australia and New Zealand. Each respondent reported on up to three of their most recent campaigns for a total sample of 605 campaigns. Data collection was done in agencies' offices during business hours with approval and support of agency management. Respondents were invited to participate via email and office flyers and offered a light lunch for their assistance. This is similar to the data collection strategy used by Koslow, Sasser and Riordan (2006).

Measurement

Factor analyses of independent and dependent variables were performed on the total sample and this confirmed the original structures uncovered by Koslow, Sasser and Riordan (2006). The items for the independent variables loaded as expected with Cronbach's alphas of .80, .88, .72 and .85 for client willingness to explore new ideas (4 items), client sophistication (4 items), use of consumer research (3 items) and use of formal advertising testing (3 items), respectively. All loadings were relatively high with eight of the 14 loadings above .8, 13 above .7 and the lowest .61. The model explained 70% of the variance in four factors and VARIMAX rotation fit the data comfortably with modest off loadings of less than .28. The analysis was repeated in each of the three city subsamples, again suggesting a clean fit. The only exception was a single item of client willingness to explore in the Auckland subsample. Here the

loading was .46, with slight clouding in two other factors. Despite this minor lack of fit, the factor structure of the independent variables was confirmed.

For the dependent variables, strategy and originality were the two primary scales focused on, but these again confirmed high levels of fit. The two factor solution explained 74.6% of the variance and items loaded as expected in VARIMAX rotation, with no loading less than .7. Cronbach's alphas were .74 and .88 for strategy and originality, respectively. Because strategy and originality in Koslow, Sasser and Riordan (2006)'s sample was correlated at .42, this analysis was repeated using Oblimin rotation. Again, a clean fit was achieved, showing the correlation between the two constructs was only .32 in this analysis which makes multicollinearity less of a concern. Once more, the analysis was broken down by city, and excellent fits were achieved in all cases.

Creativity was operationalised in two alternative ways, one following a derived measure tradition employing a strong basis in measurement theory and the other providing the intuitive appeal of a single-item scale. Although strategy and originality were both used in Koslow, Sasser and Riordan (2006) as important primary scales, they were not modelled as separate effects. Instead, the variables strategy, originality and another term, a strategy X originality multiplicative component, were summed and called Normative Creativity, one of two measures for creativity that Koslow, Sasser and Riordan (2006) modelled. The strategy X originality component only (now based on a Cobb-Douglas production function with equal weights and constant returns to scale) is used here as one of the two operationalisations of creativity, and it is high only when both strategy and originality are high. It is another functional form of creativity (Sasser and Koslow 2008) that is consistent with current thinking in creativity (see Runco and Jaeger

2012) that should more easily show the trade-off between strategy and originality because of its Cobb-Douglas specification. The single-item scale for creativity uses the exact wording of Koslow, Sasser and Riordan (2003) and may be viewed by some scholars as a doubly concrete scale (see Bergkvist and Rossiter 2009). However, the two operationalisations are highly correlated at .61.

Comparison of Current (ANZ) Sample to Original (US) Sample

Additional checks were run to compare the mean differences between the US and Australasian samples for the independent and dependent measures. Of the four independent measures, three had differences. Clients in Australia and New Zealand were more likely to be willing to explore new ideas ($p < .01$). However, the absolute difference was only .14 standard deviations and country differences explained less than .5% of the variance. Consumer research was used more in the US ($p < .01$), but again the difference was only a modest .14 standard deviations, explaining less than .5% of the variance. Formal testing's use was significantly higher in the US ($p < .0001$), with a difference of .49 standard deviations, accounting for 5% of the total variance. There were no differences for client sophistication, strategy or originality. With the exception of how much each region uses formal testing, the means of key measures were similar between the two samples.

Models

Initially, GLM models with the exact structure used by Koslow, Sasser and Riordan (2006) were fit on the new Australasian data. With R^2 's of .327 and .375 for Normative and Subjective Creativity, respectively, the influence of

client openness was pronounced. With parameters of 1.38 and .91, respectively, both were significant at $p < .0001$. These parameters were also several times larger than any other in the models. However, few interactions were significant, especially client willingness to explore new ideas X use of consumer research in the Normative Creativity model. In Koslow, Sasser and Riordan (2006) media executives drove several interactions in the Subjective Creativity model but because the Australasian data includes less than a quarter of them, the lack of significant interactions is not surprising.

However, these models did not control for potential common methods bias and it is better to focus on models that have made these adjustments. To provide deeper analysis *Table 1* (below) lists Hierarchical Linear Model (HLM) outputs for two primary scales (strategy and originality), the derived measure for creativity (strategy X originality) and the measure of creativity based on a single-item scale. The GLM and HLM models showed similar results.

The four HLM models estimate the individual differences as a random variable. Initially, the nested hierarchy was tested in the order of city differences first, then agency differences, then differences between functional areas and finally individual differences. Differences due to city, agency and area were not significant and dropped. Individual differences were significant at $p < .001$ for strategy and both creativity operationalisations. In the originality model, the differences were significant at $p < .05$. All two-way interactions between independent variables were tested and only one was significant. Other demographic variables were used (age, rank, years in the advertising business, functional area of respondent, etc.), but none were significant. Only significant

effects were included in the final models listed in *Table 1*. All variables were centred and scaled prior to analysis.

Table 1. HLM Solutions for Fixed Effects for Strategy, Originality, and Strategy X Originality: Australasian Data

Independent variables	Dependent variables							
	Strategy		Originality		Creativity (Strategy X Originality)		Creativity (Single-item scale)	
	Estimate	p-value	Estimate	p-value	Estimate	p-value	Estimate	p-value
Client willingness to explore new ideas	.311	<.0001	.593	<.0001	.539	<.0001	.583	<.001
Client sophistication	.038	.387	-.119	.0031				
Use of formal testing			.141	.0005	.085	.0191	.090	.027
Use of consumer research	.135	.0017	-.112	.0087			-.097	.021
Client sophistication X Use of consumer research	-.080	.016						
Restricted log likelihood	1588.6		1518.9		1502.2		1468.7	
AIC	1592.6		1522.9		1506.2		1472.7	

FINDINGS

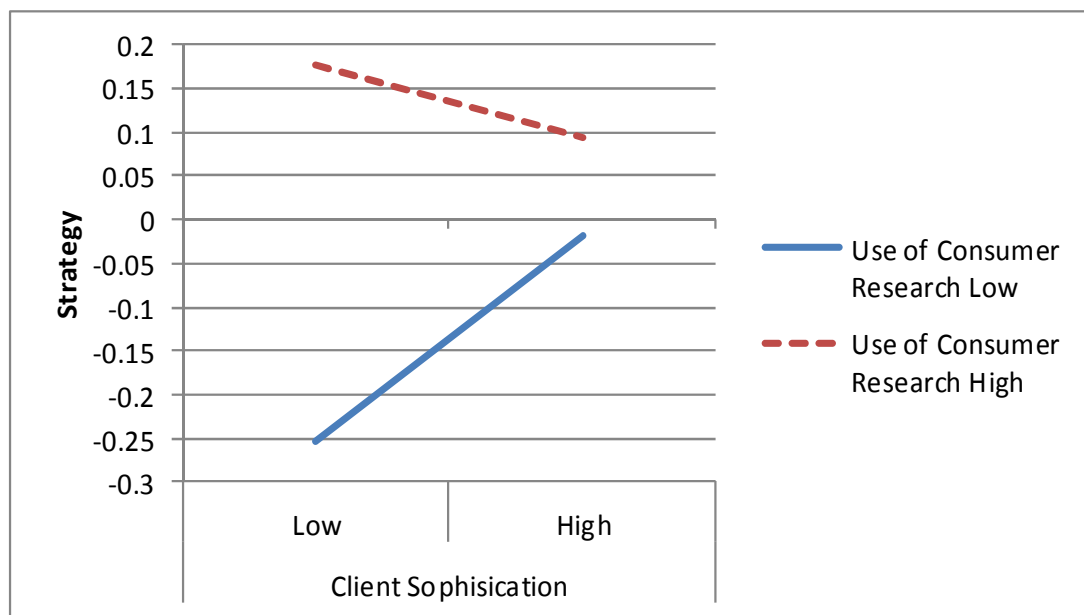
In all four models, the parameters for client willingness to explore new ideas are substantial. For the originality and two creativity models, the parameter is at least four times larger than any other, and for the strategy model, the parameter is still twice the size of others. H1 proposed that client willingness to explore has a positive influence on all dependant variables, with a larger effect on originality than strategy. Although the effect on strategy is large, the parameter size is twice as big in the originality model. H1 is supported.

H2 argued that using consumer research leads to more strategic but less original work. With the parameter for use of consumer research positive in the strategy model, but negative in the originality model, the trade-off proposed by the hypothesis was upheld. The effect on creativity is not significant for the derived (strategy X originality) operationalisation, but it has a negative influence on the single-item scale version. In this sample, using consumer research lead to more strategic yet less original work, but the effect lead to either neutral or negative influence on creativity. This suggests that H2 was only partially supported.

To understand the effects of how clients evaluate their agency, H3 proposed that client sophistication should have a negative effect on originality and creativity, but a positive influence on strategy. *Table 1* confirms the negative effect on originality. However, in the strategy model, the interaction between client sophistication and the use of consumer research is graphed in *Figure 2 - Interaction of Functional Area * Agency Resourcing on Campaign Strategy* *Figure 2* as for one standard deviation above and below the mean levels of each variable. This plot shows that using consumer research has an overall positive influence on

how strategic the advertising produced is. But when there is little consumer research used, client sophistication has a positive effect on strategy (the slope for the high level of consumer research use is not statistically different from zero at $p < .05$). Yet there is no negative influence of sophisticated clients on either creativity measure. H3 is partially supported in that the trade-off is observed such that client sophistication leads to less original work, more strategy work (if consumer research is lacking), but has no effect on creativity.

Figure 1. Interaction of Client Sophistication and Use of Consumer Research on Strategy



Finally, H4 posits that using formal testing leads to more strategic work that crowds out originality, but no overall effect on creativity. Surprisingly, using formal testing lead to more original campaigns, yet had no effect on strategy. Even more surprisingly, formal testing enhanced creativity for both operationalisations. H4 is not supported.

DISCUSSION

This Australasian replication had reinforced and expanded the understanding of how clients influence the quality of work their agencies produce. The importance of an open client was confirmed in that it improved both how on-strategy campaigns were, but even more importantly how original they were. The effect is by far the largest, and appears to have no down sides. Agencies just do better work all around for clients open to the expertise agencies can employ on their behalf. However, trade-offs are observed for two other factors. Sophisticated clients tend to receive more strategic work (if consumer research is lacking), but this happens at the expense of campaign originality. Although there is no overall effect on creativity, the factor does affect the creative flavour of the work achieved. Another trade-off is seen with whether consumer research is used. When it is, the work shifts to more strategic, but less original. One creativity operationalisation shows a negative effect, but the other no effect. Finally, using formal testing leads to more original work, and more creative work overall, with no downsides.

Although this Australasian replication has not identified the interaction effects found in Koslow, Sasser and Riordan (2006), some of this may be due to the unusually large sample the original study was privileged to use. Some of the differences between the original and replication studies may be due to the characteristics of the Australasian sample in that it included far fewer media executives. In the original US sample, the differences between account and creative personnel were not enough to be statistically significant. However, it was the inclusion of a moderate number of media executives that drove differences by functional areas. With fewer media executives in the sample, the functional area

of the respondent had little difference on their responses. Even though account executives made up just more than half the sample, these results seems to reflect the attitudes of creatives as well.

More detail on the models came out in modelling strategy, originality and creativity separately. What is striking is that while sophisticated clients with ample consumer research lead to more strategic campaigns, these same factors lead to less original campaigns. That is, sophisticated, knowledgeable and experienced clients have substantial domain expertise through which they can help agencies frame their work. Consumer research also provides needed domain specific knowledge to help keep campaigns on-strategy, especially when clients are less sophisticated. But all this domain expertise apparently handcuffs originality. This echos the pattern seen in Kilgour and Koslow (2009)'s strategy/originality trade-off, in which one can shift campaign ideas from more strategic and less original to more original and less strategic, and *vice versa*. However, to move positively on both strategy and originality dimensions at the same time appears much harder.

A smaller, but important effect was the positive influence of formal testing on both originality and creativity. Surprisingly, testing creative outputs leads to more original and creative work. This undermines the typical complaint that testing kills creativity (see Koslow, Sasser and Riordan 2006). Although this may just be a result of the strongly account management-oriented Australasian sample, the effects were still not moderated by whether respondents were creatives or not. Formal testing was also somewhat less used in Australasia, possibly indicating that the practice is more judiciously applied. However, if used wisely, there is no *a priori* reason to avoid copytesting creative outputs.

The findings largely replicate the pattern of results reported in Koslow, Sasser and Riordan (2006) in client openness to new ideas dominates over other effects. Whereas the original sample suggested client sophistication undermined creativity and consumer research enhanced it, this replication suggests a more nuanced approach. Sophisticated clients and consumer research both influence the trade-off between strategy and originality, shifting the work's character, but with no net effect on creativity. Although the original US study showed a few isolate positive effects of formal testing of advertisements, this research is more bullish on such methods. Surprisingly, formal testing enhanced originality and creativity.

Possible limitations may still come from the survey method used. The views are those of the agency, rather than the client and a paired sample of agencies and their clients would be instructive. In addition, respondents self-assessed the strategy and originality of their own work. This allows respondents understand the dynamics behind them, but independent assessments of these campaigns may suggest different conclusions. The focus on large agencies may provide a useful look at the industry, the data collection did not include smaller creative boutiques which may operate differently. The similar effects seen in this research may reflect the high level of similarity between the US and Australasia. Future work should consider more different advertising markets.

This replication has shown that in some ways clients do not get-something-for-nothing. Focusing on domain specific knowledge imposes costs and changes the character of advertising campaigns, trading off originality for strategy. However, in other ways clients may get-something-for-nothing in that being open may lead to work that is both more strategic and original at the same time. However, being open is often hard work for some clients, and therefore this

replication reinforces that, as unpalatable as it may be, clients still routinely receive the advertising they deserve.

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Chapter Three

*Structural Drivers of Creativity: Resource Rigidities in
Campaign Team Composition Effect
Advertising Creative 'Flavour'*

Chapter Three: Structural Drivers of Creativity

ABSTRACT

Since Kover's (1970) PhD dissertation, there is a surprising dearth of research that investigates the effects of structural elements on creative outputs in an advertising agency context. This paper explores how structural elements may be applied to achieve different 'flavours' of creativity via their effects on originality and strategy. 557 campaigns are examined in a field study of advertising agency professionals from Sydney, Melbourne, and Auckland. Findings suggest that agencies can flexibly deploy their service-level resources, but not all structural configurations lead to the best outputs, given the client context. Managerial implications, limitations, and directions for future study are discussed.

MANAGEMENT SLANT

- Adding more agency resource to an account team can benefit the originality of a campaign, but does not aid strategy development. Because appropriateness is harder to agree upon, increased service-level involvement opens strategy development up to social judgement processes, which come at a cost to the advertising task.
- Agencies need to be aware of, and proactively manage, strategic rigidities that form when clients are sizeable or as the Client-Agency relationship endures.

- Agencies may wish to break with traditional service-level architecture that match internal structures with client structures, in order to better serve their client base with original and strategic ideas.

Since Kover's (1970) PhD dissertation, there is surprisingly scant research that applies structural elements in an advertising agency context and measures the effects on originality and appropriateness. Given the unique nature of the advertising agency, with their focus on creative outputs (Polonsky and Waller, 1995), and the fact that agency structures have evolved to develop successful and acceptable creative ideas (Beverland, Farrelly, and Woodhatch, 2007; Hirschman 1989; Johar, Holbrook, and Stern, 2001), this is an area that has the potential to provide significant practical insight.

The advertising agency has developed a unique organisational structure that supports creative output (Evans, 1973; Helgesen 1994). As creative advertising is purported to enhance the success of the organisational brands which comprise their clientele (Buzzell, 1964; Tippins and Kunkel, 2006), agencies are sought after for, and consequently dependent on, their capability to generate creative ideas (Hackley and Kover, 2007; West, Kover, and Caruana, 2008). Additionally, creative success provides a key factor in promoting their capabilities to current and future clients (Helgesen, 1994; Polonsky and Waller, 1995; Tippins and Kunkel, 2006). Creative advertising combines strong originality elements in order to grab and maintain the attention of the audience (Dahlen, Rosengren, and Torn, 2008; Goodstein, 1993; Pieters, Warlop, and Wedel, 2002), as well as elements which meet the strategic goals of the client in promoting the differential advantage of their brand (Smith, Chen, and Yang, 2008). However, there are many factors from a structural perspective that can enhance or curtail the originality or appropriateness of the final output.

At the most simple level, structure can be seen as a function of complexity, formalisation, and centralisation (Ford and Slocum, 1977; Lawrence and Lorsch,

1967), or alternatively, dimensions of size, age, and power distribution (Mintzberg, 1973). It is not uncommon for advertising agencies to match their internal structures with those of their leading client base (Beverland et al, 2007; Hirschman, 1989; Horskey, 2006; Kover and Goldberg, 1995; von Nordenflycht, 2011), thereby importing and overlaying these contextual elements across their organisational boundaries. The focus of this paper is on understanding a range of structural influences from the perspective of how an advertising agency formulates and ‘fits’ its agency-side response to client-side variables, and the subsequent influence these structural responses have on commercial creative outputs.

The creativity of campaigns is one important dependant variable to predict, but it is also important to determine the “flavour” of that creativity. There is a strong body of literature focused on understanding and measuring creativity as a construct (Ang, Lee, and Leong, 2007; Ang and Low, 2000; El-Murad and West, 2004; Goldenberg, Mazursky, and Solomon, 1999; Guildford, 1950; Smith, Chen, and Yang, 2008; Till and Baack, 2005; Torrance, 1974). Creative advertising is now generally recognised as containing two key components, i) originality, and ii) appropriateness (Amabile, 1996; Ford, 1996; Kasof, 1995; Kilgour and Koslow, 2009; Mumford and Gustafson, 1988; Mumford and Simonton, 1997; Routhenberg and Hausman, 1976; Runco and Charles, 1992; Runco and Jaeger, 2012).

In the case of advertising, appropriateness is often referred to as being ‘on’ brand strategy (Hirschman, 1989; Kilgour and Koslow 2009; Koslow, Sasser, and Riordan, 2003; Sasser and Koslow, 2008). Moreover, there is often a trade-off between originality and strategy in that some ideas may be more original and less

appropriate, or less original and more appropriate, and still be considered equally creative (Kilgour and Koslow, 2009). To understand the effect of structural elements on those original or strategic “flavours” of creativity, the authors also predict originality and strategy themselves.

AGENCY-SIDE RESOURCE RIGIDITY VARIABLES

The management literature is replete with articles discussing the importance of factors that drive creativity in individuals or organisational contexts (Baughman and Mumford, 1995; Ford and Gioia, 2000; Leonard and Swap, 1989; Mumford and Simonton, 1997; Mumford, Whetzel, and Reiter-Palmon, 1997; Ohly, Sonnentag, and Pluntke, 2006; Rasulzada and Dackert, 2009; Redmond, Mumford, and Teach 1993; Scott and Bruce, 1994; Skilton and Dooley, 2010; Unsworth 2001; Woodman, Sawyer, and Griffin, 1993; Zhou and Shalley, 2008). Creativity is not only embedded in the behaviour of the individual and their interactions with others, but also in climate, structure, and the organisation culture, which surround the creative act (Mumford and Simonton, 1997). However, while there are many streams of research in this area focused on internal processes, cultural and climatic variables, few discuss the importance of structural and institutional elements that support or impede creative and innovative activity (Arad, Hanson, and Schneider, 1997; Kolb 1992; Mumford and Simonton, 1997; Olson, Slater, and Hult, 2005; Thornburg, 1991; Woodman et al, 1993).

From the agency side, one of the most fundamental controllable elements that is likely to have an effect on the creative output are the human resources allocated to the advertising account (Davies and Prince, 1999; Thornburg 1991). Creativity is a highly complex behaviour at both individual and

organisational levels (Csikszentmihalyi, 1996; Runco and Sakamoto, 1999; Unsworth 2001; Woodman et al, 1993; Zhou and Shalley, 2008).

In general, the organisational literature holds that the higher the complexity of the task requirements the greater the number of specialised resources allocated to information processing (Hage and Aiken, 1969; March and Simon, 1958; Perrow, 1967; Thompson, 1967), and increased use of integrative devices between these differentiated units (Aiken and Hage, 1968; Daft, 2007; Ito and Petersen, 1986; Lawrence and Lorsch, 1967). From this perspective, structure is commonly viewed as a combination of the interplay between functionally distinct and interdependent units, and in terms of composition and the size of the team (Finklestein and Hambrick, 1996). Specifically, the degree of functional departmentation, or specialisation, is known to coincide with incentives that promoted functional goals over organisational strategy (Amabile, 1998; Finklestein and Hambrick, 1996; Glick, Miller, and Huber, 1996). So the authors expect both the size of the team allocated to the creative process and the functional type of team member to have an effect on the originality and appropriateness of the creative output.

Rather than looking at total size of the team, relative size is a more appropriate measure of comparison given that larger accounts generally demand more resourcing due to scope and scale factors such as multiple brands and larger campaigns (Davis and Prince, 1999; Horskey, 2006). Weilbacher (1990) briefly commented that account team size and composition varied little in relation to the amount of billings, and that agency management approaches to resourcing accounts were based more on industry category. Beyond that, there is currently

no research on how the relative size of the agency team assigned to an account effect creative outputs.

In many group settings where the focus is on developing appropriate solutions, more people will lead to increased output, although at a reduced rate of incremental improvement to such output (Latané and Wolf, 1981). However in a creative setting, as one is seeking divergent as well as appropriate outputs, there are a number of factors that mean more people may result in less original outcomes. As Klein notes (1990, 66) “the more people there are who must evaluate an idea, the more points of view have to be accommodated, and the more rational and one-dimensional will be the result”. In organisational settings that actively pursue innovation, teams are considered optimal when comprised of between four to ten individuals with personal characteristics disposed towards creativity (West, 1997).

Subsequently, in relation to the size of the agency campaign team and its effect on originality in a creative setting, there may be an optimal level that is achieved at a relatively low number of people (Rickards, 1974). This is due to the effects of functional fixedness (Ford, 1996; Hecht and Proffitt, 1994; Marsh, Landau, and Hicks, 1996; Wiley, 1998), satisficing (Simon, 1956), and destructive conflict (Pelled, Eisenhardt, and Xin, 1999), on the acceptance of divergent outputs. However, in relation to appropriateness the authors expect that these same effects will result in an increase of ‘on strategy’ ideas. More input from a range of people is likely to increase fixation and satisficing which will result in the focus and acceptance of ideas that meet the objective strategy based criteria.

H1A: The greater the number of agency staff involved in a campaign the higher the campaign originality.

H1B: The greater the number of agency staff involved in a campaign the higher the campaign strategy.

Not only will the relative number of people assigned to an account be posited to have an influence on outputs, but the type of agency personnel is also likely to have an effect (Burmingham and West, 1995; West and Anderson, 1997). Since the two predominant groups that are assigned to an account are creatives and account executives (Evans, 1973; Hackley, 2000; Morais, 2007), this paper looks at how the relative number of people assigned from these two groups, as well as all the other groups in total, effect originality and appropriateness.

Given that advertising creatives have strong divergent thinking expertise and a preference for original ideas (Kilgour and Koslow, 2009; Koslow, et al, 2003; Kover, Goldberg, and James, 1995), it would be expected that more creative staff should increase the originality of the campaign. Functional fixedness and satisficing should not be an issue as research indicates that creative personnel overcome this issue by using strong internalised divergent thinking techniques (Basadur, Graen, and Wakabayashi, 1990; Brophy, 1998; Brophy 2001; Kilgour and Koslow, 2009). Their acceptance of, and focus on, originality reduces the propensity to satisfice in relation to less original outputs. Indeed research has found that if respondents are able to focus on inconsistent information, or the use of analogies and metaphors, it results in more original ideas (Baughman and Mumford, 1995; Mumford, Baughman, Maher, Costanza, and Supinski, 1997).

H2: The greater the number of creative staff involved in a campaign the higher the campaign originality

As the role of account executives is not to generate creative ideas but to act as the liaison between the client and the creative team, maintain the agency-client relationship, as well as providing research and information where appropriate (Arens, 1999; Hirschman, 1989; Koslow et al, 2003), it would be expected that they would not have a direct effect on the originality of the ideas (Mumford, Baughman, Threlfall, Supinski, and Costanza, 1996). That is, account management tends towards goal-directed behaviours. Indeed, studies would support the contention that goal-based representations may result in existing lines of reasoning that are not suitable for original solutions (Ford, 1996; Mumford, Baughman, Supinski, and Maher, 1996; Wiley 1998). This means that account executives, with an explicit role mandate centred on client relationship management and realising research findings, are expected to assist in focusing the creative team on ensuring the campaign is on strategy (Michell, 1984). Subsequently, more account executives should result higher levels of appropriateness (Beverland et al, 2007; Hirschman, 1989).

H3: The greater the number of account executive staff involved in a campaign the higher the campaign strategy.

In relation to the impact of additional team members from other functional areas *e.g.* account planning, research, media buying, research has found that more functional diversity within a team commonly results in an increase in the number

of different ideas available for selection (Sethi, Smith, and Park, 2001). However, this diversity is posited to come at a cost to decision-making processes (Anaconda and Caudwell, 1992; Pelled et al, 1999). Sethi et al (2001) note that when decision-making processes are compromised, information processing within groups tends to the algorithmic at the expense of the heuristic-processing that is necessary for divergent thinking (Amabile, 1996). In their study of 141 cross-functional teams (with a mean of 6 functional areas per team) no significant results for functional diversity were found for innovation. Consequently, Sethi et al (2001) were unable to conclude whether there is an optimal threshold for functional diversity. Although, Sethi et al (2001) measured novelty and appropriateness separately using the scale items from Besemer and O'Quin, (1986), they only reported their findings for the composite measure of innovativeness. Assuming a trade-off between originality and appropriates holds (Kilgour and Koslow, 2009), then any factor that leads to an increase in originality will come at the expense of strategy, and thus:

H4a: The greater the number of unique functional areas involved in a campaign, the higher the campaign originality.

H4b: The greater the number of unique functional areas involved in a campaign the lower the campaign strategy.

CLIENT-SIDE VARIABLES

In the agency setting, variables related to the client are likely to have a significant impact on creative outcomes. The success of the advertising agency is dependent on their ability to satisfy the promotional needs of the client (Henke,

1995; Wackman and Salmon, 1986). One unerring tension in the agency-client relationship is the trade-off between originality and appropriateness in the creative idea development process, and potential differences in emphasis on these two elements between the client and the creative team (Hirschman, 1989; Murphy and Maynard, 1996).

Creative personnel have a focus on original content (Koslow et al, 2003; Kover et al, 1995) and although they aim for the ideal of original and appropriate work, they are sometimes unhappy if the client's insistence on strategy elements and evaluation research interferes with their creative work (Hirschman, 1989; Koslow et al, 2003; Kover, 1995; Sutherland, Duke and Abernathy, 2004; West et al, 2008). Clients on the other hand are usually much more knowledgeable and focused on the brand strategy, and in some cases are far less likely to accept highly original work that they deem as more risky (Hirschman, 1989; West et al, 2008; Young, 2005). This is however not a straightforward relationship as it is potentially moderated by a number of factors (Oster, 1982; West, 1999).

The acceptance of original work has been observed as differing between different types of clients. One variable that impacts the client acceptance of different types of creative work is client size (Sasser, Koslow, and Kilgour, 2013). From an agency perspective smaller clients are viewed as being more likely to accept highly original work than large clients (West, 1999). There are a number of potential reasons for this. First, small 'chip shop' clients are likely to have less specialist promotional expertise within their organisations and therefore are more likely to accept what the agency proposes (Davies and Prince, 2005; von Nordenflycht 2011). Secondly, smaller organisations are more likely to be underdog, or new brands, and therefore their promotional objectives will be more

focused toward awareness rather than the brand and behavioural reinforcement objectives required by dominant brands in the market (Al Shuaili, Koslow, Kilgour, Sasser, and Ang, 2015). For larger organisations, the cost of innovation becomes more difficult to accept given that it disrupts existing systems (Oster, 1982; Rodgers and Adikurya, 1979).

H5A: Increases in client size will result in lower levels of campaign originality.

H5B: Increases in client size will result in higher levels of campaign strategy.

Another factor that is likely to influence the creative output is the longevity of the relationship (Davies and Prince, 1999). For originality, in a re-conceptualisation of their Performance Theory, Davies and Prince (2005) propose that the development of ties between the agency and the client maps to an inverted U shape as the relationship fosters trust. This increase in trust and understanding between the two organisations can coincide with a normalisation effect that reduces agency independence and increases behaviour that aligns with the client organisation. Finklestein & Hambrick (1996) note that under a range of conditions, as longevity of a situation develops, then commitment to a paradigm increases and originality decreases. These inertial effects stick knowledge rigidly in place (Gilbert, 2005; Leonard-Barton, 1992; Szulanski, 1996; Von Hippel, 1994). In advertising, such institutional effects generally require an exogenous shock, such as revenue or sales decline, to provoke a change in advertising strategy on the clients' part (Beverland et al, 2007; Michell and Sanders, 1995; Oster, 1982).

In relation to strategy, a long relationship is indicative of brand success. A significant body of research shows that past success leads to a single-minded perspective, that while helpful in situations that require group collaboration, such as in overcoming problems, can be detrimental when environmental change requires different strategies (Audia, Locke, and Smith, 2000; Bandura, 2000; Cheong, De Gregorio, and Kim, 2014; Goncalo, 2004). In an agency setting, the agency is more likely to do safe similar creative work that does not disrupt the existing brand positioning and is therefore less original, and over time, also less appropriate given environmental change. Indeed research has indicated that past success often causes groups to think more narrowly even under situations where the environment has changed (Goncalo, 2004; Mayer, 1992, Tushman and Romanelli, 1985). Of course at some stage environmental change will eventually force a change in brand strategy. Underperformance will lead to the need to undertake more risky alternatives (Fiegenbaum and Thomas, 1988; West, 1999), but this will be an infrequent occurrence.

H6A: The longer the relationship between the agency and the client, the lower the campaign originality.

H6B: The longer the relationship between the agency and the client, the lower the campaign strategy.

ENACTMENT VARIABLES

Enactment variables are a reflection of how the campaign played out, as perceived by the agency staff that developed it. One of the issues in the client agency relationship is the ambiguous, unequal, and differing types of power of the

two groups (Hirschman, 1989). While the agency has knowledge power due to its specialist expertise, their staff are restricted by the necessity to produce work that will be accepted by a client with less expertise in the area of divergent thinking. This may lead to perceptions from agency personnel of inferior work being accepted for the finalised campaign. Whilst agency staff may have a preference for a campaign treatment that is higher in both originality and strategy, this does not mean that the agency's 'first choice' of work will be accepted by the client (Hirschman, 1989); a fact that agencies appear well aware of (West, Kover, and Caruana, 2008). The inability to have their first choice campaign accepted by the client has implications for optimising structures, relationship processes, and how to motivate creative personnel within agencies.

Two points are therefore of interest; first, what percentage of first choice work is used by clients? This is an indication of the ability of the agency, and the relationship processes and structures, to understand and sell ideas to the client. Second the perception by the agency on the creativity of their first versus subsequent choices.

H7A: Agency staff will consider their first choice work for the campaign to be more original than their less preferred choices.

H7B: Agency staff will consider their first choice work for the campaign to be more strategic than their less preferred choices.

METHOD

Agency personnel were surveyed as they have the most accurate knowledge of the structural and institutional elements for the campaigns they

develop. The authors started by inviting twenty highest billing full-service agencies in each of the primary markets for advertising production in Australasia: Sydney, Melbourne and Auckland. This sampling frame represents large agencies, with an estimated catchment of 75-80% of total advertising billings for the respective advertising markets that they serve.

In total, 31 agencies agreed to participate in the study, with respondents from 11 agencies in Sydney, 10 from Melbourne, and nine in Auckland. The majority of these agencies were Australasian offices of international agency networks. With the permission of their executive management, advertising practitioners from across the role-function spectrum were invited to complete a quantitative survey instrument focusing on up to three campaigns. Data were analysed from 186 agency staff, with 24.2% of respondents from creative roles and the rest from account management. This supplied a usable data sample of 557 campaigns, stemming from a wide variety of accounts, categories, and embedded industries.

A range of educational, age, experience, and hierarchical levels were represented in the respondent data. The sample was well educated with 40.8% of the sample stating undergraduate as their highest degree, and an additional 28.6% having a graduate degree as their highest. The modal age was 25-34 years and 52.8% of the sample was within that bracket, and another 29.8% in the 35-44 year age bracket. The proportion of the sample with experience with three or more fast moving consumer goods, retail, financial services or automotive campaigns were 67.7%, 63.8%, 56.6% and 49.6% respectively. The proportion of respondents reporting personal experience for three or more campaigns using newspapers, outdoor, TV, digital or radio are 85.6%, 85.6%, 82.9%, 79.4%, and 72.9%

respectively. Some 30.3% describe themselves at intermediate ranks, 29.8% describe themselves at senior ranks, 13.5% at director level and 17.7% at even higher ranks including 3 CEOs.

Dependent Measures

Measures of Originality and Appropriateness (referred to in the agency context as ‘On Strategy’) were employed following the scales derived by Koslow, Sasser, and Riordan (2003; 2006). Each scale consisted of four items, measured on a 7pt Likert anchored ‘strongly disagree (-3) to ‘strongly agree’ (+3), with a neutral midpoint labelled (0). Items for both scales rooted off the verbal stem “Compared to other advertisements/campaigns, this advertisement/campaign was...?”

Factor analysis confirmed the separate structures of Originality and On Strategy measures, with all items loading as expected on the two constructs. Factor loadings ranged from 0.73 to 0.9, with the total explanatory power of the model $R^2 = 70\%$. Cronbach alphas were .90 and .80 respectively for Originality and On Strategy. Following the factor analysis of the dependent variables, the raw items of Originality and On Strategy were added to form single item measures for dependent measures and these were then scaled and centred.

Independent Measures

Single item scales were developed for measures of variability in agency staff resourcing of accounts (hypotheses H1A, H1B, H2 and H3). Items for these scales were rooted off the verbal stem “Compared to the average account, there were more agency staff/creatives/account executives assigned to this account than

would normally be assigned to an account of this size”. For H4A and H4B, an open ended question was used to determine the number of functional areas that were assigned to each campaign.

In order to gauge whether agency staff perceived any institutional influences stemming from the relative importance of the client to the agency, three levels of client size estimates were prescribed for H5A and H5B. Respondents were asked “for your agency, was the client large (L), medium (M), or small (S)?” An open question for H6A and H6B ask respondents to state how long their agency had worked with the client in years and months.

Single binary yes/no responses were requested for the two enactment variables ‘did the client use the campaign’ and ‘was this your first/primary choice of creative work for this account’ (H7A and H7B). A single binary yes/no response was also employed as a control measure to determine if the agency was paid on a performance basis.

All independent and dependent measures were mean-centred and scaled prior to entry into the regression analysis (Aiken and West, 1991; Cohen, 1978; Marquardt, 1980)

RESULTS

Hierarchical Linear Regression models were developed using the Restricted Estimation of Maximised Likelihood Mixed Procedure (REML). This procedure controls for extreme responses and yay-saying biases by treating individual differences as random effects, thereby eliminating concerns for common-methods variance in the procedure (Podsakoff, MacKenzie, Lee, and

Podsakoff, 2003). All of the statistical analyses were conducted using the Statistical Analysis System (SAS) package.

To extend the analysis, a modified Cobb-Douglas production function was used construct a third dependent measure – Creativity – from its conceptual components of Originality and Strategy. Derived measures of advertising creativity have previously been reported by Koslow, Sasser and Riordan (2003; 2006). The Cobb-Douglas production function is an established methodology in economics for combining two inputs into a single output variable (Zellner, Kmenta, and Dreze, 1966). This derived measure is high only when both strategy and originality are high, and as such, is another functional form of creativity (Sasser and Koslow, 2008).

Within the sample, the control measure for Pay for Performance had a low number of observations ($n=50$) and subsequently was removed from further analysis. It was, however not significant in any model. Likewise, the measure of whether or not the client used the campaign was even more skewed with only 24 campaigns not used. This measure also failed to demonstrate significance and was also dropped from the analysis. For the remaining variables, all interaction effects were made available for stepwise selection. Although the authors attempted to set the hierarchy for analysis to be first city, then agency, then role within agency (*e.g.*, account versus creative), and then individual, only the individual differences were found to be significant, and thus was the only grouping variable used.

The HLM converged in a single iteration, with good fit estimates. The HLM method explicitly estimates the effect of individual differences as a random variable. Individual differences were significant for all three models, at less than $p=0.0001$ level for Strategy, $p=0.05$ for originality, and $p=0.0003$ for the derived

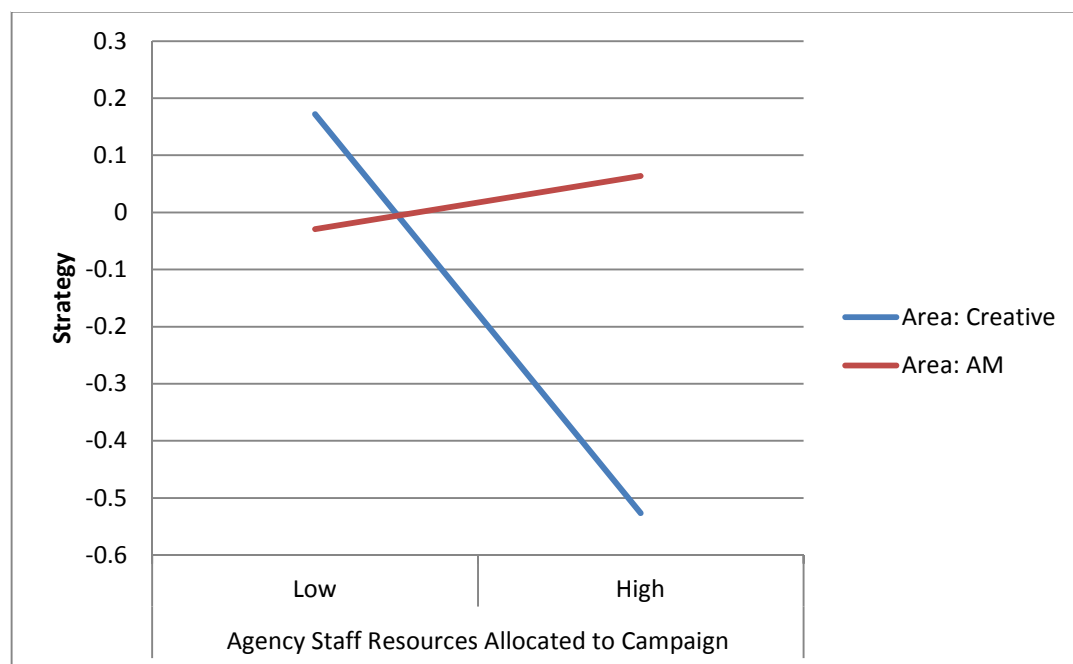
Creativity measure. Only significant results are included in the final models, which are presented in *Table 2* below.

Table 2. HLM Solutions for Fixed Effects on Strategy, Originality and Creativity

	Strategy		Originality		Creativity	
	Parameters	p value	Parameters	p value	Parameters	p value
Intercept	0.01813		0.6146		0.4022	
First/primary choice of creative work	0.4191	<0.0001	0.5938	<0.0001	0.6083	<0.0001
Relative number of creatives			0.1785	<0.0001		
Total number of agency staff directly involved	-0.9972	0.2139	0.1357	0.0024	0.1724	0.0004
Total number of unique functional areas represented on the Ad Team					-0.2096	0.0410
Length of relationship	-0.1447	0.0014			-0.1041	0.0234
Client Size: Large			-0.4557	0.0005	-0.3399	0.0113
Medium			-0.4500	0.0010	-0.2823	0.0370
Small			.	.	.	.
Area: Account Management	0.1955	0.0905			0.1206	0.2928
Area: Creative	.	.	.	.	.	.

Hypothesis One posits that an increase in the agency staffing resources allocated to campaign development will have a positive effect on the levels of Originality and Strategy for the end product. Hypothesis 1A for Originality was supported ($p=0.0024$), but support for a direct effect on campaign Strategy was not significant; H1B was not supported. However, a strong and significant interaction ($parameter\ 0.25, p=0.009$) was found between groups (creatives and account management resources) and their relative group perceptions of strategy. Interaction effects were graphed following the procedure outlined by Cohen and Cohen (1983) whereby Z values are fixed at one standard deviation above and below the mean (χ), and are presented in *Figure 2* below.

*Figure 2 - Interaction of Functional Area * Agency Resourcing on Campaign Strategy*



Hypothesis Two theorised a positive effect for the number of creative personnel on campaign originality and the hypothesis was supported ($p < 0.0001$). Hypothesis Three analysed the impact of number of account management staff which was hypothesised to have a positive effect on strategy. The effect was not significant and hence H3 was not supported and as a consequence was dropped from further analysis. Subsequently, these results support the conclusion that an increase in the number of agency staff resources stemming from the Account Management function does not in itself contribute to the quality of campaign strategy.

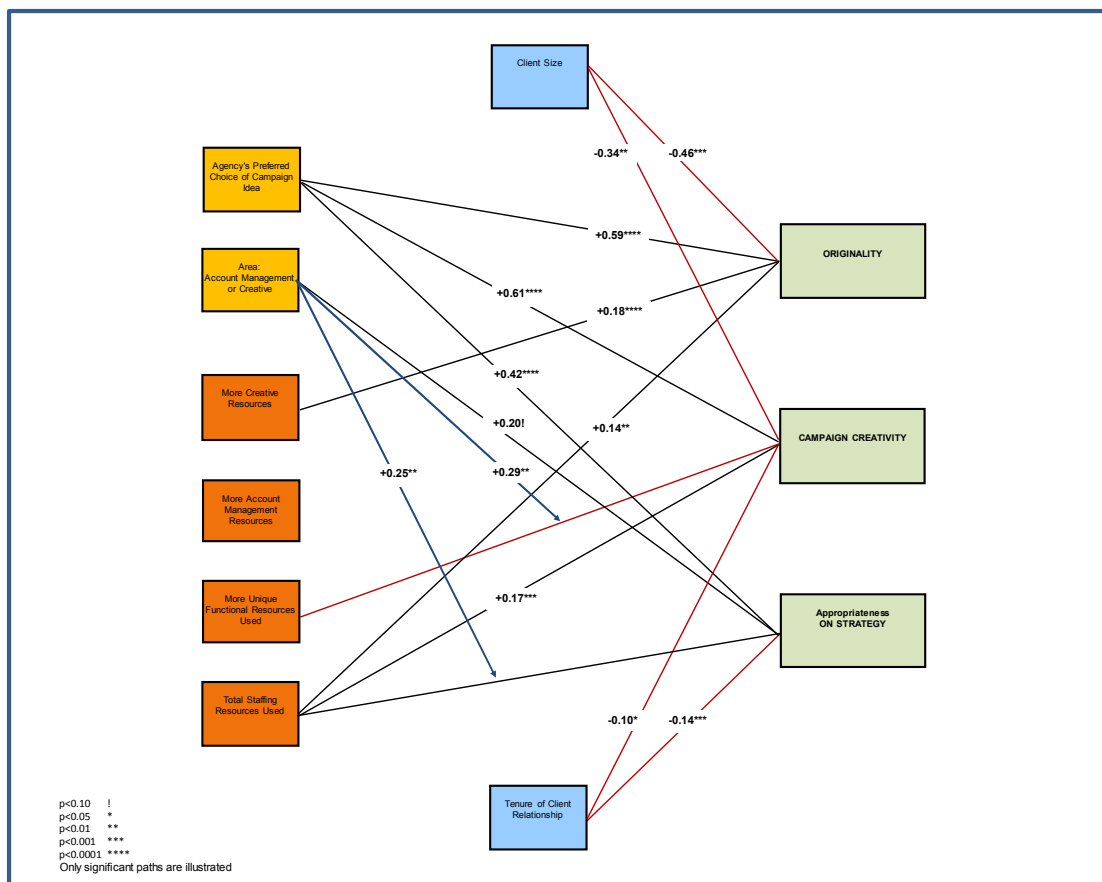
Classical organisational theories suggest that increased functional differentiation can be anticipated under increased environmental complexity and task difficulty (Miller, 1986; 1992) leading to Hypotheses Four that representation of more specialised functional areas within a campaign team will have direct effects on Originality H4A (positive) and Strategy H4B (negative). The effects were not significant and hence no evidence was found in the lower-order effects to support either H4a or H4b.

Hypotheses Five, Six, and Seven addressed the impact of the client context upon campaign development. H5A and H5B assessed whether the size of the client relative to the agency's portfolio of clients influenced the originality and strategy of campaigns. H5A was supported, with similar and sizable effects on originality for medium and large clients ($-0.45, p = 0.001$; $-0.4557, p = 0.0005$) in comparison to small clients. H5B was not supported indicating between group differences were not evident for the strategy measure.

H6A re-visited findings in literature (Oster, 1982; Buchanan and Michell, 1991; Davies and Prince 2005) which indicate that after an initial period of

creative output the relationship between Client-Agency might endure but at a cost to originality. No support was found for this hypothesis. In contrast H6B, that the quality of strategy will be negatively related to the length of the Client-Agency relationship, was supported ($p=0.0014$). Hypotheses 7 presented a further examination of the effect of Client-Agency relationship but from an output angle. Results found that 63.4% of the work used by clients was considered by the advertising practitioners to be their preferred creative work for the campaign. In relation to hypotheses 7A and 7B which analysed whether agency staff considered their first choice work for the campaign to be more original and on strategy the parameters were considerable and highly significant ($p<0.0001$). The final path model is illustrated in *Figure 3* below.

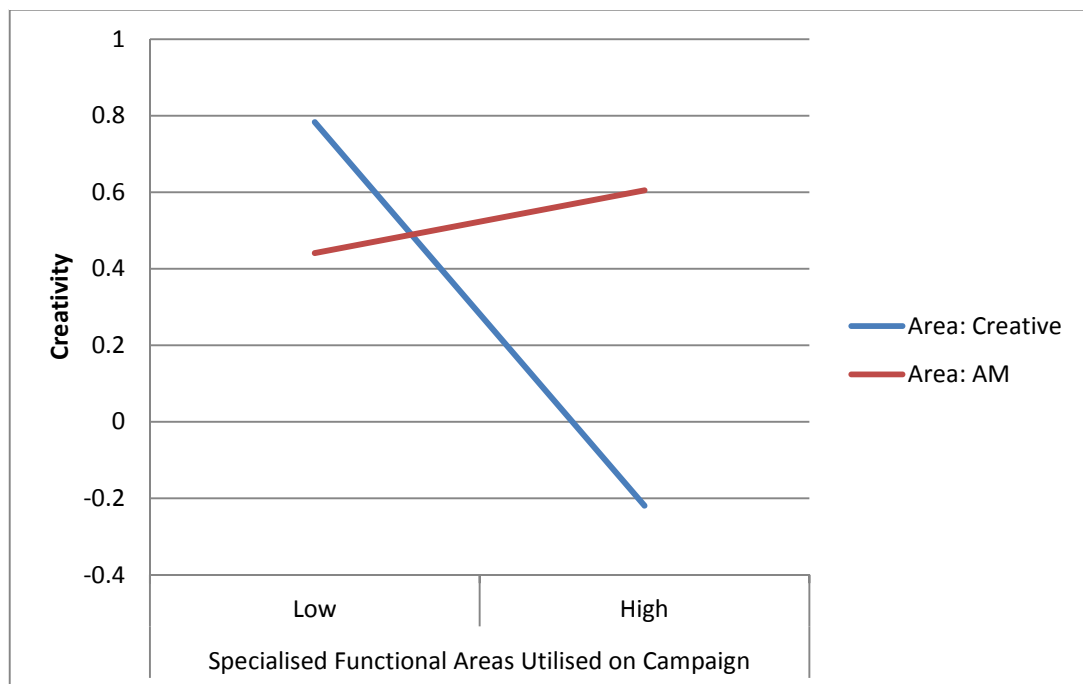
Figure 3 - Hierarchical Linear Model



Effects on Creativity

A further examination of the data regarding perceptions of an overall creativity measure was added as per Andrews and Smith's (1996) recommendation. Significant positive one-way effects on creativity were found for total number of agency staff, and primary choice of creative work. Significant negative one-way effects on creativity were found for length of the relationship and client size. A second interaction effect was also indicated for the application of more specialised areas to the campaign, and is illustrated in *Figure 4* below.

*Figure 4 - Interaction of Functional Area * Functional Differentiation on Campaign Creativity*



SUMMARY AND IMPLICATIONS

The results illustrate that it may not be a simple matter of increasing staff resources that are attached to an account in order to develop more creative work. When looking at total number of agency staff there was a positive effect on both the perceived originality and creativity of the campaign, but delving into the detail in relation to the type of personnel it would appear that this may be driven by the finding that increases in creative personnel drove increases in originality. More account executives did not appear to result in work that was perceived as more on strategy. This is perhaps not surprising in that once the strategic requirements are determined, additional resources will add little to the creative idea generation process, perhaps even drawing attention away from the task specification and towards consensus building (Brehmer, 1976; Walsh and Fahey, 1986). However developing divergent highly original ideas is a more complex process and increases in creative personnel with their ability to jump domains of knowledge should add further diversity of ideas as well as support in terms of weight of numbers once those ideas have been developed.

An interesting interaction for strategy was found that indicates between group differences for perceptions for strategy for the functional specialised areas of Creative and Account Management when the number of agency staffing resources allocated to the campaign is increased. Account managers perceive an increase in strategy when there are more staffing resources allocated to the campaign, in contrast, creative team staff held a counter-attitudinal position that more staff involved in the campaign development process was destructive for campaign strategy. This is an indication of different perceptions of strategy between the two primary functional areas within an agency working on a

campaign, which may be a basis for conflict between the two groups. This is probably a reflection of the primary roles they play within the campaign development process.

The fact that creatives indicated that increased people involved in the process drastically reduces strategy may reflect the problem with creative evaluation in that the creative develops an idea that is a divergent combination, which they themselves as the idea generator will see as creative, but adding more people to the account makes it more difficult to sell that idea to a greater number of people. Alternatively, creatives may view the selected strategy as a social construction founded in the wrong domain of attention (Walsh and Fahey, 1986), and thereby misaligned with the target market.

It was anticipated that adding additional functional areas to an account would add diversity and increase originality at the expense of campaign strategy, however, this effect was not supported. This may be attributed to the fact that it is the creatives and the account personnel who have the most influence on the development of the final campaign idea (Evans 1973). Additional research is required to look into issues of social identity and their impact on idea development processes in creative teams.

Considering both interactions, creatives may view any additional incursion into their domain of influence to be detrimental. Adding more people with different functional backgrounds to the structure of the campaign team may be injurious to the development of creative advertising if the origin of these functions is to bring additional structure and control to the advertising development process. Such functional representation may swing power towards 'management practice' over 'creative practice'. Whilst the illusion of a controlled creative process may

be attractive to clients (Michell, 1984), agencies would be well advised to avoid loading their campaign staffing with a wider functional representation, as the extra resources clearly lead to more routine idea development (Gilbert, 2005).

Results support the contention that larger clients equate to less original work, at least in respect to a difference between small accounts and medium or large accounts. At the same time larger clients did not appear to equate to higher perceived levels of strategy. There are many factors that may be driving this effect, it may be due to the smaller budgets meaning smaller clients have a greater risk tolerance, or as noted in research by Smith (2006) smaller clients may provide access to senior managers allowing quicker, and less strata of, approval. Alternatively, it may be driven at least in part by the greater freedom that smaller clients provide to the creative team, as larger clients inevitably bring with them more mechanisms for ensuring creative ideas are on strategy. However the lack of a significant effect in relation to on strategy would counter this argument. Indeed it was expected that larger clients would bring with them more sophisticated procedures for ensuring appropriateness such as increased levels of sign off and research such as copytesting procedures, but this should have resulted in a trade-off of decreases in originality for appropriateness. Instead smaller clients are perceived to receive more original work without a loss of appropriateness.

It was expected that longer relationships would lead to lower levels of originality and strategy. This was found for strategy but not originality which may be a reflection of the research question where agency perceptions of what was an original idea in the past will still be viewed by them as original even if changes are needed. Great creative ideas are still, in the eyes of the agency that created

them, great four years later; they may not still be strategically appropriate. Agencies face an interesting dilemma in that their past creative success means they are able to develop stable and cohesive relationships, but eventually these relationship aspects may lead to a lack of brand renewal and in conditions of rapid environmental change will mean the client may eventually begin to look for a new agency.

Implications for Practice

Ideas, both strategic and original, can be welcomed differentially by clients. Neither is immune to being overlooked due to inertia, satisficing, or other cognitive barriers. Agencies may be advised to take a deep breath and brass up when it comes to resourcing; sometimes less is more. Whilst pro-activity in the form of building relationships and credibility through increasing client-management contact might appear to deliver valued service to the client (Beverland et al, 2007), the authors note a distinct lack of any strategic campaign benefit derived from such activity. A better approach might be for agencies to sometimes overlook the use of more specialised functions such as account planning and instead increase creative service levels when differentiating work is required (Unsworth, Wall, and Carter, 2005). Gross's (1972) seminal argument was for increasing the pool of ideas available for selection. Further, account management need not have the exclusive mandate on strategy development, particularly if the strategic logic no longer fits the client environment. Clients may be more risk-seeking than agencies perceive, or are seeking more potential options in order to overcome competitive dynamics (Beverland et al, 2007). If agencies chose to simply respond to client requests – enacted through the structures

agencies adopt for each account – then agencies are trading opportunism for the opportunity to provide truly satisfying service to their clients through their expertise in both strategic and original idea generation.

As mythic figure Don Draper explains to his team (Strutton and Taylor, 2011), the agency may be less vulnerable to a breakdown in the agency-client relationship if they can demonstrate that the agency has the capability to do more strategic or original work as and when it is required. As it stands, that agencies can have as much as 65% of their first-choice of work accepted by the client illustrates that agencies wield significant influence.

Limitations and Areas for Further Research

Additional work is needed to get client-side views of the effects of these structural elements. But, attaining matched data from the client-side is more easily said than done. Instead, this research focused on the advertising agency as the unit of analysis for agency personnel are arguably the most knowledgeable about the constructs under analysis. Clients may have a different view as to the creativity of the outputs, although given these are campaigns that have been through evaluation processes as part of the client-agency process, and the majority were accepted, this difference is likely to be minimal. As work by Amabile (1996) has pointed out, a consensual measure of creativity has found to be a strong normative measure.

Further research is needed to look into how environmental factors influence the desirability of the different effects. This is a potential problem in the creative process as research by Gilbert (2005) indicated that in a situation of uncertainty, additional resources are added alongside greater procedural controls

on those resources, the results being more appropriate but less original work. However, appropriate outside influence, such as a client's willingness to explore strategic and original ideas (Koslow et al, 2006) has been found to reduce structural rigidity and also reduce regime rigidity (Gilbert 2005).

This paper scratches the surface in terms of how structural elements influence originality and appropriateness and much more research is needed to look into the environmental and behavioural conditions that moderate these effects. Factors such as openness to accept ideas, stage of the product life cycle, and processes for conflict resolution, are areas that will moderate the effect of structural elements and more research is needed.

This article was the first to look at how structural elements influence creativity. The agency client relationship in the advertising industry has evolved and is continuing to evolve, and understanding these elements is crucial to attaining the best creative outcomes. While many factors were found in this paper to have significant effects, in the majority of cases ideas that were perceived to be the most creative made it through the evaluation process. This would indicate strength in the overall agency model in integrating the requirements of the client with those the agency in order to generate creative work. In this respect the structures appear to be largely working.

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Chapter Four

*Absorptive Capacity in Creative Advertising Development:
How Cohesion and Friction Moderate Learning's Effects*

Chapter Four: Absorptive Capacity in Creative Advertising Development.

ABSTRACT

Although many scholars have discussed the value of absorptive capacity, the construct is not well operationalised at a mechanical level. This research seeks to operationalise these constructs in advertising agencies and thus focuses on how internal organisational dynamics influence the absorption of knowledge. The internal dynamics examined include account team cohesion and personal frictions. Two sources of knowledge are also examined, consumer research and formal testing of advertising campaigns. Subjects include 187 advertising employees from major advertising agencies in Sydney, Melbourne and Auckland, reporting on 557 campaigns. This research shows that in some organisational settings absorptive capacity is clearly expanded to improve the quality of work agencies produce. However, there are other situations where the work changes in character, shifting from more original to more strategic (and vice versa) rather than improve in quality.

To understand how to manage the creative development process, one useful framework may be absorptive capacity (Cohen and Levinthal 1989). This concept seeks to explain how some firms uptake external knowledge better than others to become more innovative. Previously, knowledge was thought of similar to radio broadcasts such that anyone who purchased a radio could listen in and learn (see Lane, Koka and Pathak 2006). Instead, firms need to develop processes, policies and procedures to facilitate the sharing of knowledge internally (Cohen and Levinthal 1990). Within this tradition, prior research has shown that using external knowledge has organisational costs including time-lags before absorption can be observed (Schildt, Keil and Maula 2012) as well as trade-offs in efficiency and adaptability (Weigelt and Sarkar 2012).

However, the difficulty with the absorptive capacity concept is that it is not well operationalised at a mechanical level (see Lane, Koka and Pathak 2006), and little research has focused on elaborating the details of how *groups* source and share knowledge. In contrast, many models have been developed to describe how *individuals* process externally obtained information, and these range from the early models of short and long term memory to peripheral and central processing. This individual-level progress is possible because these effects are the direct result of uniform mental architecture among humans. Less progress has been made in operationalising the absorptive capacity concept within groups because the architecture of information absorption is not well specified and needs to be explored.

To apply the absorptive capacity concept at the mechanical level, this research considers the dynamics of how external information influences the quality of creative work produced by advertising agencies. Although absorptive

capacity is usually discussed in an innovation context, one should still be able to use the concept to understand creativity because of the role creativity plays in the innovation process. For example, tracer studies of innovation (see Rogers 2003) show that innovation is series of technical problem solving activities (Hage and Hollingsworth 2000) punctuated by a few large advancements or “lighting strikes” of creative ideas (O’Connor and Rice, 2001). That is, innovation is the successful implementation of creative ideas (West, Sacramento and Fay 2006).

Advertising agencies have two specific “windows” through which external information formally enters: 1) consumer research and 2) copytesting (Koslow, Sasser and Riordan 2006; Sasser and Koslow 2008). The former window of information is often part of the “brief” a client gives an agency at the beginning of the advertising development process and, together with the strategy, consumer research largely sets the context for the creative problem solving that the agency will address. In contrast, copytesting sets a solution frame for what is supposed to be achieved in terms of affect, memory or persuasion effects of advertising, although sometimes agencies can fine tune their work based on copytesting scores. Successfully applying the absorptive capacity concept means showing how group level dynamics moderate how consumer research and copytesting influence the quality of the advertising produced.

The core issue to be examined is how characteristics of the organisation influence how well this information improves the quality of work produced, and two important dimension may be group cohesion and friction.

THEORY DEVELOPMENT

The absorptive capacity concept was first introduced by Cohen and Levinthal (1989) to explain how some firms are capable of up-taking external knowledge better than others to become more innovative. Over a series of three papers (1989, 1990, 1994) Cohen and Levinthal outlined an evolving and rich theoretical model that leading organisations are not passive absorbers of knowledge, and must actively seek new external knowledge in order to create new knowledge and “do something quite different” (1989, p. 570).

Absorptive capacity relates to a firm’s ability to utilise externally-held knowledge through an iterative sequence of three processes: recognising valuable new information through exploratory learning; assimilating valuable new knowledge through transformational learning; and using this knowledge to create new knowledge (Lane et al, 2006). Like creativity, investments made in developing absorptive capacity appear to have significant returns in kind, and are more than just ‘additive’ in dimension (Sternberg and Lubart 1996).

Schumpeterian in flavour, Cohen and Levinthal’s (1989) initial concept challenged the long-held economic traditions of Nelson (1959a; 1959b) and Arrow (1962) that considered all available information to be incorporated within a public domain. Consequently, organisational learning - conceived of as a mimetic knowledge acquisition process - simply required gaining familiarity with a source material, and the costs of doing so were only realised in the direct and immediate term.

In contrast, Cohen and Levinthal (1989) demonstrated that investment in R&D have a by-product effect beyond the simple conception of ‘learning by doing’. That is, R&D units don’t just conjure innovation out of thin air. Tasked

with the function of introducing and inducting ‘newness’ to an organisation, R&D units either import knowledge from elsewhere, or build on what already exists internally. But there is an additional benefit; such intimate knowledge of a domain and field of activity makes it easier for vested firms to recognise potential value in the external environment and make use of it.

This second function was not recognised in the field of Industrial Economics at the time because the costs of R&D were assumed to be immediate. Concurrent with the emerging Resource-based View (RBV) of the firm (Barney 1991; Wernerfelt 1984), Cohen and Levinthal’s principal challenge noted that without a prior investment in acquiring a relevant body of knowledge, firms could not realise the additional benefits of R&D activity.

More recent conceptions of absorptive capacity have further enriched this view. Building search and knowledge acquisition technologies requires more than just employing ‘creative’ people, or acquiring innovative companies (King and Anderson, 2002). Instead, firms need to develop complementary processes, policies, procedures, network mechanisms, and knowledge orientations to facilitate the absorption of knowledge internally - that is, learning from and using external knowledge has costs beyond those of acquisition (Elmquist and Segrestin 2007).

Although many have written extensively on the absorptive capacity concept, one of the remaining challenges is specifying what those mechanisms look like on an interpersonal level (Huber 2006). Lane et al (2006) suggest it depends on the organisation’s ability to share knowledge and communicate internally. However, they still do not specify a mechanism. Jansen, Van Den Bosch and Vollerda (2005) suggest that socialisation and connectedness may play a role, but they again do not specify personal mechanisms. To try to make

absorptive capacity more tangible, Flatten, Englan, Zahra and Brettle (2011) build empirical scales of absorptive capacity and focus on the success of acquiring, assimilating, transforming and exploiting knowledge. However, they do assume that communication within the firm is the mechanism by which absorptive capacity is shared.

Organisational communication research, however, is a large area and much of what is studied goes well beyond merely absorbing external knowledge. Yet to take the search for an interpersonal mechanism further, one direction is to find a similar area of research and explore the mechanism used there to apply to absorptive capacity. As Cohen and Leventhal (1990, p. 131) note, “the psychology literature suggests that creative capacity and what we call absorptive capacity are quite similar,” and hence a review of the creativity research area may be useful.

Absorptive Capacity and Creativity

In terms of a companion theory for absorptive capacity, creativity is understood to be an inherently socio-psychological process (Amabile, 1996; Sternberg, 2001), and has similar properties in that creativity appears to offer similar returns to those of absorptive capacity in terms of generating ‘a feedback system that enhances our need for further creative play’ (Corballis, 2014, 147).

From a systems perspective (Csikszentmihalyi, 1996; Csikszentmihalyi, 1999), absorptive capacity provides an organisational backbone upon which researchers and practitioners can seek to understand how externally-held knowledge may condition the path of creative learning in organisations. Creative ideas involve selective combination of unusual or ‘out-of-favour’ concepts, often

a combination of knowledge from domains that diverge from the existing knowledge resources of the organisation. Such ideas can be understood as emerging from outside an organisation's cognitive boundaries, that is, to some extent creative ideas are situated externally to the organisation. While original or strategic ideas may be generated by individuals operating within an organisation, until those ideas are evaluated and absorbed into the organisation through their learning processes, they have no realisable value, and remain externally-held.

Creative knowledge environments invest in policies, processes, and communication behaviours that 'unstick' knowledge (Szulanski, 1990; von Hippel, 1994) and bring into question rigid competencies (Leonard-Barton, 1992). Absorptive capacity is the organisation's ability to recognise the value to itself which resides in those 'outlying' ideas and creative behaviours. It expands the organisations potential for value creation and opens up a wider range of possibilities in terms of opportunities for learning, growth and revenue. In terms of understanding creativity beyond the individual level, the inflection point might lie in transition from simultaneous to linear learning modes (Lounamaa and March 1987; Levinthal, 1991).

Although researchers have often studied creativity on the individual level, an area of active research is team or group level creative processes. For example, Goldenberg, Muzursky and Solomon (1999) develop the *Templates* method of creative thinking, but these technique are used on an individual level. Likewise, Kilgour and Koslow (2009) show the individual creative processes of advertising creatives, but again on an individual level. A few advertising scholars have looked at group level process and they range from understanding two-person creative teams (Johar, Holbrook, and Stern, 2001) to organisational dynamics (Sasser and

Koslow 2008). Therefore, the advertising development process may be fruitful one for understanding the interpersonal-level mechanism of absorptive capacity.

Absorptive Capacity in Advertising Development

The advertising development processing is a useful context for understand absorptive capacity in that there is a broadly understood (or at least advocated) process punctuated by specific external knowledge acquisition steps. As Sutherland, Duke and Abernethy (2004) detail, advertising agencies are seen as creating, storing and applying knowledge to produce creative advertising campaigns for marketing clients.

The process starts with a marketing client who needs some advertisements developed. These clients then need to set the direction for the agency, resource the agency in both budget and knowledge and then evaluate their performance (Koslow, Sasser, and Riordan 2006).

On the agency side, Sutherland, Duke and Abernethy (2004) explain how the account management team takes the information from the client, which is usually called a client brief, and distils this to a creative brief. This is then passed on to the creative department which in turn develops the actual advertisements. The informational inputs to the process include information about the strategy, target audience, main selling point, product performance and usage for both the client and competitors. An important feature of these inputs is that advertising agency employees always perceive that they do not have as much information as they need to do the best quality work (MacDougall, 1984; Murphy and Maynard, 1996; Sutherland et al, 2004). At the end of the process is some kind of evaluation

of quality of the advertising produced and the most formal method of doing so is copytesting of the advertisements.

Two key information sourcing steps are obtaining formal consumer research from clients and market researchers or planners as well as the formal testing of candidate ideas (Koslow, Sasser and Riordan 2006). Consumer research usually deals with key elements of the informational inputs identified by Sutherland, Duke and Abernethy (2004). Copytesting provides information after a potential campaign has been developed to evaluate the quality of the campaign (Stewart and Furse, 1984; Stewart and Koslow 1989).

Although most scholars hail the positive effects of consumer research in that it can fill critical knowledge gaps, more controversy surrounds the formal testing of advertisements (Young 2005). Wells (1983) passionately bemoans how copytesting hinders creativity, but others like Vaughn (1980; 1986) are less pessimistic. Amabile (1996) notes how evaluation of any creative outcomes tends to reduce the level of creativity, but others are not able to replicate the effect in advertising settings (Koslow, Sasser and Riordan 2006).

Within the context of the advertising development process, knowledge can move in several key steps. Marketing client teams interact with the agency's account management team, and the account management team interacts with the creative team. Occasionally, other groups are involved in the process, like account planners or media experts, but mostly these deal with the account or creative teams rather than the client. It is within these processes that external knowledge enters the advertising agency and is absorbed by it. If we are to find absorptive capacity at an interpersonal level, these team interactions are where it should occur.

Two Mechanisms for Absorptive Capacity: Cohesion and Friction

If the context for absorptive capacity is within and between team communications, then what should facilitate the useful application of external knowledge—like consumer research or copytesting—should be organisational processes that allow communications to focus on the most useful pieces of information. As Mojzisch and Schulz-Hardt (2010, p795) note, “It is not the information exchange per se that predicts the group’s decisions but rather the process of encoding and integrating the information exchanged.” That is, it is not communications alone that enables absorption, but rather setting this information in context to make it more useful.

Cohesion. One critical dimension needs to be the cohesion of the group of individuals working on the campaign. Shaw (1981) defined cohesion as the degree to which members of a group are attracted to each other. This traditional view holds that when cohesive forces are active, team members are oriented toward maintaining their affective relationships with others, experience increased pressure toward conformity and identification of group norms (Janis 1972; Finklestein and Hambrick 1996). Although extreme versions of cohesion has been associated with groupthink (Janis 1972; McCauley 1998) and extreme prejudiced behaviour (Palunk, 2009; Staub and Pearlman 2009), cohesion forms the basis for comprehensive or rigorous dialogue, enabling “organisations to blend new information with the old” (Brockman and Morgan 2006).

The study of cohesion has a long history (Lott and Lott, 1961; 1965) yet is infrequently studied in new product development (NPD), marketing, or creativity literature (Brockman, 2003; Craig and Kelly, 1999). Much of the more focused study of cohesion has been conducted in the context of sports teams (cf Carron et

al 1995, 2002; Sullivan and Feltz, 2001), and the remainder in small-group settings. Cohesion is now considered to be a multi-dimensional construct, with clear conceptualisations of task and interpersonal types (Berthnal and Insko, 1993; Zaccaro and Lowe, 1988; Zaccaro and McCoy, 1988; Brockman and Morgan, 2006).

The empirical evidence on cohesion seems to present some mixed effects. For example, Craig and Kelly's (1999) experiments suggested that interpersonal cohesiveness is important only in the idea generation stage. Park, Park, Kim, and Kim (2012) studied the effects of cohesion in a Korean engineering firm, modelling cohesion against the learning modes of exploration and exploitation for effects on creative efficacy. These scholars found a curvilinear interactive effect between cohesion and an exploitative learning mode, such that high level of cohesion resulted in higher reported levels of creativity than low cohesive team contexts. In contrast, a significant linear relationship between an explorative learning mode and creativity was reversed under interaction with high team cohesion. Finally, Woodman, Sawyer, and Griffin (1993) were non-committal to the exact role of cohesiveness in the creative team, opting to hedge their theoretical prediction on a curvi-linear effect between the cohesion experienced by groups and resulting creative performance.

Some like Brockman and Morgan (2006) make it explicit that cohesiveness may either help or hinder the acquisition of knowledge depending on context. Cohesiveness may help when the goal is being innovative, but cohesive groups appear less able to challenge information sources. That is, cohesiveness may help advertising agencies to develop a shared understanding of

information coming from consumer research or copytesting information, but that comprehension may not be accurate or useful.

Friction. As a contrast to cohesion, another characteristic of groups is interpersonal conflict or friction, which is generally considered to inflict dysfunction upon organisations (De Dreu and van Vianan 2001; Eisenhardt, Kahwajy and Bourgeois 1997a, 1997b; Ford and Sullivan 2004; Guetzkow and Gyr 1954; Kellermanns, Floyd, Pearson and Spencer 2008; Kratzer et al 2006; Langfred 2007; Pelled, Eisenhardt and Xin, 1999; Simons and Peterson 2000;). Amason, Thompson, Hochwarter, and Harrison (1995) note the glaring absence of focused activity, creativity, and open communication when affective conflict is observed. In the Amason et al model, commitment to a decision, cohesiveness within the team, and displays of empathy between team members are decreased with affective conflict. To date, there is no clear evidence of any positive benefit accruing from affective conflict (Jehn, 1997).

Within an agency setting, conflict is deemed to arise from several motivational sources. Not surprisingly, conflict has also been situated as occurring between the agency and client in the classical Principal-Agent problem (Murphy and Maynard, 1996; Michell, Cataquet, and Hague, 1992). Design agencies face substantial performance ambiguity in touting a commercial product that is difficult to evaluate both ex-ante and ex-post (Jones, 1987; Ellis and Johnson, 1993; Young, 2005). It is “creativity on demand” (White, 1972, 29), and the inevitable client-sided restrictions placed on an agency (West, 1993) can easily spill over to internal conflicts motivated by goal-directed self-interest and functional role differences (Hirschman, 1989; Morais, 2007), shared mental models (Divenney, Dowling, and Collins, 2005; Nyilasy and Reid, 2009a; 2009b),

belief structures regarding evaluation methods (Hackley, 2003), or simply a preference for creativity (Koslow et al, 2006). Finally, de Gregorio, Cheong, and Kim (2012) show that what they term “destructive conflict” leads to poor product quality of the advertising agencies produce. Overall, friction serves to destroy any absorptive capacity build up by cohesion.

Because the effects of cohesion and friction can be different in different situations, some detail is needed to understand their specific effects. Thus we consider the specific effects on creativity of use of consumer research and copytesting in the contexts of high and low cohesion and friction.

HYPOTHESES AND RESEARCH QUESTIONS

To understand how cohesion and friction moderate the effects of the use of consumer research and copytesting in developing creative work, one first needs a framework for understanding of creativity. Overall, the standard definition in the creativity literature is that creative works have two components, originality plus some kind of appropriateness or usefulness (Runco and Jaeger 2012). Only if a work is high on both dimensions simultaneously it is called creative. Within an advertising context, Sasser and Koslow (2008) note how advertising scholars have approached this, with all including some component of originality, plus appropriateness, often in the form of the campaign being strategic in some way. Thus, the effects of absorptive capacity can be felt through each component, originality and strategy of specific campaigns agencies produce.

Predicting How On-Strategy Campaign Are

Cohesion's Moderation of Copytesting's Effect. Strategic campaigns are ones that address the marketing objectives of clients such that they focus on specific target audiences with key messages—and copytesting plays a role in forcing the campaign to correspond to those objectives. If agency employees anticipate that formal tests will be used, this largely sets the solution frame for the problem solving they will be doing. That is, they know that their work will be evaluate by a suite of key performance indicators that sets the yardstick of evaluation (MacDougall 1984) and the temptation is to “write to the test” (Young 2005). Within Unsworth’s (2001) creativity types, this would be a ‘closed’ problem type because the outcomes to be achieved are clearly specified. Even though agency employees have opportunity to negotiate the types of formal testing applied (Young 2005), it still has a focusing effect.

The issue becomes whether issues like cohesion can influence the ways in which this anticipated information will be used. If cohesion of the agency group is low, then they have bound together rather loosely and are predominately a nominal team working on a shared problem. Each group member may have different perspectives they bring to the party, but they may share little of these perspectives with one another. In this case, cohesion’s effect would be to focus all the agency employees, from account management to creative, to focus on the key measures and present a shared goal to be met (Staffaroni 1993). Thus, when cohesion is low, formal testing should lead to more strategic campaigns.

However, when cohesion is high, other dynamics may come into place. Cohesive groups share information and perspectives readily and formulate deep thinking around the strategic problem faced by clients. They use their own

information and assimilate it with information from others until they have to develop a deep, shared understanding of the strategic context. However, imposing formal testing in such an environment can be problematic in that the narrow objectives of testing may constrain the types of solutions. Ordinarily, these high cohesive team members may prefer being in Unsworth's (2001) 'open' problem situations, but are forced within a 'closed' one. Alternatively, they may be seeking Woodman, Sawyer and Griffin's (1993) transformative opportunities, but are limited in pursuing these. Thus, under high cohesion the effects of formal testing may be negative how on-strategy campaigns can become.

H1: When cohesion is high, use of formal testing reduces strategy but when cohesion is low, it increases strategy.

Friction's Moderation of Copytesting's Effect. Personal frictions or conflicts in the workgroup can likewise moderate how formal testing influences how on-strategy campaign are for similar reasons. Friction acts to restrict information sharing in group setting in a similar way as lack of cohesion. When friction is low, use of formal testing like copytesting can help focus on shared goals, however, high friction environments are more complex.

Unfortunately, advertising agencies are renown hosts to personal friction especially involving advertising copytesting (Kover and Goldberg, 1995; Kover James and Sonner, 1997; Kover and Little, 1980) and Young (2005) has regularly observed creatives deflecting conversation away from the task of evaluating the performance of the advertising at hand, and towards the methodology of evaluation. However, creatives who are passionately motivated to argue against

the evaluative criteria may perceive a) inappropriate evaluation as a personal attack on their work (Young, 2005), or b) be themselves perceived as obstructive or promoting a personal agenda (Hirschman, 1989; Mooney, Holahan, and Amason, 2007).

Hackley (2003) positions conflict as a symptom of incompatibility in the underlying belief structures of how advertising works, the entrenchment of which has severe consequences for the advertising development process achieving a strategic outcome (Hackley 2003). In an agency environment, the existence of affective conflict might signal a philosophical conflict of goals between belief that an agency exists to 'be creative' and the more operationally-oriented goal of maintaining the agency as a viable business. Quite simply, high friction and copytesting may very well lead to an explosive, political environment and strategy may well be its first victim.

It follows that without such friction, strategy may be enhanced by the use of copytesting. But should friction occur, then it is likely to have a detrimental effect on the ability of the account team to remain on strategy.

H2: When friction is high, use of formal testing reduces strategy, but when cohesion is low, it increases strategy.

Use of Consumer Research. We propose that the influence of consumer research on strategy does not differ depending on cohesion or friction. Cohesion can allow for greater discussion of consumer research to set it in a shared strategic context, most experienced advertising employees can make sense of the information for strategic purposes without a great deal of contextualising. For

example, the typical information clients bring with them, like target audience descriptions, consumer product usage or main selling point, is similar from client to client. Formal agency strategy development processes like Rossiter, Percy and Donovan's (1991) FCB grid present standard templates of strategies that do not depend on groups working together. Similarly, Cook (1999) and Murphy and Maynard (1996) both provide examples of how good consumer research leads to good strategy development, and in neither case was the process helped or hindered by the cohesive dynamics for personal frictions of the agency.

Predicting How Original Campaigns Are

Cohesion's Moderation of the Use of Consumer Research. The originality of campaigns is a second component creativity and information can influence it differently than it can strategy. A great deal of creativity research suggests that providing information to those doing creative tasks leads them to focus excessively on what was provided thus reducing their idea originality. There are two explanation of this effect and the first is that providing explicit consumer research will act as primes which can result in mental set fixation (Finke, 1997; Ward, Smith, and Finke, 1999). Nor are experts immune to these effects, taking their primes, reference points and anchor from the immediate context at hand (Kahnemann, 2012). Alternatively, the client provides declarative knowledge, in the form of consumer research, and this imposes a structure restraining the possible outcomes due to the path of least resistance (POLR) thinking that occurs. If the client's preferences are known in advance then creatives will use this and limit the originality of the outcome. Either way, the result is the trade-off between strategy and originality identified by Kilgour and Koslow (2009)—consumer

research may increase how strategic campaign are, but usually does so at the cost of originality.

Cohesion, however, may alter this common trade-off. The problem frame and its construction need to open for creativity to emerge. In relation to consumer research, knowledge-intensive organisations, such as advertising agencies, are primarily “systems of persuasion” (Alvesson , 1993 p. 1011) as opposed to systems of formal knowledge. That is, agency employees like to discuss and persuade each other rather about the meanings of research than focus merely on the notion of explicit formal knowledge as is usually presented in the form of consumer research. But they need a cohesive group setting for this process of interpretation to occur. An example is presented by Hurman (2011) where consumer research could be approached to aid originality rather than the converse. Cohesion’s role, then, is to allow creative teams to overcome the limits of declarative information and therefore research may not have as negative an effect on originality as might typically be the case.

If agency teams have little cohesion, then they address their need for information by using declarative knowledge in a more straightforward way. With nothing to counter the priming and structure imposed by consumer research, a negative relationship between availability of consumer research and originality would seem inevitable.

H3: When cohesion is low, use of consumer research reduces originality, but when cohesion is high, use of consumer research has neutral or positive influence.

Friction's Moderation of the Use of Consumer Research. Unfortunately, there has been no positive relationship found between friction and creativity in the literature (Jehn 1995). As noted by Amason et al (1995), any focused activity, including creative ideation, will be negatively influenced by friction. Friction disrupts dialogue, open communication and commitment to a course of action, that is, it creates strangers (Jehn, 1995, Amason 1996, Amason et al. 1995, Eisenhardt et al 1997). In an advertising setting, de Gregorio, Cheong and Kim (2012) confirm that destructive conflict formed by friction is characterised by distortion, information withholding, hostility and the deliberate creation of decision making obstacles. Thus, friction must reduce the kinds of collegial discussion that liberates the agency from the primes and structure consumer research imposes. If research dampens campaign originality, the effect can only be made worse by the presence of friction.

H4: When friction is high, use of consumer research reduces originality, but when friction is low, use of consumer research has a neutral or positive influence.

Formal Testing. Controversy surrounds copytesting and as Young (2005) notes no other form of research seems to be more fraught with significant barriers to learning. Copytesting also brings with it significant anxieties for agency employees. But the questions to be addressed in this research are first, whether copytesting effects extend outside the strategic elements of campaigns, and second, whether cohesion or friction can modify this relationship. Young (2005) suggests there are ways to overcome the negative dynamic set in place by formal

testing, but his approach focuses on formal meetings between agency and client, rather than building cohesion or limiting friction on the agency side.

An argument can be formed that copytesting may enhance originality. If creatives view copytesting as focusing on strategy elements, they may not view it as limiting originality, especially if they are knowledgeable of how to use it. In other words they may know how to meet the strategic elements required in copytesting as a basis for justifying the more original work they want to achieve. For example, executional factors like use of brand differentiating messages or problem solutions formats enhance copytest scores (Stewart and Furse 1985; Stewart and Koslow 1989), and these approaches focus creatives on strategy issues. However, none of their more 160 executional factors limits originality.

Instead, copytesting serves as an informational condition for convergence – defining the necessary subjective criteria that need to be met to achieve persuasion of the client. The question of originality falls outside of the scope of copytesting to measure – tacit, novel information is added as to the creative's ability (and volition) to meet the persuasion test. As far as originality is concerned, copytesting provides a frame for the solution; it does not constrain the inputs. This is in contrast with the informational prime of consumer research, which cues content of the campaign. Thus, if creatives anticipate copytesting they use this to justify more original work. That is, creatives know they can meeting the strategy criteria for acceptance by the client, and this frees creatives up to pursue more original work. And because this is an effect focused on a dynamic among the creatives, it seem unlikely than this relationship will be moderated by either cohesion or friction.

H5: Use of formal testing increases originality.

Predicting How Creative Campaigns Are

Although we have been able to formulate hypotheses regarding how original and strategic campaigns, it is more difficult to make predictions regarding creativity in general. As noted above, creativity is the combination of strategy and originality, such that when campaigns are high on both dimensions, it is creative. But the hypotheses already proposed have a number of different directions for each effect. Some factors may increase originality, but the same factors may also reduce strategy, so the net effect on creativity should be hard to predict. Brockman and Morgan (2006) share a similar frustration noting that while selective scholars may find positive effects for cohesion, overall the study of cohesiveness within the marketing domain is severely limited restricting our ability to make broad conclusions about effects on creativity. Hence, it is important to address the net effects, but it can only be posed as a research question.

RQ: What are the net effects of cohesion, friction, use of consumer research and use of formal testing on creativity?

Additional Control Variables

Several more key measures are used as controls. The first of these concerns the key measures taken by Koslow, Sasser and Riordan (2006), client openness to exploring. This research demonstrated that half of the explainable variance is due to the client's willingness to explore new ideas. It is possible that agency cohesion and friction may be correlated with client openness in that when the client is open, cohesion may be high and friction maybe low, but when clients are not open, the reverse may occur. Given this possibility, using a measure for

client openness should help identify other relationships in the model. Another good control variable may whether or not the work presented to the client was the respondent's first choice of work or not. If there was friction over the work, often there are multiple campaigns that different individuals have advocated, so controlling for this effect should improve the models. Finally, it will be useful to collect data on multiple campaigns from any one individual such that a mean can be estimate for each respondent and thus control for common method variance.

METHOD

Sample

The data came from 187 advertising agency employees who were mostly in account management or planning (75.9%). The remainder were in creative. Thus, the sample is much more heavily weighted toward account management. Additionally, 41.6% came from Sydney, 25.9% from Melbourne and the rest from Auckland. Respondents were well educated in that 40.8% had three or four year university degrees, and 28.6% had postgraduate degrees. The sample was also young with 52.8% between 25 and 34 and 29.8% between 35 and 44. Average time in the advertising industry was 9.9 years. The top five media used in these campaigns were web, TV, magazines, outdoor and newspapers which were components in 53.8%, 52.2%, 42.9%, 37.9% and 34.14% of the media used respectively, and overall an average of 3.3 media were used in each campaign. Respondents represented a wide range of levels and experience, and the accounts they worked on were a wide range as well.

Respondents came from nine of the largest agencies in Auckland, 10 of the largest in Melbourne and 11 of the largest in Sydney. Almost all of these agencies

offices were part of international agency networks owned by the five major agency holding companies. Each respondent reported on up to three of their most recent campaigns for a total sample of 557 campaigns. Data collection was done in agencies offices during business hours with approval and support of agency management. Respondents were invited to participate via email and office flyers and offered a light lunch for their assistance.

Measurement

Factor analyses of independent and dependent variables were performed on the total sample and this confirmed the original structures uncovered by Koslow, Sasser and Riordan (2006) for three independent variables plus strategy and originality. The items for the independent variables loaded as expected with Cronbach's alphas all above .7 as listed in *Table 3*. All loadings were relatively high with eight of the 5 loadings above .8, 15 above .7 and the lowest .62. The model explained 65.2% of the variance in four factors and QUARTERMAX rotation fit the data comfortably with modest off loadings of less than .30. The analysis was repeated in each of the three city subsamples, again suggesting a clean fit.

Table 3. Factor Model of Independent Variables

	Use of formal testing	Client willingness to explore	Friction	Use of consumer research	Cohesion
The team bound together tightly around the campaign.	-0.022	0.384	-0.056	0.092	0.616
Agency personnel on this account gave and received good support from one another.	0.054	0.111	-0.277	-0.024	0.822
The agency personnel on this account displayed great respect for each other's opinions, knowledge and expertise.	-0.007	0.135	-0.316	0.042	0.778
More than anything else, conflict on the agency side was driven by personality clashes.	0.058	0.156	0.686	-0.104	-0.087
Personal friction between agency personnel was evident whenever alternative ideas or strategies were suggested.	0.022	-0.134	0.74	0.041	-0.138
Agency-side discussions were full of snide remarks or bickering.	0.066	-0.287	0.702	0.03	-0.014
Personal rivalry and jealousy between some team members was particularly obvious.	0.079	0.043	0.722	0.062	-0.265
There was good market research information on the business	0.301	0.136	-0.081	0.72	0.086
The creatives had access to market and media research that painted a clear picture of the target market.	0.183	0.185	0.003	0.798	0.012
Market research provided all we needed to know about the target market.	0.234	0.065	0.085	0.743	-0.009

	Use of formal testing	Client willingness to explore	Friction	Use of consumer research	Cohesion
This account didn't expect to use formal testing on the advertising produced.	-0.78	0.033	-0.107	-0.036	0.012
This account's creative output was expected to be formally tested for recall, likeability, attitude change or other measures.	0.833	0.119	0.018	0.187	0.064
Focus groups, in-theatre tests, consumer panels, or other formal means were used to evaluate the advertisement(s) produced for this account.	0.788	0.008	0.045	0.215	-0.019
The creative output for this account was expected to be assessed by formal research methods.	0.858	0.093	0.046	0.191	-0.011
The client worked with us to find creative advertising solutions.	0.042	0.638	-0.147	0.247	0.108
The client let us try out new creative ideas and/or innovative media.	0.099	0.776	0.087	0.054	0.059
The client was willing to explore new creative ideas.	0.028	0.882	-0.048	-0.012	0.026
The client was supportive of us seeking out the best work.	0.010	0.815	-0.075	0.085	0.202
Eigenvalues	4.13	3.43	1.98	1.19	1.01
Cronbach's alpha	0.85	0.82	0.71	0.74	0.72

NOTE: QUARTERMAX rotation used.

Table 4. Factor Analysis of Dependent Variables

Compared to other advertisements/campaigns,		
this advertisement/campaign was...	Originality	Strategy
... 'on strategy'	0.038	0.826
... a good fit with the client's strategy	0.094	0.771
... an appropriate strategy for the client	0.193	0.772
... built on good strategy	0.324	0.734
... original	0.834	0.184
... unexpected	0.880	0.138
... novel	0.842	0.155
... different	0.900	0.152
Eigenvalues	3.14	2.51
Cronbach's alpha	0.90	0.80

For the dependent variables, strategy and originality were the two primary scales focused on, and these again confirmed high levels of fit. The two factor solution illustrated in *Table 4* (above) explained 70.7% of the variance and items loaded as expected in VARIMAX rotation, with no loading less than .7. Cronbach's alphas were .80 and .90 for strategy and originality, respectively.

Creativity was operationalised following a derived measure traditional employing a strong basis in measurement theory. Although strategy and originality were both used in Koslow, Sasser and Riordan (2006) as important primary scales, they were not modelled as separate effects. Instead, the variables strategy, originality and another term, a strategy X originality multiplicative component, were summed and called Normative Creativity, one of two measures for creativity that Koslow, Sasser and Riordan (2006) modelled. The strategy X

originality component only (now based on a Cobb-Douglas production function with equal weights and constant returns to scale) is used here as the operationalisations of creativity, and it is high only when both strategy and originality are high. It is functional form of creativity (Sasser and Koslow 2008) that is consistent with current thinking in creativity (see Runco and Jaeger 2012) that should more easily show the trade-off between strategy and originality because of its Cobb-Douglas specification.

Models

Hierarchical Linear Model (HLM) was used to predict the two primary scales (strategy and originality), and also the derived measure for creativity (strategy X originality). Individual differences were significant at $p < .001$ for strategy and creativity. In the originality model, the differences were significant at $p < .05$. All two-way interactions between independent variables were tested for each of the three models and four were significant. Other demographic variables were used (age, rank, years in the advertising business, functional area of respondent, etc.), but none were significant. Only significant effects were included in the final models listed in the *Table 5*. All variables were centred and scaled prior to analysis.

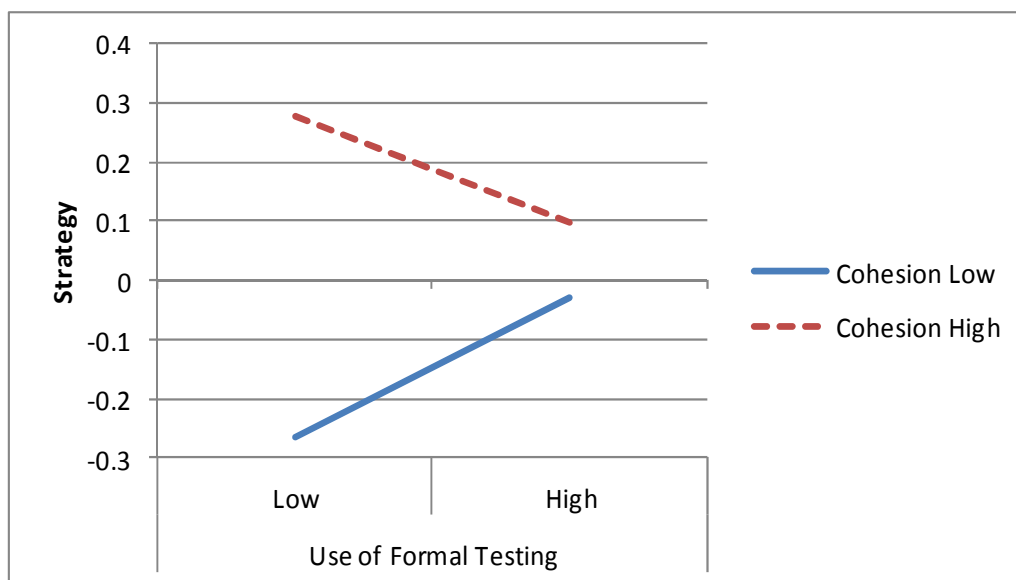
Table 5. HLM Solutions for Fixed Effects for Strategy, Originality, and Creativity (Strategy X Originality)

Independent variables	Dependent Variables					
	Strategy		Originality		Creativity (Strategy X Originality)	
	Estimate	p-value	Estimate	p-value	Estimate	p-value
Intercept	-0.105	0.123	-0.166	0.007	-0.183	0.003
Cohesion	0.168	0.001	0.205	0.0001	0.24	0.0001
Friction	-0.128	0.008	0.084	0.043		
Use of formal testing	0.014	0.753	0.146	0.001	0.097	0.016
Use of consumer research	0.158	0.001	-0.163	0.0001	-0.035	0.404
Cohesion X Use of formal testing	-0.104	0.009				
Friction X Use of formal testing	-0.082	0.038				
Cohesion X Use of consumer research			0.101	0.002	0.078	0.015
First choice of work	0.202	0.011	0.247	0.002	0.289	0.0001
Client willingness to explore	0.214	0.0001	0.465	0.0001	0.424	0.0001
Restricted log likelihood	1423.6		1375.5		1287.8	
AIC	1434.1		1379.5		1291.9	

FINDINGS

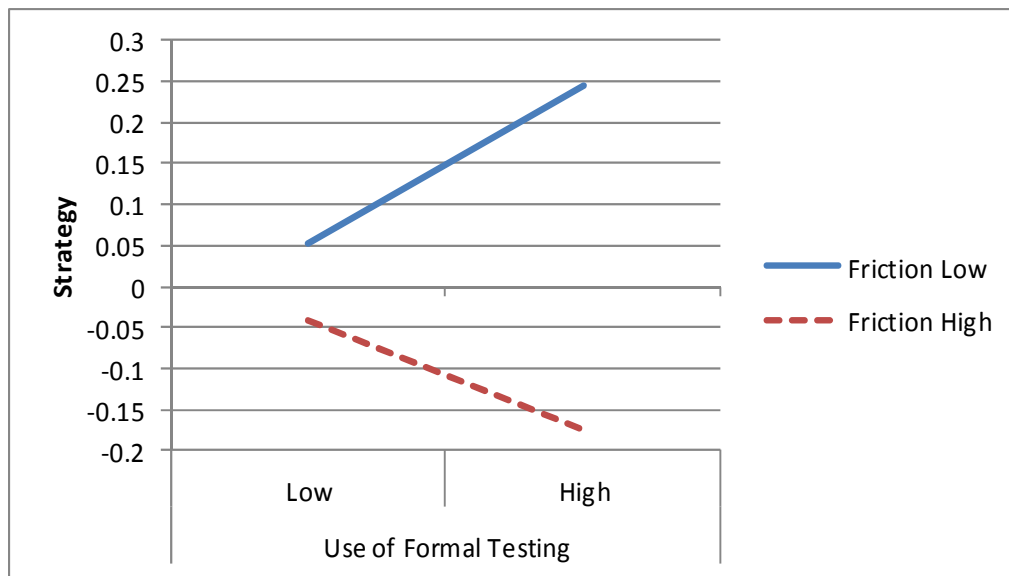
H1 proposed that the influence of formal testing on strategy depends on the level of cohesion. In *Table 5*, cohesion has a significant positive one-way influence on strategy, but use of formal testing has no significant one-way effect. However, the interaction is significant. To interpret this interaction, mean plots were calculated for one standard deviation above the mean as the “high condition” and one standard deviation below the mean is the “low” condition. As *Figure 5* shows, using formal testing enhances the strategy of campaigns when cohesion is low, but reduces strategy when cohesion is high. H1 is supported, but it should also be noted that the high cohesion situation is at least equal to the low cohesion, if not superior in all cases. The highest strategy occurs when cohesion is high, but formal testing is not used.

Figure 5. Interaction of Cohesion and Use of Formal Testing on Strategy



In H2, it was suggested that when friction is high, using formal testing reduces strategy, but when friction is low, testing increase strategy. Friction's one-way influence on strategy is negative, but its interaction with use of formal testing is also significant. *Figure 6* shows the detailed mean plot of that interaction. When friction is low the influence of using formal testing is positive, but negative when friction is high. This confirms H2. It should also be noted that low friction produces at least as high a strategy as the high friction condition and in some cases, superior strategy.

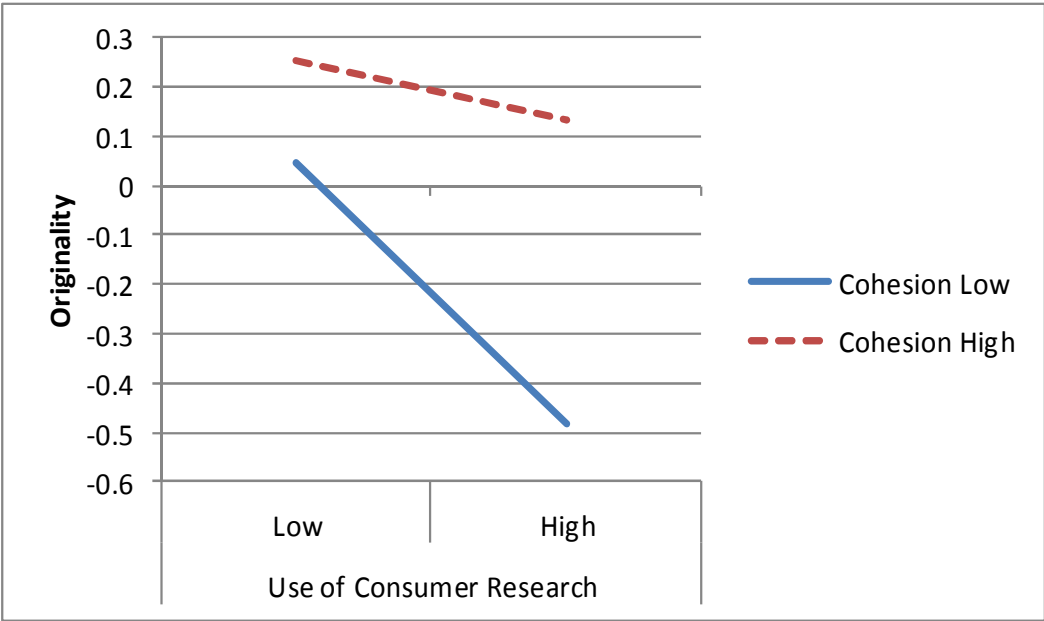
Figure 6. Interaction of Friction and Use of Formal Testing on Strategy



For H3, using consumer research should reduce originality when cohesion is low, but have neutral or positive influence when use of consumer research is low. *Table 5* shows a negative one-way influence of use of consumer research on originality, but the positive effect of cohesion. The interaction between the two variables is significant and the mean plot is show in *Figure 7*. As expected, when

cohesion is low, using consumer research leads to less original work, yet when cohesion is high, the effect is neutral, giving support to H3.

Figure 7. Interaction of Cohesion and Use of Consumer Research on Originality



It was proposed in H4 that there would be an interaction between friction and consumer research to predict originality. Even though friction had a positive influence on originality, the interaction was not significant. Therefore, there is no support for H4.

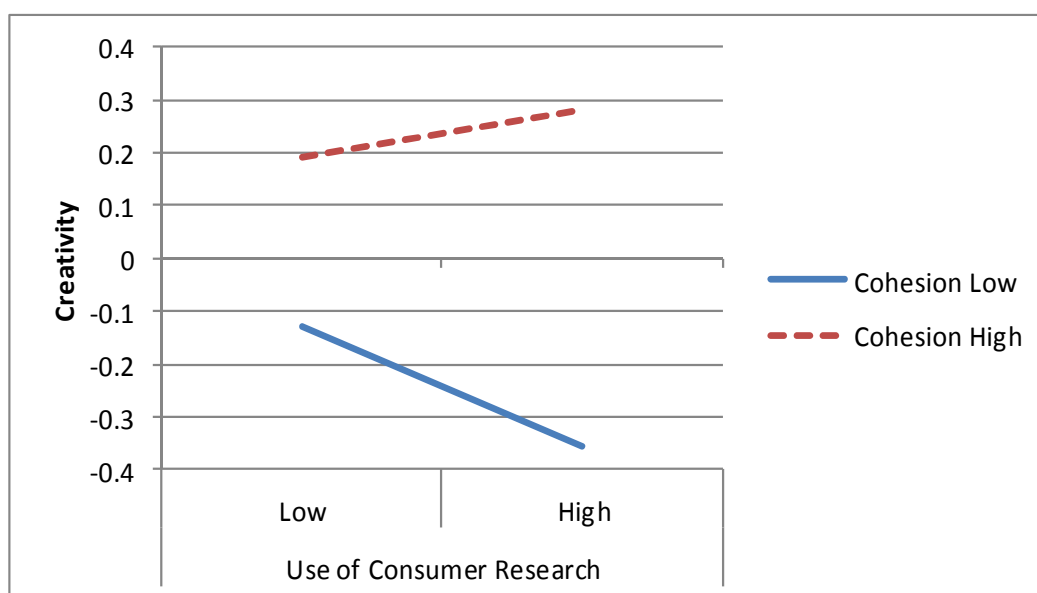
Finally, H5 argued that using of formal testing would enhance strategy. As *Table 5* notes, there is a positive effect of formal testing on originality. H5 is upheld.

The research question proposed that cohesion, friction, and use of formal testing and consumer research will influence creativity, but did not specify positive or negative influence. It is evident in *Table 5*, that cohesion has a positive effect on both strategy and originality. Not surprisingly, the net effect on

creativity is positive. However, friction reduces strategy but increases originality and the total effect on creativity not significant. That is, friction shifts work, reducing strategy, but increasing originality, and the trade-off between strategy and originality is shown. For use of consumer research, the reverse pattern is seen. This one-way effect reduces originality, but increases strategy. Thus, the two effect cancel one another out and the influence of using consumer research on strategy is not significant. Finally, use of formal testing enhances originality, but does not dampen strategy. Thus, the net effect on creativity is also positive.

There is also one significant two-way interaction and this involves cohesion and use of consumer research. This is plotted in *Figure 8* and echoes the pattern seen in *Figure 7*. When cohesion is low, using consumer research reduces creativity, yet when cohesion is high, consumer research has a positive effect.

Figure 8. Interaction of Cohesion and Use of Consumer Research on Creativity



It should also be noted that client openness increased both strategy and originality, and hence increased creativity. In addition, if the work was the

respondent's first choice, then this too increased strategy, originality and creativity.

DISCUSSION

This research has investigated how cohesion and friction moderate the absorptive capacity of advertising agencies. Although the effects of cohesion and information were often positive, sometimes the effects were negative. Likewise, the influence of friction was not always negative.

The capacity of advertising agencies to absorb information depended on internal situations. For example, in all cases using formal testing improved originality, but sometimes this was at the cost of strategy and sometimes it was not. When cohesion was high, the typical trade-off between strategy and originality was observed. That is, in the situation of high cohesion, there was a limit on how much information the agency could absorb and the increase in originality distracted the agency from strategy. However, when cohesion was low, using formal testing enhanced both strategy and originality, which indicates that absorptive capacity was increased.

The reverse pattern was seen regarding using consumer research. Consumer research always enhances strategy, and the question is when this is at the cost of originality or not. When cohesion was low, the trade-off between strategy and originality was observed. When cohesion was high, this trade-off did not occur and absorptive capacity was increased.

To make sense of these effects consider the role of cohesion and friction in the advertising development process. Consumer research comes at the beginning of this process and sets the frame through which ideas are developed. High

cohesion means those on the account team can together analyse, discuss and understand the information—while not becoming fixated on it. When cohesion is low, account team members act like the individuals tested by Kilgour and Koslow (2009) and the information distracts them into producing more strategic, but less original work. Thus, account team cohesion improved the absorptive capacity of advertising agencies with respect to maximising the influence of consumer research information to improve creativity in general. Given these effects, one can understand why advertising agencies seem to appreciate the value of consumer research information.

However, formal testing comes at the end of the process setting out the solution frame, and it brings with it the temptation to “write to the test”. When cohesion was high, the trade-off between strategy and originality was observed, shifting the work to less strategic and more original. However, when cohesion was low use of formal testing improved both strategy and originality. But it should also be noted that the cohesive teams still did better strategy regardless of the use of formal testing. That is, when cohesion was high, this can be interpreted as team members jointly coming to the conclusion they needed to perform for the test and change the character of the work—without improving its net amount of creativity—which shows that absorptive capacity was not increased for them. Yet when cohesion was low, absorptive capacity was clearly improved.

It should be emphasised that the best work was still produced when cohesion was high. In this case, team members can still analyse, discuss and understand strategy together—and produce more coherently strategic work, even when formal testing is used. In contrast, using copytesting or other formal methods when cohesion was low served only to focus individuals on the goals and

thus bring strategy up to a slightly below average level, which is hardly a desirable situation to begin with. Using copytesting when cohesion is low is more like using a “big stick” to enforce adequate performance rather than exceptional performance. It certainly increases absorption of anticipated information, but it would have been better to have had a highly cohesive team that had more internal capacity. Such complex and unsatisfying dynamics can go a long way to understanding the extremely mixed emotions advertising agencies have about formal testing methods like copytesting—as well as the negative effects of evaluation observed in the creativity literature.

It was also the case that friction moderated the effects of formal testing. When friction was low, one could observe improvements in both strategy and originality simultaneously—which shows absorptive capacity was expanded. But when friction was high, the trade-off of originality for strategy was evident.

In comparing cohesion and friction, they were clearly different constructs that were negatively correlated at $-.44$, thus sharing less than 20% of their variance. There were many cases where cohesion was high and friction was still evident and vice versa. Possibly in other work settings the negative relationship might have been stronger—even to the point of the two constructs merging—but in the topsy turvy world of creative advertising agencies, cohesion and friction can coexist. The positive effect seen for friction on originality, however, shows the importance of friction for creativity. It is well known that highly creative individuals often are ascribed negative personality traits from arrogance to lack of social graces. They are rarely well-liked, but somehow needed. More research needs to understand how the two construct interweave, so to get the best cohesion can bring, without the downside of friction.

This research has demonstrated absorptive capacity in advertising agencies, but also emphasised the nuances involved. Absorptive capacity is not like there is a rubber band one can stretch to absorb more information. Neither is it without costs. Instead, it seems more like a balancing act in that sometimes internal dynamics are improved, but other times they are not. Absorptive capacity presents costs as well as benefits, and those costs need to be better understood. Sometimes those costs mean that capacity is clearly reduced, but other times, there is a shift in the work from strategic to original or original to strategic. Yet there are still other times when the ability to absorb information noticeably improves the creative calibre of the work on both the originality and strategy dimensions simultaneously. For future research, the goal is to better understand those special situations and help creative capacity to look less like magic and more like science.

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Chapter Five

Beyond Agency Theory:

An Advertising Agency Governance Perspective

Chapter Five: Beyond Agency Theory

ABSTRACT

Advertisers predominantly commission an external agency to assist them in the development and implementation of their brand message. This allows the client to take advantage of the specialist expertise of agencies and their highly-skilled creative resources. Such outsourcing is not without its risks and problems, and in the case of advertising development, the creative requirements of advertising ideas causes its own set of unique problems and is fraught with potential for conflict. Applying formal Agency Theory may not be enough to manage this conflict. This paper provides theoretical insight into the governance processes between the agency and the client, the effect on creative ideas, and implications in terms of how these processes may be improved. A new model of the theorised governance relationships is presented with implications for advertisers seeking more original or strategic flavours of advertising.

Anecdotal information suggests marketing clients sometimes feel taken advantage of by their advertising agency (Jones, 2009; Rothenberg, 1994). The typical complaint is that agencies are not interested in solving the client's communication problems and instead the agency merely acts in its self-interest, charging too much and providing too little. Set into a governance framework, this is called the 'principal-agent problem' in that there is an owner of a brand who has to hire an agency to do creative work and that agent sometimes underperforms opportunistically.

The classic rendition of this problem suggests the agents are typically afraid to accept risks the principal would like them to take (Ellis and Johnson, 1993; Levinthal 1988; Nilakant and Rao, 1994). In the case of advertising the agency-marketing client relationship, we know this to be false. If anything, advertising agencies seem to be far more risk-seeking in the kind of work they advocate relative to what the brand manager is willing to accept (Gambetti et al., 2015; Kover and Goldberg, 1995; Wang et al., 2013; West and Berthon, 1997; West, 1999; West Kover and Caruana, 2008). One explanation for this is that advertising agencies behaviour is driven by self, community, and bureaucratic controls (Hall, 1968; Sharma, 1997). That is, agencies need to be seen as doing competent, creative work by their peers (Stuhlfaut and Windels, 2012), by the community of agencies and clients who celebrate good work (Waller and Polonsky, 1995), and internal agency systems that manage creative work (Ashley and Oliver, 2010; Mallia Windels and Broyles, 2013).

The other actor in the advertising development process, who might in contrast take fewer risks than is appropriate, is the marketing client. The generation of creative ideas in the advertising setting is not purely one-sided;

clients as the initiators, paymasters, and final decision makers, have a significant influence on creative outcomes. Research indicates that it is usually only when brands are under pressure that brand managers seek out and buy more creative work (Beverland Farrelly and Woodhatch, 2007; Buchanan and Michell, 1991; Oster, 1982; West, 1999). From an advertising agency's perspective, they are often frustrated with the unwillingness of clients to buy highly creative work (Ashley and Oliver, 2010; Sasser Koslow and Kilgour, 2013; West Kover and Caruana, 2008).

There are situations where agencies may be opportunistic, but this fits within a different kind of governance system than the classic principal-agent problem. For example, Saiya and Moon (2010) suggest that agencies can take advantage of clients by overstaffing accounts and avoiding accountability in pricing. Clients attempt to deal with these governance problems by staying with agencies over long time periods, in the hope a strong relationship will regulate agencies to perform fairly (Barney, 1999; Haytko, 2004; Michell and Sanders, 1995), but at the same time, and unlike the tenets of Agency Theory, this restricts the client's ability to know if they are getting good work (Sharma, 1997). Agencies may nonetheless still be subject to the principal-agent problem in not working hard to sell the best work to major clients, instead delivering the most creative work for small clients, for whom the billings at risk is small.

The authors explore these governance problems from a theoretical perspective. Complex governance problems exist in the advertising context, but the solutions to these problems may be even more complicated, and classic approaches to the principal-agent problem may be insufficient. First, the basic conflicts that Agency Theory tries to control are analysed within the advertising

setting, as well as the difficulties that arise from agency theory approaches. Next the most relevant contextual factors (Jones, 1987; Senge, 1990), and the familiar constructs from the advertising literature related to the Client-Agency relationship, are examined.

How agencies perceive and respond to efforts on the client-side to control either the outcome or behaviour of the agency is subsequently addressed. The discussion continues with an examination of how informational inputs can take the form of controls and enable alternative sub-structures. These perceptions are posited to affect agency structures through resource application and the knowledge processes utilised. Unsurprisingly the principal source of uncertainty for the advertising agency is the client itself (Beverland et al., 2007; Gambetti et al., 2015; Haytko, 2004; Jones, 1987; Ouchi, 1977).

THE ADVERTISING AGENCY PROCESS

The majority of advertising is undertaken through an agency process (Bergen Dutta and Walker, 1992; Horskey, 2006). Clients with a brand message that need to communicate to a target audience outsource the development of creative ideas to an advertising agency, which has systems and specialised staff to develop creative ideas (Ellis and Johnson, 1993; Horskey, 2006). As with any outsourcing of a key organisational process, there is a need for the client and the agency to have systems of communication, evaluation, and conflict resolution in place, to deal with differences in expectations and goals (Barry, Peterson, and Bradford-Todd, 1987; Kover and Goldberg, 1995; West, 1999). These issues are highlighted in the literature on agency theory, a governance theory concerned with how problems are resolved when there are differences in goals and risk tolerances

between the client and the agency (Alchian and Demsetz, 1972; Eisenhardt, 1989; Jensen and Meckling, 1976; Levinthal, 1988; Mitnick, 1973, 1975, 2006; Ross, 1973; Shapiro, 2005).

These areas for potential conflict are accentuated in situations where it is difficult to easily and objectively evaluate the output, or the potential effects of the output (Arrow, 1985; Cohen and March, 1974; Levinthal, 1988; Nilakant and Rao, 1994; Thompson, 1967), as is the case with creative advertising (Kover and Little, 1980; Spake D'Souza Crutchfield and Morgan, 1999; West, 1999; West and Ford, 2001; West Kover and Caruana, 2008; Zhou, 2005). Hence, the client seeks the highly specialised expertise of agencies to provide creative ideas, which are difficult to evaluate effectively prior to their very costly launch, and agencies are dependent upon the clients for information and resources (Doyle Corstjens and Michell, 1980; Michell and Sanders, 1995; West, 1999).

For advertising agencies, high uncertainty takes the form of a cost, as the transfer of advertising services carries a high degree of risk due to the difficulty of ex-ante evaluation. For many clients, especially well established clients with dominant brands, poor creative can have substantial negative effects on their brand. Information is imperfect for both the client and agency; both are subject to individual and organisational levels of bounded rationality (Corner Kinicki and Keats, 1994; Daft and Weick, 1984; Simon, 1961), both are likely to have made asset-specific investments (Levinthal and Fichman, 1988; Michell and Sanders, 1995), and further, as per the individuals within organisations, each party is likely to engage in strategic behaviour that furthers their own interests (Jones, 1987). Subsequently, the advertising agency relationship is a setting where the key

aspects of agency theory are prominent (Bergen et al., 1992; Spake et al., 1999; West, 1999).

Agency Idea Development

On the agency side, creative personnel are tasked with the development of creative ideas and they have a tendency toward originality (Csikszentmihalyi, 1996; Coutu 2000; Gambetti et al., 2015). Originality results in increases in attention and is more likely to break through the high levels of clutter in today's advertising environment (Pieters Warlop and Wedel, 2002; Smith Chen and Yang, 2008). These are the advertisements the creative will be remember for, and this is reinforced through the institution of award processes in the industry.

Unsurprisingly the advertising award process is dominated by creativity awards with an emphasis on originality (Ashley and Oliver, 2010; Hurman, 2011; Kilgour Sasser and Koslow, 2013). For advertisements that combine the magic of both high levels of originality and appropriateness, their effects on the brand can be dramatic and hence provide a strong basis for both individual creative and agency self-promotion (The Gunn Report, 1999-2014; Institute of Practitioners in Advertising, 2010; Oliver and Ashley 2012).

While developing advertising ideas which are both highly original and highly appropriate is the ideal, this is a difficult process given the primary focus of clients and agency personnel may differ (Gambetti et al., 2015). Hence the fundamental underlying conflict, that is unique in advertising, is the need for outcomes that are both original and appropriate. Tensions arise in that the creative individuals who generate these ideas are skilled, and usually focused, on generating highly original solutions from which they get both intrinsic and

extrinsic rewards e.g. award-winning, while clients are often more focused on the appropriateness of the outcome (Gambetti, 2015; Hackley and Kover, 2007; Hirschman, 1989; Hurman, 2011; Kover James and Sonner, 1997; Michell, 1984).

The Creative Trade-Off

It is widely accepted that creative ideas must be new, novel and different – the originality component, and also relevant to the situation, in line with strategic direction of the client, and appropriate to the target audience – the appropriateness component, but there are often constraints that limit the achievement of both. A requirement and focus on highly appropriate work makes it more difficult to achieve originality as process requirements can stifle divergent thinking (Kilgour, 2006; Wiley, 1998). This trade-off has been identified in the literature but research looking into how and why it occurs in relation to the agency-client relationship is limited (Kilgour and Koslow, 2009; Koslow, 2015).

While there is limited research into the trade-off effect within the advertising literature, there is plenty of research in other domains to suggest reasons for this trade-off. The psychology literature discusses issues of mental set fixation and functional fixedness (Hecht and Proffitt, 1994; Ford, 1996; Marsh Landau and Hicks, 1996; Wiley, 1998), which suggest that when structures provide too much informational rigidity this can limit original thinking. Additionally systems that provide too many cues to a problem solution flavours the creative process toward that cue (Runco and Charles 1992; Muller Melwani and Goncalo, 2012). Social elements can provide one source of these cues (Berns et al., 2005; Campbell-Meiklejohn et al., 2010; Galinsky et al., 2008; Kahnemann, 2011; Mojzisch and Schulz-Hardt, 2010; Srivastavam Guglielmo and Beer, 2010).

The degree to which systems are applied that limit creativity will be significantly influenced by the level of client risk tolerance, or willingness to accept risk.

Willingness to Accept Risk

Willingness to accept risk is a relatively underdeveloped construct in the creativity literature. In the advertising context, research into willingness to accept creative risks suggests that regardless of their natural predisposition towards risk, an individual makes an active decision to be creative i.e. an ‘investment’ or ‘strategic choice’ (Child, 1972; Sternberg, 2006; Sternberg and Lubart, 1996), based on the individual’s perception of the environmental incentives. From this perspective willingness to accept risk has been shown to mediate the relationship between structural processes and creativity (Dewett, 2006). This willingness to accept risk has implications for the creativity of advertising outcomes and must be considered from both the client and agency perspective.

The value of advertising agencies, by definition, lies in their consistent output of creative material for clients (Ensor Pirrie and Band, 2006). These organisations are essentially a concentration of creative individuals, and therefore subject to the shared culture this creates. Risk, remains inherent to the process, and for the individual and the organisation alike, willingness to engage in risk, and thereby creativity, is relative to how that creativity will be evaluated (Dewett, 2006; Feldman 1999; Sternberg, 2006; West 1999).

In the advertising setting it is difficult for clients to evaluate the potential of an agency in developing their brand message (Cagley, 1986; Cagley and Roberts, 1984; Hurman, 2011; Weilbacher, 1983). Clients use a variety of proxies in their selection processes such as the agencies prestige (Michell and Sanders,

1995) and creativity awards (Kilgour et al., 2013; Tippens and Kunkel, 2006; Waller and Polonsky, 1995), but as these are imperfect measures based upon past performances under a different context, there is a high risk of Adverse Selection (Arrow, 1985; Levinthal, 1988; Shapiro, 2005). These proxies may not be an adequate reflection of an agency's ability to meet the specific needs of a client, nor may the specified needs of the client be a good fit with the environment. The adverse selection problem cuts both ways; creative awards may bring clients to the agency, but in turn clients place limits on that agency's ability to do that award-winning level of creative work thorough their strategic criteria.

The client may have objectives that are less focused on originality than the agency would prefer. Indeed for mature brands the focus may be much more on brand reinforcement and repetition of an existing brand positioning strategy (Beverland et al., 2007; Gambetti et al., 2015; Oster, 1982; White, 1981). This is not to say that originality components are not also of value, but any messages that diverge too far from the existing brand position may be viewed by the client as detrimental (Kilgour et al., 2013). The client themselves are likely to suffer from tunnel vision. Their strong association with the existing message means that they will have difficulty accepting ideas that diverge to much from these existing knowledge structures; the problem of mental set fixation (Hecht and Proffitt, 1994; Ford, 1996; Marsh Landau and Hicks, 1996; Wiley, 1998).

As the agency is dependent upon the client for their revenues and growth, agency staff will be aware and respond to the levels of risk tolerance of the client, and the ideas they present will reflect this (Beverland et al., 2007; Haytko, 2004; West, 1999; West and Ford, 2001). The very fact that a brand manager may not want to accept risks as they strive to maintain a strong link in their advertising

with the existing brand message, limits how novel or new the advertising idea can be (Ashley and Oliver, 2010; Budner, 1994; Gambetti et al., 2015; Tapiero, 1978). The question is therefore given differences between the degree of acceptance of these two components and the resulting potential for tension, how does the agency deal with these issues?

ELEMENTS THAT AFFECT STRUCTURAL RIGIDITY

There are a number of common structural elements in the agency client relation that will have an impact on advertising creativity processes. How these structures are applied by agencies will differ based upon client willingness to accept risk. Subsequently client willingness to accept risk will manifest itself through the following range of factors that are familiar to the advertising literature.

Market Research and Copytesting

As the agency environment is one in which behaviours that produce creative outcomes are fundamentally difficult to identify, let alone assess with accuracy, in order to minimise the risk of unsuccessful advertisements, numerous evaluation inputs such as copytesting and market research have been developed. While the invasive influence of copytesting has long dogged the annals of advertising folklore (Budner 1994; Cook, 1994; Hayley Staffaroni and Fox, 1994; Kover 1971; MacDougall, 1984; Rossiter and Eagleson, 1994; Staffaroni, 1993; Young, 2005), its actual effect on creative outcomes is less than clear cut.

The limited research to date would suggest the effect of these information inputs will depend upon how and why they were employed (Cook, 1994; Koslow, 2015; Kover, 1971; MacDougall, 1984; Staffaroni, 1993; Stewart and Furse, 1986; Stewart and Koslow, 1989; Sutherland Duke and Abernethy, 2004). If they are

used by a client with low acceptance of uncertainty as a method of behavioural control, they become a structural institutional system constraint (Ouchi, 1977; Ouchi and Maguire, 1975). If however they are an output control then they may be used by creatives as a method of refinement after divergent idea generation has occurred (Kover, 1971; Young, 2005). Subsequently, how they are used rather than that they are used will result in different impacts on originality and appropriateness.

As a behavioural control, copytesting and market research can be used to offset the negative effect of performance ambiguity for the client. Jones (1987) contends that organisations need to provide their clients with a stream of information to reduce uncertainty and increase the visibility of the organisation in order to influence client perceptions. Such tangible proxies take the form of formalised work procedures, coordination mechanisms, and other governance structures that work to control employee behaviour. However, Jones (1987) found that ‘the use of rules and procedures is not an appropriate means of control when transactions are complex’ (212), as is the case in the production of creative advertisements.

Creative-relevant skills are part of the highly specialised skills that creatives bring to the agency-client relationship, and often increase performance ambiguity by making it more difficult for a client to assess performance. This does not stop the client trying to assess the performance using these information inputs. Therefore these information inputs have the potential to act as a means of controlling employee behaviour, but the side effect is to reduce originality. As a result, it is quite feasible that an individual may choose not to be creative and rely on algorithmic or habitual actions when the individual is not required to accept

risk to complete the task or in order to receive an extrinsic reward (Amabile, 1996; Ford, 1996).

As far back as McClelland (1956) and Crutchfield (1962) extrinsic pressure to conform was known to run counter to creative output (Amabile, 1996). In essence the use of copytesting and research as a behaviour control means creatives can produce less original work as long as it meets the appropriateness criteria, and in fact the constraints that are put on them by these measures results in this. What gets measured gets managed, so the direction of measurement incentives can end up driving the behaviour of creatives and others within the advertising agency (Koslow Sasser and Riordan, 2006; West, 1999) which in many cases is skewed in favour of accountability and intelligent adaption rather than creativity (Levinthal 1991; Sternberg, 2001; Sternberg and O'Hara, 1999).

In contrast as an output control, agency staff and in particular creatives, can use copytesting and research as tools in their idea refinement processes (Young, 2005). When looking at the creative research process, idea refinement is a crucial step after idea generation (Kilgour, 2007) that ensures that highly original ideas are made more appropriate to the relevant audiences. In this respect knowledge of copytesting and market research measures does not need to inhibit the divergent thinking processes of creatives, but can be used as a means of refinement and then validation of the ideas they have already generated. In this case these output control measures should result in increases in appropriateness with a relatively small trade off in terms of originality.

Client Exploration Objectives

A significant factor in clients' advertising requirements is their brand objectives. This in turn is largely dependent upon their current brand position and environmental conditions. Research into advertising effectiveness has shown varied results depending upon the type of measure used (Ang Lee and Leong, 2007; Ang and Low, 2000; Hayley et al., 1994; Kover Goldberg and James, 1995; Pieters Warlop and Wedel, 2002; Rossiter and Eagleson, 1994; Smith et al., 2007). Overall however, results indicate that more original work results in awareness type objectives such as recall and recognition, while advertisements that also incorporate appropriateness related criteria can also improve likeability, brand memory and purchase intent (Ang and Low, 2000; Ang Lee and Leong, 2007; Kover et al., 1995; Lee and Mason, 1999; Pieters Warlop and Wedel 2002; Smith, Chen and Yang, 2008; Smith et al., 2007; Till and Baack 2005).

Clients who are new to a market, especially in new or highly competitive markets, will require advertisements that are much more focused on originality criteria to break through the clutter and achieve awareness. In contrast well established dominant brands are more likely to want to focus on reminder and reinforcement objectives, which require more appropriate elements (Kilgour Koslow and Sasser, 2015). Despite the importance of objectives, few articles in the advertising creativity domain account for this.

Advertising that achieves both high levels of originality and appropriateness can attain a range of different objectives simultaneously (Ang and Low, 2000; Smith et al., 2008), but this is difficult to achieve and often there is a trade-off between the two components (Kilgour and Koslow, 2009; Koslow, 2015). This may be especially true for large dominant brands whose brand

managers are reluctant to accept highly original work as this requires a movement away from their existing brand positioning strategy (Gambetti et al., 2015). Of course if you are a dominant in a market you have more potential to shape the market, but through new brand offerings which do not cause issues for the existing brand positioning. In contrast for smaller, or new, brands a much larger concern is the lack of any brand awareness and hence the increased emphasis on originality.

Client Size

Client size is expected to have a positive relationship with appropriateness, but a negative relationship with originality. This is attributable to a range of factors beyond those related to client objectives to include the degree of resource investment, willingness to accept uncertainty, and organisational stratification.

Both Kover and Goldberg (1995) and Davies and Prince (2005) note situations where less-important clients tend to have fewer agency resources invested into the advertising production process. West (1999) has shown that, in keeping with agency theory, agencies are prone to vary the amount of creative risk that they are willing to take with a client depending on the value to the client's business (i.e. the degree of risk to the agency's revenue stream) to their overall portfolio. The bigger the client, the lesser the amount of risk the agency is willing to tolerate, and vice versa (Kover and Goldberg, 1995; West, 1999; West and Ford, 2001). A less risk tolerant agency coincides with an increase in organisational rules and processes (Corner Kinicki and Keats, 1994; Daft and Weick, 1984; Greiner, 1972; Jones, 1987; Mumford Whetzel and Reiter-Palmon, 1997), which serves to restrict originality.

West (1999) notes that agencies appear more willing to adopt higher risk strategies with their smaller clients. Smaller accounts may coincide with decreased uncertainty of the client impacting on the agency's bottom-line or reputation, possibly shifting the power base of the client-agency relationship from client to agency and opening the door to creative opportunism. It follows that agencies may decrease the level of investment of their resources in the client, and subsequently concentrate agency expertise more vertically than horizontally, leading to a decrease in account management and relationship management processes to the benefit of creative expertise.

Client Sophistication

Client sophistication refers to the client understanding of advertising processes which prescribe their behaviour (Koslow et al., 2006). More sophisticated clients understand agency processes and therefore are more likely to monitor those processes to ensure the outcomes they desire. The monitoring costs are lower due to their knowledge, and therefore there is an increased likelihood of using behavioural control (Spake et al., 1999). Indeed, results from Spake et al. (1999) would indicate that increased ease of measure results in both increases in behavioural and outcome controls. This effect has also been found in earlier organisational literature (Ouchi, 1977). As found by Koslow et al. (2006) greater levels of client sophistication had a substantial negative impact on originality but increased appropriateness.

Length of the Relationship

In terms of length of relationship, certainty in the external environment has been positive associated with length of client agency relationship (Buchanan and Michell, 1991). Davies and Prince (2005) propose that clients' trust of the agency maps to an inverted U shape as the agency-client relationship develops over time. As the relationship develops there is an increase in trust and understanding which coincides with a normalisation effect that reduces agency independence and increases behaviour that aligns with the client organisation. The theory also suggests that over time the opposite U shaped curve exists for creativity, with the agency falling into a cognitive inertia trap that leads to an algorithmic approach to creativity (Amabile 1996), and eventually a decline in trust when the agency no longer delivers the very thing they were initially hired for.

High levels of trust can maintain a relationship, increase switching costs, and reduce the tendency to adapt to external environmental factors. Hence over time both originality and the strategic relevance of the creative outputs is likely to reduce. Relationships seem to bring with them a pre-occupation with accountability, particularly when a series of historic strategic decisions have been involved. This in turn leads to further risk aversion on the part of both the agency and the client, misdirecting resources better spent on creative endeavours to avoiding the risk associated with the past (Davies and Prince, 2005).

CLIENT WILLINGNESS TO ACCEPT RISK

The key element that drives all of these structural elements is the client's willingness to accept risk. Client willingness to accept risk increases the agency's freedom to take creative risk, and frees the agency from the sophisticated

coordination and control practices agencies have developed to reduce risk. As found by Koslow et al. (2006) the most creative work occurs when a client allows the agency the freedom to explore new approaches and define strategy.

This risk acceptance is influenced by the environmental conditions of the client organisation, but actions itself through individual levels of risk tolerance. So the way that environmental conditions incentivise the client will influence the types of creative demand stipulated.

Environmental Context

Advertising strategies adapt slowly and incrementally in response to changes in the environment (Oster, 1982; White, 1981). In keeping with the expectations of classical organisational literature (e.g. Nelson and Winter 1982; Cyert and March 1963), firms are shown to require some form of ‘shock’ i.e. profit-downturn, to drive a strategic rethink (Buchanan and Michell, 1992; Gambetti et al., 2015; Kover and Goldberg, 1995; West, 1999), or alternatively slack resources to safely invest in exploring (Bourgouis, 1981; Cohen and Levinthal, 1989; Garcia Calatone and Levine, 2006; Greve, 2007; Lewin Long and Carrol, 1999; March, 1991; Nohria and Gulati, 1996; Sidhu Volberda and Commandeur, 2004; Voss, Sirdeshmukh and Voss, 2008). Shocks are driven by shifts in the market environment where the existing brand position no longer fits.

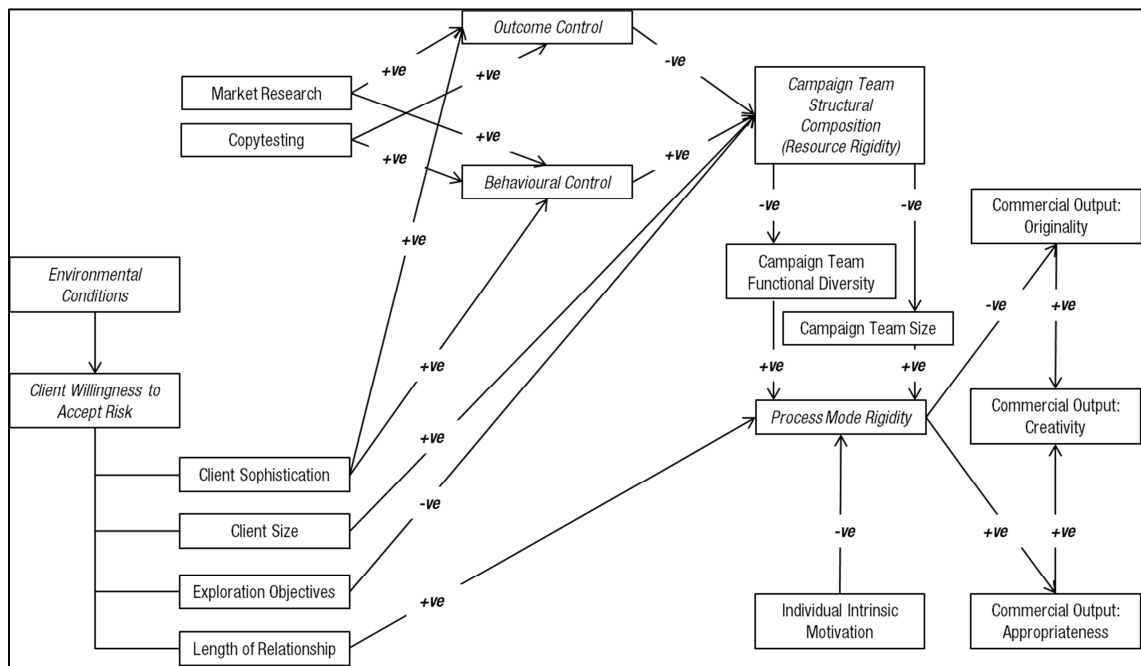
Willingness to take risk is also more likely to occur in industries that are highly dynamic or new, where competitive pressures are uneven. Unfortunately there is limited advertising literature linking the environmental conditions to client risk propensity, although the research there is suggests that risk adverse clients advertise significantly less and that those with higher risk aversion take parity positions within their industry (Tapiero 1978). Moreover, Oster (1982) found that

a performance shock drives asymmetric behaviours in that high advertisers increase their advertising, while low advertisers further decreased their advertising spend.

A GOVERNANCE FRAMEWORK FOR ADVERTISING OUTPUT

Over the course of this paper the influence of the client and how this may affect the structure of agencies, and the resulting effect on the originality and appropriateness of creative thinking processes is examined. *Figure 9* (below) incorporates these complex interrelated structural factors into a governance framework for understanding advertising outputs.

Figure 9 - A Governance Framework for Advertising Output



The diagram starts by acknowledging the environmental conditions that influence a client's willingness to accept risk. This risk tolerance in turn interacts with client sophistication, client size, client exploration objectives, and length of

the client-agency relationship, to determine the effect on controls, campaign team structures, and process mode rigidities. The direction of these effects, irrespective of the client's willingness to take risk, is indicated in the diagram. In addition informational inputs in the form of market research and copytesting are illustrated, as well as the effect of individual level intrinsic motivation. The diagram proposes the effects in relation to the originality and appropriateness of the final creative output. This framework goes beyond agency theory, extending it to illustrate a range of additional governance mechanisms that agency theory cannot account for. While conceptual in nature this model is consistent with the current body of literature and holds strong face validity. Empirical work is needed to fully test these relationships.

There are two overarching implications from this framework. First the need to understand the complexities of the process and the interactions between various factors. Foremost in these interactions is the underlying driver of client willingness to explore. For example a sophisticated client does not necessitate high levels of behavioural control, that lead to increased resource rigidity, and subsequent decreases in the originality of output, this depends upon whether that sophisticated client is risk tolerant or not. In addition this model does not account for a range of additional factors such as the absorptive capacity of organisations and individuals, nor domain knowledge and related process specific knowledge effects. An understanding of how relationship factors influence creative thinking processes must incorporate these full range of complex interrelationships.

Second, managers from both the client and agency side need to be aware of the potential trade-off between originality and appropriateness in the creative thinking process. While in an ideal case both highly original and highly

appropriate work will be achieved, clients in their drive to ensure appropriateness can undermine agency originality. Their willingness to accept risk is fundamental to this process and is far more subtle in its nature than a directive to 'be creative'. Given this understanding and an acknowledgement of client objectives, governance structures can be better aligned to achieve the desired outputs. Agencies hold the capacity to deliver highly creative work, but this work is difficult to evaluate prior to execution. This creates significant risk for the client which they in turn try to control and in that control they restrict the creativity to begin with. It is a vicious cycle that only the boldest client can overcome. When it comes to advertising '*Qui audet adipiscitur.*'

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Chapter Six

Organising for Creativity

I

Chapter Six: Organising for Creativity

THE REASON FOR THIS ENTERPRISE

The aim of this thesis has been to extend our understanding of creativity. Creativity is an area that is vital to society, but most commentators agree is a complex area that has been under researched. It is hoped that this piece of work goes some small way to assisting in addressing this issue.

The setting of the research was the advertising industry. This industry was chosen as it is one of the few industries that focuses primarily on the creative thinking process and has highly specialist personnel concentrating on creative ideation. However, unlike the majority of research on creativity, the aim of this thesis was to shed light on a range of interactive, processing capacity, and knowledge elements, in the creative thinking process, rather than looking at divergent thinking processes in isolation.

KEY FINDINGS AND DISCUSSION

Four manuscripts are presented for examination as an inter-related body of work on advertising creativity. These manuscripts have been targeted to top journals within the field, and are now in various stages of the publication process, ranging from; pending final decision after minor revision (1 article), under-review (2 articles), to being in final stages of preparation for submission (1 article).

Taken together, the four manuscripts comprise an enterprise view of Advertising Agencies and the relationship between their clients and knowledge

resources. Common themes from the advertising literature provided the substance of investigation as the discussion moves from the institutional level to the inner socio-cognitive workings of the advertising agency. Findings from these four manuscripts provide the basis for the development and extension of a number of theoretical and conceptual models.

Replicating the Advertising Context in Australasia.

Chapter Two is comprised of a replication and extension of the seminal study made by Koslow, Sasser and Riordan (2006) *“Do Marketing Clients Really Get the Advertising They Deserve: Agency Views of How Clients Influence Creativity.”*

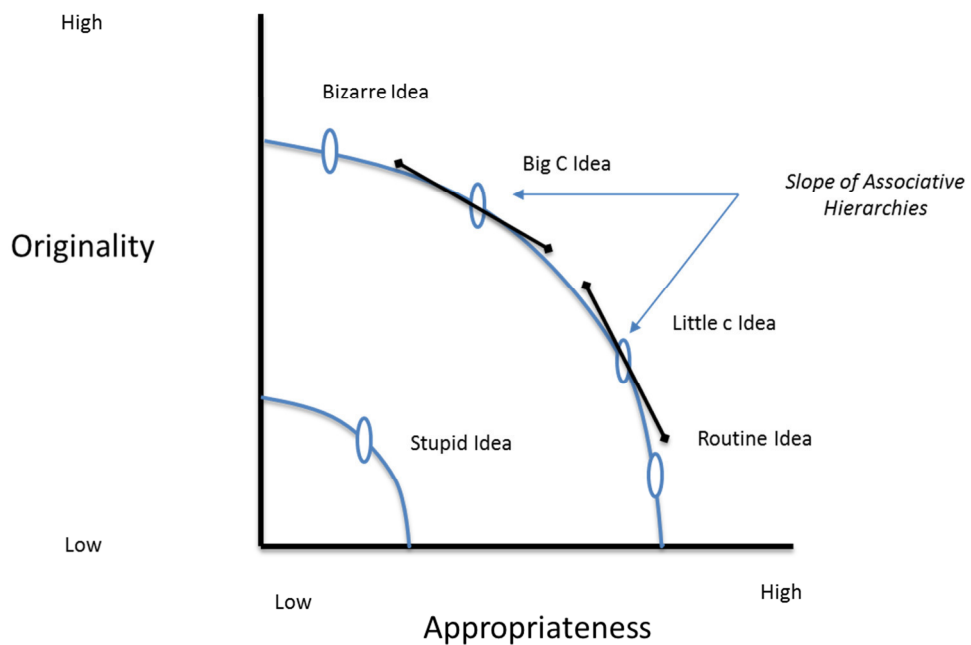
A significant proportion of the paper is devoted to discussion of the demonstrable trade-off between the two field-recognised components of creativity; originality and appropriateness (aka ‘on strategy’) (Runco and Jaegar, 2012; Sasser and Koslow, 2008). To add methodological rigour, creativity is operationalised in two ways: as a normative measure derived from scales of the original Koslow et al study (2006), and as a global subjective measure following the recommendation of Amabile (1996). In the analysis of both treatments creativity is demonstrated to come in variable ‘flavours’.

The article diverged from the original article in that many of the interaction effects were not found. This was either due to a smaller sample but more likely due to a different sample with the replication not including the same number of media personnel. However the key finding was that the trade-off

between originality and appropriateness is strongly influenced by client sophistication. More sophisticated clients have a cooling effect on the originality of the final creative output. In addition there was also found to be a positive effect between formal testing and both originality and creativity.

Figure 10 (below) visually represents the trade-off concepts encapsulated in these findings, as first presented by Kilgour (2007; Kilgour and Koslow, 2009). This trade-off is strongly influenced by client's willingness to explore. In keeping with the findings of the original Koslow et al (2006) article, clients in the Australasian advertising markets also get the creative work that they have the socio-cognitive capacity to absorb.

Figure 10. The Creativity Frontier (adapted from Kilgour, 2007)



Clients need to be aware of their influence on the agency creative process and the trade off their influence will have on originality and appropriateness. Clients contract agencies to develop creative work and at some stage need to let go off their desire to control the process. In particular clients need to recognise that agencies have a role in keeping strategy as fresh as originality.

Structuring for Creativity

Chapter Three looks into a number of structural elements driving creativity in the agency-client relationship.

A Hierarchical Linear Model (*Table 2*) indicated two key interaction effects. The first was that adding resources in relation to the number of staff increased originality in the view of the account executives while creatives had the opposite opinion. This would reflect similar actions to those described in Social Judgement Theory (Brehmer, 1976) with account executives more inclined toward social consensus relative to the creatives, who focus on the achieving original output. Secondly a similar effect was found on creativity when more functional areas were included.

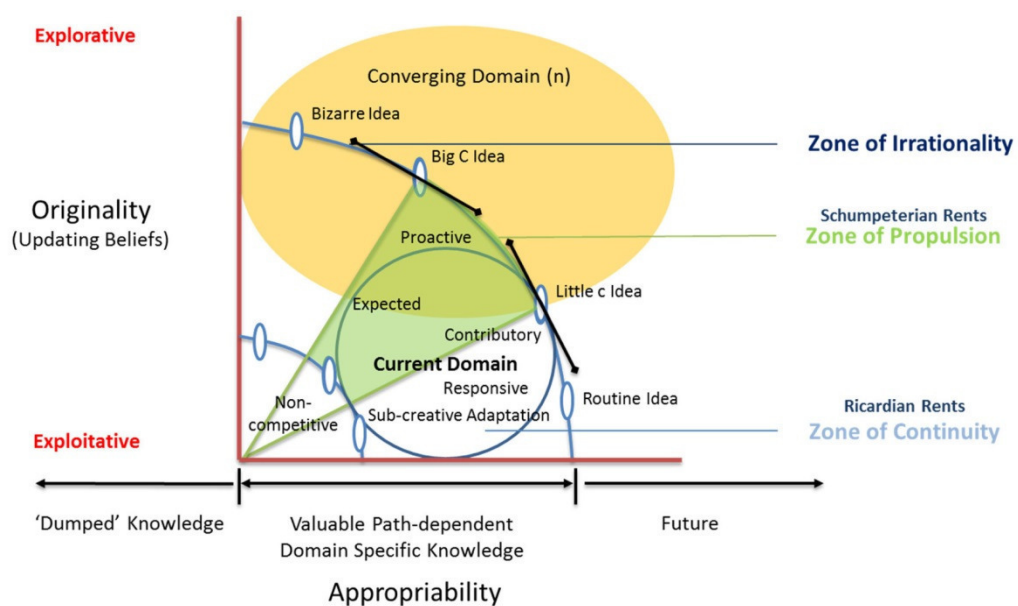
An additional finding was that when more creative resources were employed the agency as a whole perceived originality to increase. Length of relationship between the client and agency was found to be inversely related to strategy rather than originality, with the overall effect being a decrease in creativity. Over time, strategy loses market relevance (Gambetti, Biraghi, Schultz, and Graffigna, 2015).

From a managerial perspective when there is more uncertainty in a relationship and/or task, agencies may be better holding off pouring additional resources into the account and have faith in their creative personnel. The tendency is for agencies to match the internal structures of their clients but this may be counterproductive to good creative work.

Beyond Agency: The Surface of Absorptive Capacity

Chapter Four looks at the issue of absorptive capacity. In the creative thinking process a key limit is the ability of an organisation or individual to absorb the knowledge required to generate highly creative ideas. The following model, *Figure 11*, shows the creative frontier is also the absorptive capacity frontier. The model indicates the trade-off that occurs between updating our beliefs with continuing to maintain these beliefs.

Figure 11 - An Absorptive Capacity Frontier



The model illustrates that in order to generate creative ideas this requires a capacity for updating beliefs and the generation of divergent ideas. Additionally, to generate ideas of value requires a certain degree of domain knowledge, and systems to integrate these different knowledge structures. Hence, there is a trade-off between originality and appropriateness, and conflict between individuals and institutions with different priorities and knowledge and belief systems.

The absorptive capacity literature has focused largely on external conditions such as availability of information and inter-firm knowledge transfers, and has so far avoided the question of what internal mechanisms might comprise absorptive capacity for an organisation. This thesis places two organisational learning and informational processing mechanisms inside the ‘black box’ left largely unexamined in absorptive capacity research.

One learning and response mechanism is conflict. Conflict is a regular feature of the advertising literature. It is often presented in the research as being between client-agency, although there quite some substantive evidence that conflict within the agency environment is endemic, or simply, the norm. Whether the internal dysfunction is representative of a transfer of client-agency conflict across an agency’s boundaries, is yet to be determined.

Dysfunctional conflict has a positive effect on originality but reduces appropriateness as well as interacting with copy testing resulting in further decreasing appropriateness. Consumer research has a negative effect on originality but increased strategy. When using a cohesive group these effects are

positive for creativity driven by appropriateness. Client willingness to explore remains the main predictor of all three outcomes, originality, appropriateness and overall creativity.

In situations of newly formed teams in need of developing cohesion management should assign to campaigns where there is consumer research and/or copy-testing in order that these teams can build up some repeat collaboration. The copy-testing and/or research provides a basis for them to focus on resulting in work that is at least an average level and assists in setting a basis for cohesive development. Subsequently they can be moved into campaigns with less external limits or control mechanism.

A Theory of Agency: Absorptive Capacity

Chapter Five attempts to integrate many of the key findings from the thesis. Using Agency theory a new conceptual model that applies this in the context of advertising production is developed. This model begins the process of trying to identify the key variables driving creative outputs in an agency setting and their complex interactions.

The model would suggest that with the absence of client sophistication then other cues such as copy testing and research take on various roles as either controls, methods of justification or tools of learning. A sophisticated client will be better at selection and monitoring of the agency's behaviours and outputs. This has a cooling effect on the creativity of the output. In contrast an unsophisticated client can probably add whatever monitoring they like into contracts with minimal

effect, because the agency can exploit the ambiguity of the research/measures to proxy legitimacy. Essentially there is opportunism by both sides.

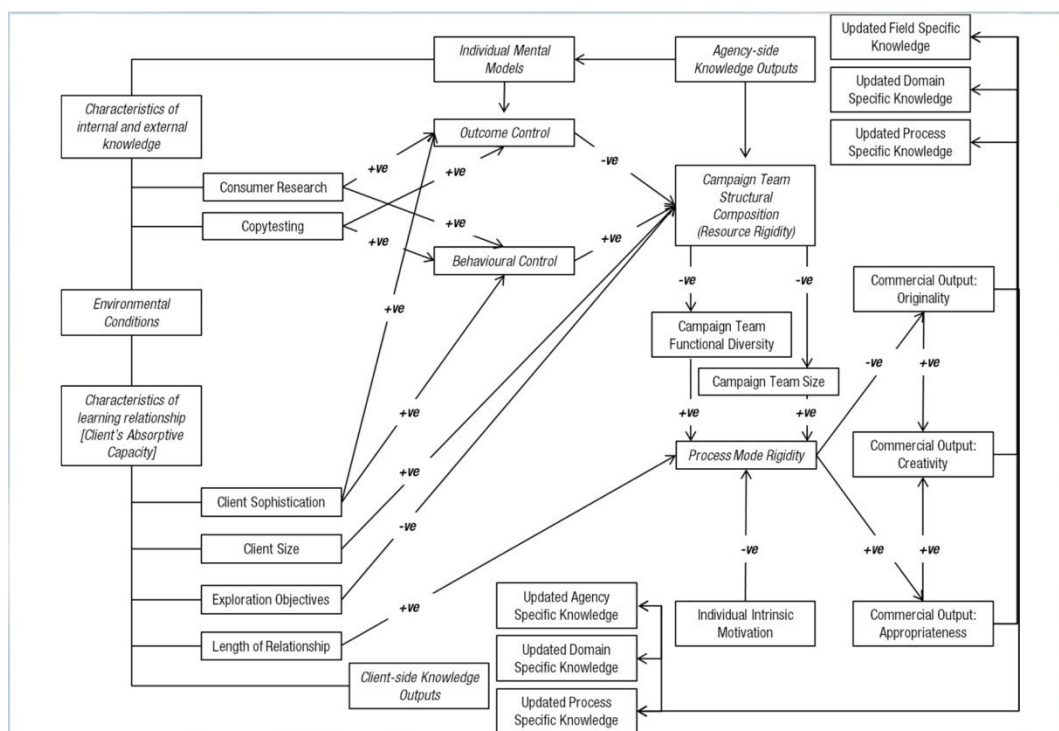
Other signals that influence the flavour of the creative, come from the formal informational inputs. Copy testing gives the agency a chance to refine their work, or in the hands of a sophisticated client, it becomes a mechanism of control. Similarly, market research becomes a validation tool unless it is in the hands of a sophisticated client, in which case, it must be visibly represented in the advertising and so also acts to stifle creativity.

Client sophistication therefore has some impact on determining the structural elements. The more sophistication, the greater the degree of control; the greater the behavioural measures, the more rigidity in resources applied, the less diversity in functions and team size, and the more the creative process resembles the dominant group within the agency (possibly the creatives). The more output control, the less rigidity of resources, the more staff and functions get poured on to lessen the agency's risk, but the more the process is constrained to an average of the group's capabilities.

Without informational inputs, then the other client-side factors (client-size, nature of task, and client objectives) influence the structures and processing. Client risk tolerance and length of relationship hit straight onto the processes. A risk tolerant client permits account management to accept creative magic. Length of relationship, all comes down to the influence the account management has with the client.

This model indicates that Agency Theory in itself does not go far enough in applying a theory of governance in an advertising setting. The client sophistication indicated in the research is a fundamental driver of how the contract is enacted and the resultant creative output. In essence the creative process must consider the power structures, structures that have been developed to control the process, individual capacity and knowledge structures, but most critically the risk tolerance and motivation of the various players. A more developed model incorporating the learnings of this thesis with regard to absorptive capacity in the Advertising Agency-Client relationship is illustrated below in *Figure 12*.

Figure 12 - A Governance Framework for Absorptive Capacity in Advertising Agencies



SUMMARY OF IMPLICATIONS FOR PRACTICE

The findings in this thesis, and illustrated in *Figure 12*, indicate that the underlying systems of advertising production, and the resulting creative product, are highly contingent upon external characteristics. These external characteristics include elements of knowledge resources, and elements that define the learning relationship between the Client and the Agency. Such institutional and external knowledge characteristics drive a trade-off between originality and strategy that affects the creative flavour of the final output.

On a practical level, agencies adjust their internal systematic fit to match these external characteristics, but do so in ways that may not produce an optimal level of creativity for the client. Account team structural composition provides a (silent) signifier of which epistemology or processing mode is sanctioned for the campaign.

For example, there is a tendency for agencies to match the internal structures of their clients but this is counterproductive to good creative work. Adding more agency resources or utilising an increased number of specialists to an account team when the client is sizeable, or has limited exploration objectives, is of no clear benefit to campaign strategy, and acts to complicate the advertising development process. These extra resources lead to more routine idea development and limit differentiation. Perhaps it is a fair criticism that agencies overload accounts with billable staff at the client's expense (Saiya and Moon, 2010).

Allocating more creative service personnel and reducing the use of other specialists on an account may permit agencies to better serve their client base with original and strategic ideas. This is in keeping with the Gross Contention (Gross, 1972), that increasing the pool of ideas for selection, and then testing those selected can lead to better advertising outcomes.

While this may go against the conventional wisdom employed in some advertising agencies, agencies need some awareness of their own biases here. The findings in this thesis have identified differences in creative judgements between creative personnel and those from other agency services, and suggest that social consensus impacts on the strategy development process. On a practical note, Kilgour and Koslow (2009) found that staff from account management could achieve higher creativity judgements on a task when primed against a self-evaluation bias. Agencies may overcome some unintentional biases in the advertising process if creative ideation is left to the expert craftspeople before evaluation by a wider network. This might go some way to alleviating the conflicts that arise between the different judgements of what is creative in a particular client context.

However, the sophistication of the client is a fundamental driver of how the advertising process is enacted and the resultant creative output. Under the tyranny of a sophisticated client, account management would be advised to be upfront with creative service staff in what biases may be extant in the client relationship. It is well worth heeding MacDougall's succinct invitation to "Try to make us smart before you call us stupid." (1984, 9). A suitably motivated and

skilled creative may still produce original advertising ideas with such awareness as it enables a similar understanding of the appropriateness criteria from which to construct a frame.

In terms of informational inputs, copytesting and consumer research are interpreted by agency personnel as either threat or opportunity cues in how to structure their response to the commission. Such information can take on the role of controls, justifications, or learning tools. In the absence of a sophisticated client, copytesting can be a positive tool for advertising creativity, whereas the use of consumer research should be understood for its influence on privileging strategy over originality. That is, copytesting can provide a frame for creative idea generation and refinement, whereas consumer research is more construct-specific and thereby constrains creativity. Understanding how these resources can serve to assist or curtail advertising development is essential knowledge for marketing and agency practitioners alike.

Agencies need to be more proactive in their management of accounts, particularly when the client is of large size or the client-agency relationship spans considerable time. In both situations, strategic rigidities emerge that serve to constrain creativity to a dominant or institutionalised logic for the domain, and fail to recognise opportunities for brand renewal, or differentiation within a dynamic client environment. Advertising agencies are experts in both strategy and originality of marketing communications, and these services are sought after by clients for exactly that set of expertise, although this may be easily overlooked. Agencies are advised to take more proactive stance in addressing strategic

rigidities in how the client's competitive environment is understood, and that there are diminishing returns from knowledge in use. Equally so, clients should keep in mind that agencies can play a role in keeping strategy as fresh as originality.

Of additional note, strategy development is not exclusive to account management or account planning specialists. Creative personnel also have abilities in advertising strategy development, and also see this as within their mandate. Koslow Sasser and Riordan (2006) found that creative staff viewed their most creative work as being highly original and highly strategic in nature. Agencies need to consider that there is a difference between advertising that passes what the client views as 'appropriate and advertising that delivers the best result in the consumer domain. Advertising agencies have not invested in developing persuasion skills and close relationships with their clients to not be proactive in selling and educating their clients as to what makes for better creative work.

Taken together, the structure of incentives in the client-agency relationship (in particular, the use of control methods or a client's willingness to explore) conditions the entire advertising development process. Managers, on both agency and client-side, need to be aware that the potential trade-off between originality and appropriateness can compromise their objectives.

Given the confluence of factors that influence the creative thinking process, the institutional structural and knowledge elements contained in the final model provide a starting point for further exploration. That changes in composition are

demonstrated to influence the broader range of interpersonal relationship factors that affect creativity in the advertising setting, is of significant importance to both future study and organising for advertising production.

Practitioners and scholars are encouraged to pay attention to how the changes in the organizational system influence the underlying nature of interactions that occur in the other two systems. The overlying functional elements of structure reveal changes that may occur in small worlds. This thesis provides some insight that the underlying interactions are the actual dynamic site of activities as opposed to the surface structures upon which they occur.

LIMITATIONS AND AREAS FOR FUTURE RESEARCH

There are a number of limitations in this research, firstly the issue of common-methods variance. In field-studies there is trade-off between collecting data and controlling for inherent error contained in the method. Acknowledging that the collection of three campaigns is a compromise based on pragmatics of attaining a dataset, however, individual subjective variations can then be controlled for. The power of the models $R^2=70$, combined with statistical control against a randomised model for each individual, should mitigate to a large effect the issue of common-methods variable. However future research may want to replicate these findings with a larger data set of single campaigns and use a variety of different methods to verify the findings.

This research used agency personnel as the basis for analysis, ideally a matching sample of clients would also be collected. Matching client-side datasets continue to present a challenge for all researcher's in advertising (Haytko,2004).

Further, if advertising fulfils the role as a legitimising mechanism for their activity and performance (Kover, 1970) clients may simply prefer not to know. That is, the knowledge gaps around both outcome measures and of the socio-cognitive technology used in advertising production may serve a useful purpose in obscuring performance issues within the marketing domain. It is worth remembering that stock market prices can rise and fall upon signals of change in client-advertising agency relationships (Mathur and Mathur, 1996).

In addition, the research is predominantly based upon self-assessments of agency staff's own work. This ensured a high degree of knowledge of the work but additional research is needed with independent assessments of these campaigns ideally using a judging panel of the target audience.

In relation to areas for future research these are identified at the end of each article but a number of areas require mention. Firstly, the field would benefit greatly from experimental research examining whether role-based agency functional areas have distinct perceptual differences with regard to social-communication or conflict types. Chapter Three indicated there were attitudinal differences between creative resources and other functions of agencies with regard to strategy. Studies using Asch tests or Social-Judgement methodologies would be welcomed, with those using tools of neuroscience particularly valued.

Second, research in the advertising literature (i.e. Verbeke et al, 2008), has barely broached the potential for absorptive capacity as a model for advertising creativity. Absorptive capacity is a crucial area that needs further development in relation to creativity thinking processes as creativity requires people with both high levels of domain expertise to act as the basis for divergent idea combinations but also expertise in overcoming the problem of mental set fixation.

Finally, it is relatively easy to presume that cognitive conflict is commonplace within any organisational setting in which knowledge is intensively used and meaning negotiated, and this mechanism remains under-explored in the context of advertising production. This research is a first line of research focused on the inhibiting effect that affective types of conflict have on the creative process. If it is possible to discount the prevalence and role that affective conflict plays on information processing within the agency, or mitigate through, then we can begin to focus on the styles of conflict that enhance creativity. However, the two types of conflict are highly inter-related and these complexities require our research attention.

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Appendix One

Methodology

Appendix 1: Research Methodology

This section provides an overview to the quantitative methodology employed in this thesis to explore the nature of advertising agency group and client-relationship dynamics.

ADCRISP AND ANZAD

This research is an extension of the AdCrisp study, referred to as the ANZAD study (Australia and New Zealand AdCrisp). While the AdCrisp methodology has previously been employed to study advertising creativity in the USA and Europe⁵, this is the first time that the methodology has been used to study New Zealand and Australian perspectives on the production of creative advertising. The ANZAD study replicates the established AdCrisp methodology and extends its subject matter in several directions:

- a) Examining the similarities and differences in advertising development systems used between United States and Australasian advertising agencies;
- b) Demonstrating the applicability of the AdCrisp scales for cross-cultural and other advertising settings;
- c) Identifying any differential effects on the component measures of creativity, Originality and Strategy;
- d) Investigating the effects of intra-agency group dynamics and external informational conditions upon the production of creative advertising;

⁵ EuroCrisp

- e) Examination of the structural bases of the learning relationship between the client and the agency within which advertising production is embedded.

This study differs from the substantial proportion of published research in the fields of both creativity and advertising creativity, much of which has been conducted using student samples or in laboratory settings. As such, the current understanding is dominated by somewhat artificial contextual situations. In comparison, and in pursuit of ‘enacted world’ knowledge, the subjects of the AdCrisp programme are i) active advertising practitioners and ii) the study is undertaken at their place of work.

The principal means of investigation utilised by the AdCrisp programme has been through a survey instrument conducted ‘in-house’ i.e. the natural setting in which advertising is produced. Development of the initial survey instrument is reported in detail by Koslow, Sasser, and Riordan (2003).

THE ANZAD ADCRISP SURVEY INSTRUMENT

This study adopts the established methodology of the AdCrisp framework. The principle features of this methodology are;

- a) a sample of large best-practice advertising agencies (approximating 70-80% of total billings in the markets they serve) are invited to participate in the study;
- b) a personal intercept approach to obtain individual responses, via;
- c) a formal written survey instrument consisting of three parts.

The three parts of the survey instrument are detailed below:

Part One - measures self-perceptions of the level of creativity of campaign outputs, and collects data on a range of structural features of the advertising organisation for each specific campaign.

Part Two – comprises 59 item statements measured on 7 point Likert scales, reflecting the degree to which various factors were perceived to be salient in the social-organisational environment during the development of the campaign.

Part Three - demographic data for classification purposes.

The remainder of this section charts the survey instrument in more specific detail. The full survey instrument is contained in Appendix Two.

Part One - Primary Dependent Measures:

Survey Design Considerations

Previous research suggests that creative personalities and processes are sensitive to external evaluation and co-action (Amabile, 1979; Amabile, 1996; Runco and Sakamoto, 1999). Therefore care has been taken in the research design of this study with-respect-to minimising or negating such effects. Specifically, the survey a) will be conducted ex-post rather than simultaneous to the creative process, and b) measures will be based upon respondent's self-reflections on creativity i.e. evaluation of creativity via 'self-evaluation' rather than 'expert judgements' of external parties. These procedures are designed to reduce the intrusion of the researcher upon creative processes.

Self-perceptions of the level of creativity of campaign outputs form the central basis of the first section of the survey instrument. Responses to these questions will inform the dependent measures of analysis.

Researchers face considerable difficulty collecting data within advertising agencies. Advertising personnel are highly paid professionals who often work on campaigns with tens of millions of dollars in billings and these campaigns are highly commercially sensitive. Subsequently, access is often restricted; participant's time is a limited commodity, and the subjective nature of the creative endeavour has its own sensitivities. In particular it is difficult to collect paired data from both the agency and client. Therefore a researcher often has limited access and must make full use of that limited time.

In order to make use of this limited access and ensure the maximum quantity of data collected, respondents will be asked to reflect on their three most recent campaigns that they have worked on.

Advertising personnel were asked to respond on their three latest campaigns regardless of *how creative* they consider those campaigns⁶ to be. The method acknowledges that there is variability in creative output, and that not all advertising need be creative. It also provides for a statistical control on subjective variation between individuals and campaigns

⁶⁶ There is some inter-changeability within advertising agencies as to the terminology used to refer to a campaign. Both a 'campaign' and the 'client' might also be referred to as an 'account'. Additionally, a particular stand-alone advertisement might also comprise a 'campaign'. Subsequently, the ANZAD survey reflects the varied use of these terminologies in the wording of the survey questions.

The following sub-sections provide a map to the specific components of the first part of the survey, and rationale for their inclusion.

Preliminary Questions

Two questions precede the dependent measures of interest in this study. Both questions serve to prime the respondent to the campaign context that they are responding to.

The first question requires the respondent to identify the three most-recent advertising campaigns they have worked upon, and the primary communications media that were used in execution of each campaign.

The second question is a global subjective measure of creativity and effectiveness. Amabile (1996) recommended the use of a single item response scale to garner participants' evaluation of creativity and effectiveness using their own subjective definitions of these components. These two evaluations are measured on 7-point Likert scales anchored 'far less than average' to 'far above average', and centred on a midpoint of 'average creativity/effectiveness'. The wording of the single measures stemmed from the sentence "Using your own subjective definition of advertising creativity/effectiveness, how creative/effective was this ad/campaign?" The question is illustrated below:

For each of these three advertisements/campaigns, please circle the appropriate number in the table:

Using your own subjective definition of advertising creativity, how creative was this ad/campaign?	Far less than average	Less than average	Somewhat less than average	Average creativity	Somewhat above average	Above average	Far above average
My most recent ad/campaign:	1	2	3	4	5	6	7
My second most recent ad/campaign:	1	2	3	4	5	6	7
My third most recent ad/campaign:	1	2	3	4	5	6	7

Using your own subjective definition of advertising effectiveness, how effective was this ad/campaign?	Far less than average	Less than average	Somewhat less than average	Average effectiveness	Somewhat above average	Above average	Far above average
My most recent ad/campaign:	1	2	3	4	5	6	7
My second most recent ad/campaign:	1	2	3	4	5	6	7
My third most recent ad/campaign:	1	2	3	4	5	6	7

Primary Dependent Measure: Creativity Index

Koslow, Sasser and Riordan (2003) established a set of relevant indices for measuring advertising creativity which are suitable for this study. As opposed to a single-item global measure of creativity components (described above), Koslow et al developed a normative index formed from multi-item constructs. Constructs of originality, strategy, and artistry (forming the two established component sub-measures of creativity: originality and appropriateness, and the highly subjective artistry sub-component) are measured on three scales consisting of 4-5 items each. A 7-point Likert scale anchored “strongly disagree” (-3) to ‘strongly agree’ (+3) is used, with a neutral midpoint labelled ‘neither’ (0). Each item roots off the same verbal stem “Compared to other advertisements / campaigns, this advertisement/campaign was...”. The survey question is displayed below:

Please use the scale below to tell us to what extent you agree with the statements in following table. Please write the appropriate numbers in the boxes to the right of each statement.

If you answer is...	Strongly Disagree	Disagree	Somewhat Disagree	Neither	Somewhat Agree	Agree	Strongly Agree
Put this number in the box...	-3	-2	-1	0	+1	+2	+3
Compared to other advertisements/campaigns, this advertisement/campaign was...							
... 'on strategy'							
... original							
... able to stand on its own as art							
... a good fit with the client's strategy							
... imaginative							
... could be appreciated as a work of art							
... emotionally expressive							
... unexpected							
... artistically sophisticated							
... novel							
... an appropriate strategy for the client							
... aesthetically appealing							
... different							
... built on good strategy							

Supplementary Questions

Supplementary questions were asked in order to provide a clear cognitive break from the task of assessing creativity-related components of the advertising campaigns. To retain some relevant use of the data collection process, these questions comprise a supplementary line of investigation based within traditional forms of organisational analysis. These questions reflect structural-functionalist variables and provide a second line of classification measures that may be employed at the researcher's discretion. The full sub-section may be viewed in Appendix Two.

Of particular relevance to the theoretical basis of this study are two single-item questions regarding the composition of the account team for each of the three identified campaigns. Agencies use different combinations of human capital contingent on the nature of the account. Sometimes a single creative dyad will be the sole creative resources allocated to an account; other times, the brief will be given to several creative teams to work on simultaneously. By the same token, on some accounts greater numbers of account management staff will be engaged in

the coordination and persuasion role. Again, a 7-point Likert scale anchored “strongly disagree” (-3) to ‘strongly agree’ (+3) is employed, with a neutral midpoint labelled ‘neither’ (0). However, as compared with previous questions, both items derive from a verbal stem “compared to the average account...”. The survey sub-section is displayed below:

Compared to the average account...						
...there were more creatives assigned to this account than would normally be assigned to an account of this size						
...there were more account executives assigned to this account than would normally be assigned to an account of this size						
Did the client use the campaign? (Please circle)	Yes	No	Yes	No	Yes	No
Was this your first/primary choice of creative work for this account?	Yes	No	Yes	No	Yes	No
Was this campaign for a new business pitch? (Please circle)	Yes	No	Yes	No	Yes	No
Was your agency paid on a performance basis? (Please circle)	Yes	No	Yes	No	Yes	No
For your agency, was the client large (L), medium (M), or small (S)?	L	M	S	L	M	S
How long has your agency worked with this client?	<u> </u> yrs	<u> </u> mo	<u> </u> yrs	<u> </u> mo	<u> </u> yrs	<u> </u> mo
What is the total number of agency staff directly involved on this campaign?						
What is the total number of unique functional areas represented on the Ad Team for this account/campaign? (i.e. creative, a/c management, media, strategy/planning, research...)						

Respondents are also requested to answer several binary (Yes/No) questions as to whether the creative work selected for the account reflected their first preference, was remunerated on a performance basis, and whether the client chose to execute the campaign creative work. Agencies commonly prepare several creative options; however, the client may seldom select the option which agency members consider best matches the creative needs of the campaign. These measures are designed to assess the direct influence of the client in the decision to implement a creative campaign or not.

Part Two - Primary Independent Measures

The ANZAD survey instrument consists of a written questionnaire composed of 59 item statements measured on a 7 point Likert scale, reflecting the degree to which various interdependent factors were perceived to be salient in the

social-organisational environment during the development of the campaign. The design of this section of the questionnaire is intended for summarisation via factor analysis (Hair et al, 1998, 5th Ed). Together, the 59 statements represent 14 latent constructs common in either organisational or advertising theory.

Construct items were disaggregated and distributed throughout the ANZAD instrument. As an aid to administration of the research in the field, only one version of the questionnaire was used for all respondents i.e. no variations to the question order were applied between subjects.

Consistent with the normative and subjective creativity measures described in Part One, a Likert scale format anchoring “strongly disagree” (-3) to ‘strongly agree’ (+3) is used. In the same manner as that used for responses regarding the Primary Dependent Measures, respondents were required to write their response into the panel corresponding to either their most recent, second-most recent, or third-most recent campaign. A section of Part Two of the questionnaire is illustrated below.

Part Two

In this section of the questionnaire, we will be asking you about the advertisements or campaigns you listed on the front page (e.g. 'most recent', 'second most' and 'third most'). Below, please tell us to what extent you agree or disagree with the statements as they apply to *each of the three accounts identified*. Please use the following scale and write the numbers within the boxes to the right of each statement.

If you answer is...	Strongly Disagree	Disagree	Somewhat Disagree	Neither	Somewhat Agree	Agree	Strongly Agree
Put this number in the box...	-3	-2	-1	0	+1	+2	+3

	Most Recent	Second most Recent	Third most Recent
The agency and the client shared a good working relationship.			
I really wanted to work on this account.			
The team bound together tightly around the campaign.			
We adhered rigorously to our agency's prescribed advertising development process.			
There was good market research information on the business			
Developing advertising for this product/service was fun.			
There were many disagreements over different ideas and strategies.			
The agency priority was to keep the client happy no matter what.			
The main client contacts had responsibility, but little decision-making authority.			
The agency process used forced us to stay 'on strategy'.			
The client was experienced with advertising.			

Part Three - Secondary Dependent Measures

Part Three of the survey asked individual respondents about some of their personal characteristics and advertising-related experiences, for example: tenure within industry, age, gender, and education. This data was collected for classification and control purposes. Part Three may be viewed in the context of the full survey instrument (refer Appendix Two).

DATA COLLECTION

Advertising agencies were selected and invited to participate in the research through a stratified sampling frame. Where an agency agreed that its organisation will partake in the research, then an on-site personal intercept method was used to invite participants to fill out a written questionnaire. The following sub-sections outline the specific characteristics of the data collection process.

Sampling Frame, Selection, and Recruitment

To maintain consistency with the selection procedures of the previous AdCrisp streams, the sampling frame for inviting agencies to participate in the research is the 20 highest billing full-service agencies in each of the primary/largest markets for advertising production in New Zealand and Australia: Auckland, Melbourne and Sydney cities (a total of 60 agencies).

Whereas the AdCrisp research streams employed industry publications (i.e. Crain's Business Lists, Advertising Redbooks), no such publication is available for the New Zealand and Australian context at the time the ANZAD field research was conducted. Instead, billing information was requested from and provided by the Communications Agencies Association of New Zealand (CAANZ), and the Advertising Federation of Australia (AFA). Both of these industry organisations base their membership levies on the billings revenue of their individual member agencies. The industry associations estimated that the sampling frame has a catchment in the vicinity of 75-80% of total advertising billings/revenue for the respective city/advertising market.

Recruitment of Agencies

Agencies meeting the selection criteria will be invited to participate in the study via direct contact with top-management and/or previously established contacts within each agency. The direct approach will take one of two forms, either:

- a) Personal telephone call followed by an email detailing the study, its requirements (e.g. permission of agency management to conduct survey on agency premises with agency staff), and formal invitations to participate, or;
- b) Introductory email as above, with follow-up telephone call to confirm the contact and reiterate the invitation to participate.

As with the previous AdCrisp research streams, a ‘food’ incentive (e.g. light lunch) was offered to encourage participation⁷ either when the timing of data collection is appropriate or when agency management were proving hesitant to participate.

Recruitment of Individual Participants

Permission will be sought from agency management to conduct the survey on the agency premises. Agency management will then be asked to send an office-wide email and/or post flyers notifying and inviting eligible respondents to participate in the research. To encourage participation the email and fliers will identify the researcher and their affiliation, and include a basic outline of the project, venue, and time commitment. An example of the flyer is illustrated below.

⁷ Despite being made available, it should be noted that no agency that participated in the ANZAD study took up the offer of the food incentive.

ADVERTISING CREATIVITY. GLOBAL RESEARCH PROJECT



University of Waikato want an understanding of how you think your work environment affects your creativity and output. We've chosen your agency for our global survey of advertising creativity - it'll help us gain a real world understanding.

So far we have examined over 2000 campaigns from BBDO, Bates, DDB, JWT, Draft FCB, Publicis, Grey, Saatchi & Saatchi, Y&R, Lowe, Leo Burnett in New York, Detroit, Paris, London and parts of Asia.

If you work in Creative, Account Management, Media, Research, Strategy, Direct, Interactive, or Production/Studio then come along:

WHYBIN/TBWA (SYDNEY)
FRIDAY 3 APRIL @ 11.00AM

FOR MORE INFORMATION CONTACT:
Huw O'Connor
Department of Marketing, Waikato Management School, University of Waikato

In the majority of agencies, it is anticipated that the agency may nominate a specific time and place where agency staff can complete the survey instrument in a group 'meeting' setting. Beyond these activities, a handful of agencies may

permit the researcher an on-site personal intercept approach to recruit individual respondents. Some flexibility on the part of the researcher may be required to achieve a good response rate.

In each of the recruitment scenarios, consistency in sampling of individual respondents within the agency will be maintained via self-selection but subject to sampling criteria requiring the participant to:

- i. Be an executive from creative, media, account management, strategic planning, research and other areas of the agency directly involved in the production of advertising campaigns, and;
- ii. have had direct experience of a minimum of three campaigns across three clients.

Procedure and Instructions

As well as being the established method of data collection for the AdCrisp programme, having the researcher administer the survey is considered the method most likely to maximise participation and completion rates. This is due to the length of the questionnaire (requiring 20-25 minutes to complete). The presence of the researcher during data collection, not only projects a high level of involvement and commitment to the research, but also provides the opportunity for the researcher to better explain the purpose and nature of the project. This approach also allows the researcher to allay any fears around the commercial and personnel sensitivity of the data.

All participants will be provided with an information sheet at the beginning of each session. The information sheet identified the researcher and his affiliation, and included a basic outline of the project, how the information was to be used, the time commitment required on the participants' part, and the research team's contact details.

In addition, the researcher will verbally explain what is involved and what the participants will be required to do. At this point the researcher will also reiterate the rights of participants, including how to obtain further information regarding the study, and how they may withdraw their participation. It is anticipated that these introductory procedures will take approximately 5 minutes to complete. The survey instrument will then be distributed to participants.

Verbal Instructions to Participants

Prior to filling out the survey questionnaire, respondents were only told that the survey topic is 'advertising creativity in the real world'. Participants were not informed of the specifics of the constructs being examined in the survey so as not to prejudice their responses. Additional deception techniques were not applicable to the research design. Participants were requested to follow the broad guidelines outlined below:

Please reflect on the last three campaigns you have worked on regardless of how creative you think they were.

- i. Campaigns should be complete (although not necessarily in the market yet).
- ii. With the first question, please list the client, campaign title or at least the category. This information remains confidential to the researchers.
- iii. To offset any apprehension that participants may feel regarding confidentiality of their responses, the instructor re-emphasised that:
We do not publish or identify the names of any client, campaign, agency or individual. Nor do we compare or assess the creativity of any agency or individual.
- iv. Please use *your personal judgement* of how effective you think the campaign is going to be.
- v. Please answer *all* questions.

Debrief to participants

Once all respondents at the site had completed the survey, participants were offered a list of articles published from findings of previous AdCrisp studies for their reference. On some occasions a more detailed discussion and disclosure of the project ensued when respondents displayed interest.

DATA PROCESSING

The completed survey forms were entered into a MS Excel worksheet. Following a data-cleaning process, a number of statistical analyses were conducted upon the data set using the SAS statistical package software. The specific analytical procedures, results and findings are included in the methodology sections of each manuscript comprising the thesis.

Appendix Two

ANZAD Survey Instrument

Appendix Two: ANZAD Survey Instrument

Advertising Creativity in the Real World: Part One

Thank you for helping us with this study! We want to know about the advertising created in the three most recent campaigns you have worked on. Below, please write the names or categories for these campaigns. Client names are optional.

	Please tick the primary media used for each ad/campaign/client:									
	TV	Radio	Magazine	Newspaper	Outdoor	Direct	PR	Promotions	Internet / Web	Other
My <u>most recent</u> ad/campaign/client:										
My <u>second most recent</u> ad/campaign/client:										
My <u>third most recent</u> ad/campaign/client:										

For each of these three advertisements/campaigns, please circle the appropriate number in the table:

Using your own subjective definition of advertising creativity, how creative was this ad/campaign?	Far less than average	Less than average	Somewhat less than average	Average creativity	Somewhat above average	Above average	Far above average
My most recent ad/campaign:	1	2	3	4	5	6	7
My second most recent ad/campaign:	1	2	3	4	5	6	7
My third most recent ad/campaign:	1	2	3	4	5	6	7
Using your own subjective definition of advertising effectiveness, how effective was this ad/campaign?	Far less than average	Less than average	Somewhat less than average	Average effectiveness	Somewhat above average	Above average	Far above average
My most recent ad/campaign:	1	2	3	4	5	6	7
My second most recent ad/campaign:	1	2	3	4	5	6	7
My third most recent ad/campaign:	1	2	3	4	5	6	7

Please use the scale below to tell us to what extent you agree with the statements in following table. Please write the appropriate numbers in the boxes to the right of each statement.

If you answer is...	Strongly Disagree	Disagree	Somewhat Disagree	Neither	Somewhat Agree	Agree	Strongly Agree
Put this number in the box...	-3	-2	-1	0	+1	+2	+3

Compared to other advertisements/campaigns, this advertisement/campaign was...	Most recent		Second most recent		Third most recent	
... 'on strategy'						
... original						
... able to stand on its own as art						
... a good fit with the client's strategy						
... imaginative						
... could be appreciated as a work of art						
... emotionally expressive						
... unexpected						
... artistically sophisticated						
... novel						
... an appropriate strategy for the client						
... aesthetically appealing						
... different						
... built on good strategy						
Compared to the average account...						
... there were more creatives assigned to this account than would normally be assigned to an account of this size						
... there were more account executives assigned to this account than would normally be assigned to an account of this size						
Did the client use the campaign? (Please circle)	Yes	No	Yes	No	Yes	No
Was this your first/primary choice of creative work for this account?	Yes	No	Yes	No	Yes	No
Was this campaign for a new business pitch? (Please circle)	Yes	No	Yes	No	Yes	No
Was your agency paid on a performance basis? (Please circle)	Yes	No	Yes	No	Yes	No
For your agency, was the client large (L), medium (M), or small (S)?	L	M	S	L	M	S
How long has your agency worked with this client?	____ yrs	____ mo	____ yrs	____ mo	____ yrs	____ mo
What is the total number of agency staff directly involved on this campaign?						
What is the total number of unique functional areas represented on the Ad Team for this account/campaign? (i.e. creative, a/c management, media, strategy/planning, research...)						

Part Two

In this section of the questionnaire, we will be asking you about the advertisements or campaigns you listed on the front page (e.g. 'most recent', 'second most' and 'third most'). Below, please tell us to what extent you agree or disagree with the statements as they apply to *each of the three accounts identified*. Please use the following scale and write the numbers within the boxes to the right of each statement.

If you answer is...	Strongly Disagree	Disagree	Somewhat Disagree	Neither	Somewhat Agree	Agree	Strongly Agree
Put this number in the box...	-3	-2	-1	0	+1	+2	+3

	Most Recent	Second most Recent	Third most Recent
The agency and the client shared a good working relationship.			
I really wanted to work on this account.			
The team bound together tightly around the campaign.			
We adhered rigorously to our agency's prescribed advertising development process.			
There was good market research information on the business			
Developing advertising for this product/service was fun.			
There were many disagreements over different ideas and strategies.			
The agency priority was to keep the client happy no matter what.			
The main client contacts had responsibility, but little decision-making authority.			
The agency process used forced us to stay 'on strategy'.			
The client was experienced with advertising.			
We were able to work through disagreements and differences in opinion constructively to a better creative idea.			
This account didn't expect to use formal testing on the advertising produced.			
There were intense displays of emotion amongst the agency account team when working on this account.			
The client was afraid to make decisions.			
Working on this account was personally rewarding.			
The client worked with us to find creative advertising solutions.			
The agency's culture accommodates clients at the expense of good creative work.			
The client was knowledgeable about advertising.			
The creatives had access to market and media research that painted a clear picture of the target market.			
The client let us try out new creative ideas and/or innovative media.			
There were a lot of agency politics played on this account.			
The client trusted the agency.			
This account's creative output was expected to be formally tested for recall, likeability, attitude change or other measures.			
There were no obvious signs of anger within this account team.			
More than anything else, conflict on the agency side was driven by personality clashes.			
The agency-client relationship was not productive.			
The client was willing to explore new creative ideas.			
Personal friction between agency personnel was evident whenever alternative ideas or strategies were suggested.			
The client did not understand advertising.			

If you answer is...	Strongly Disagree	Disagree	Somewhat Disagree	Neither	Somewhat Agree	Agree	Strongly Agree
Put this number in the box...	-3	-2	-1	0	+1	+2	+3

	Most Recent	Second most Recent	Third most Recent
Focus groups, in-theatre tests, consumer panels, or other formal means were used to evaluate the advertisement(s) produced for this account.			
Through discussion, those on the agency side were able to integrate their thinking to a better advertising solution.			
There was a constant feeling of tension among our agency's account team members.			
Agency culture was such that it supported the creatives in doing their best work.			
The creative output for this account was expected to be assessed by formal research methods.			
Agency personnel on this account gave and received good support from one another.			
The agency decisions made on this account were unpolitical.			
Working with this product/service was interesting.			
The creatives who worked on this account knew the business.			
The people the agency assigned to this account were not well regarded by the agency in terms of expertise.			
The client was supportive of us seeking out the best work.			
People on the agency side were quickly on the defensive whenever a criticism was raised.			
When faced with differences of opinion on this account, agency personnel were able to share their thoughts among themselves openly and constructively.			
The creatives on this account understood how the target market thought.			
On this account, political gamesmanship was rampant.			
There was a strong organizational system put in place that disciplined our creative work.			
The agency was in jeopardy with the client.			
Market research provided all we needed to know about the target market.			
The client was so unsure about what they wanted that they deferred to the research to make decisions.			
It would be difficult to trust the agency personnel who worked on this account if we had to work on another campaign together.			
The unstated rule for this account was that management defends good creative work.			
We were running blind on this account because we didn't have access to proper market research information.			
The agency personnel on this account displayed great respect for each other's opinions, knowledge and expertise.			
Distrust between the client and agency affected the quality of work on this account.			
The agency-client relationship facilitated good work.			
Agency-side discussions were full of snide remarks or bickering.			
Top agency management often interferes in work to please the client.			
The client had confidence in the agency's capability.			
Personal rivalry and jealousy between some team members was particularly obvious.			

Part Three

Now, please tell us about yourself. Your responses will be used for classification purposes only.

How many years have you been in the advertising business? _____ years.

What is your current job title? _____

What is your rank? (Please check only one)

- | | | | |
|--|---|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> CEO/CCO/GM | <input type="checkbox"/> Group Director | <input type="checkbox"/> Senior | <input type="checkbox"/> Intern |
| <input type="checkbox"/> Managing Director | <input type="checkbox"/> Director | <input type="checkbox"/> Intermediate | <input type="checkbox"/> Other: _____ |
| | | <input type="checkbox"/> Junior | |

Which area of the advertising business best describes your **current** position? (Please check one only)

- | | |
|---|--|
| <input type="checkbox"/> Creative | <input type="checkbox"/> Media planning/research |
| <input type="checkbox"/> Account Management | <input type="checkbox"/> Media buying |
| <input type="checkbox"/> Strategic/Account planning | <input type="checkbox"/> Production/Traffic/Studio |
| <input type="checkbox"/> Research | <input type="checkbox"/> Direct |
| <input type="checkbox"/> Digital /interactive | <input type="checkbox"/> Other: _____ |

In the **past**, what areas have you worked in? (Please check all that apply)

- | | |
|---|--|
| <input type="checkbox"/> Creative | <input type="checkbox"/> Media planning/research |
| <input type="checkbox"/> Account Management | <input type="checkbox"/> Media buying |
| <input type="checkbox"/> Strategic/Account planning | <input type="checkbox"/> Production/Traffic/Studio |
| <input type="checkbox"/> Research | <input type="checkbox"/> Direct |
| <input type="checkbox"/> Digital/interactive | <input type="checkbox"/> Other: _____ |

What clients do you have personal experience with on **3 or more** campaigns? (Please check all that apply)

- | | |
|--|--|
| <input type="checkbox"/> Consumer package goods | <input type="checkbox"/> Financial services or banking |
| <input type="checkbox"/> Automobiles/vehicles | <input type="checkbox"/> Other services |
| <input type="checkbox"/> Consumer durables (excluding autos) | <input type="checkbox"/> Business to Business |
| <input type="checkbox"/> Retail | <input type="checkbox"/> Telecommunications/technology |
| <input type="checkbox"/> Restaurant/food service | <input type="checkbox"/> Other: _____ |

What media do you have personal experience with on **3 or more** campaigns? (Please check all that apply)

- | | | |
|-------------------------------------|--|---------------------------------------|
| <input type="checkbox"/> TV | <input type="checkbox"/> Magazines | <input type="checkbox"/> Transit |
| <input type="checkbox"/> Radio | <input type="checkbox"/> Direct response | <input type="checkbox"/> Outdoor |
| <input type="checkbox"/> Newspapers | <input type="checkbox"/> Digital/interactive | <input type="checkbox"/> Other: _____ |

Have you ever worked on the client side?

- ☐ No ☐ Yes, please indicate number of years: _____ yrs

Are you:

- ☐ Male ☐ Female ☐ Single ☐ Married/Partnered

Your age is:

- ☐ 18 - 24 ☐ 25 - 34 ☐ 35 - 44 ☐ 45 - 54 ☐ 55 - 64 ☐ 65+

Your highest level of education is:

- | | | |
|---|--|--|
| <input type="checkbox"/> High school | <input type="checkbox"/> Two years of university | <input type="checkbox"/> 3 or 4 year university degree |
| <input type="checkbox"/> One year of university | <input type="checkbox"/> Creative design/art programme | <input type="checkbox"/> Graduate degree |

Thank you for your participation in this research!

Please return by mail to: A. Prof. Scott Koslow, Department of Marketing, Waikato Management School, University of Waikato, Private Bag 3105, Hamilton, New Zealand. Ph +64 7 838 4466 xtn 8587. Fax: +64 7 838 4352. Email: skoslow@mngt.waikato.ac.nz

Appendix Three

Co-Authorship Forms

Co-Authorship Form

This form is to accompany the submission of any PhD that contains research reported in published or unpublished co-authored work. **Please include one copy of this form for each co-authored work.** Completed forms should be included in your appendices for all the copies of your thesis submitted for examination and library deposit (including digital deposit).

Please indicate the chapter/section/pages of this thesis that are extracted from a co-authored work and give the title and publication details or details of submission of the co-authored work.

Chapter Two: "Do Marketing Clients Really Get the Advertising They Deserve?: The Trade-off Between Strategy and Originality in Australia and New Zealand." Pending final review decision (minor revision), Journal of Advertising

Nature of contribution
by PhD candidate

Lead author, conceptual development, research design, data collection, analysis and interpretation

Extent of contribution
by PhD candidate (%)

55

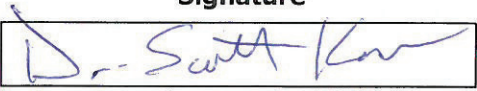
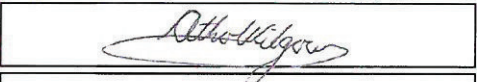
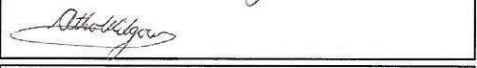
CO-AUTHORS

Name	Nature of Contribution
Scott Koslow	(Replicated study author) Assisted with conceptual development, research design, and analysis
Mark Kilgour	Assisted with conceptual development, coordination and editing of manuscript
Sheila Sasser	(Replicated study author) Assisted with conceptual development, and final review of manuscript

Certification by Co-Authors

The undersigned hereby certify that:

- ❖ the above statement correctly reflects the nature and extent of the PhD candidate's contribution to this work, and the nature of the contribution of each of the co-authors; and
- ❖ in cases where the PhD candidate was the lead author of the work that the candidate wrote the text.

Name	Signature	Date
Prof. Scott Koslow		20 / 7 / 2015
Dr. Mark Kilgour		20 / 7 / 2015
A.Prof. Sheila Sasser		
	Mark Kilgour on behalf of Sheila Sasser who was unavailable due to a family emergency. Please contact Mark on x.7881 if further details are required.	

Co-Authorship Form

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Chapter Three: "Structural Drivers of Creativity: Resource Rigidities in Campaign Team Composition Effect Advertising Creative Flavour." Under review, Journal of Advertising Research.

Nature of contribution
by PhD candidate

Lead author, conceptual development, research design, data collection, analysis and interpretation

Extent of contribution
by PhD candidate (%)

55

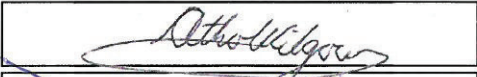
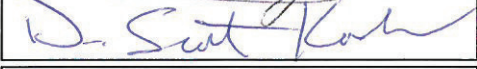

CO-AUTHORS

Name	Nature of Contribution
Mark Kilgour	Assisted with conceptual development, positioning, coordination and editing of manuscript
Scott Koslow	Assisted with conceptual development, research design, analysis and interpretation, review of manuscript
Sheila Sasser	Assisted with research design, and final review of manuscript

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Prof. Scott Koslow		20 / 7 / 2015
A.Prof Sheila Sasser		
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THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

Co-Authorship Form

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The University of Waikato
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Please indicate the chapter/section/pages of this thesis that are extracted from a co-authored work and give the title and publication details or details of submission of the co-authored work.

Chapter Four: "Absorptive Capacity in Creative Advertising Development: How Cohesion and Friction Moderate Learning's Effects." In preparation for submission to the Journal of the Academy of Marketing Science.

Nature of contribution
by PhD candidate

Lead author, conceptual development, research design, data collection, analysis and interpretation

Extent of contribution
by PhD candidate (%)

60

CO-AUTHORS

Name	Nature of Contribution
Scott Koslow	Assisted with conceptual development, research design, analysis and interpretation, positioning
Mark Kilgour	Assisted with coordination, editing, and review of manuscript
Sheila Sasser	Assisted with research design and final review of manuscript

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Please indicate the chapter/section/pages of this thesis that are extracted from a co-authored work and give the title and publication details or details of submission of the co-authored work.

Chapter Five: "Beyond Agency Theory: An Advertising Agency Governance Perspective."
Prepared for submission to Marketing Theory or the Journal of Advertising

Nature of contribution
by PhD candidate

Lead author, conceptual development, literature research

Extent of contribution
by PhD candidate (%)

60

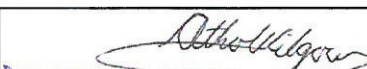
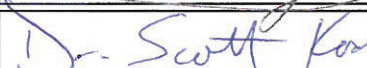
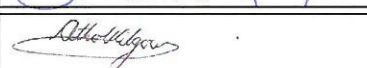
CO-AUTHORS

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