FINDING THE KEYS TO CREATIVITY IN AD AGENCIES

Using Climate, Dispersion, and Size to Examine Award Performance

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ABSTRACT: This paper develops a framework to examine how ad agencies can continuously generate creative output, where creative output estimated by ad agencies winning awards over time. The data are collected from 68 Dutch ad agencies with a total of 1,450 clients over a four-year period in the Netherlands. Findings show that ad agencies with creative climates high in both organizational encouragement and workload pressure but low in both work group support and sufficient resources predicts why ad agencies win awards over time. In addition, ad agencies with a portfolio of clients that consists of market leaders and that operate within a limited amount of industries (limited heterogeneity) also predict creative award propensity and momentum over time. Suggestions for future research are offered.

Creativity research in advertising is at a revolutionary stage and frameworks are needed to better understand why some advertising campaigns are more creative than others (Sasser and Koslow 2006). One strategy is to look to other interdisciplinary research streams involving management of knowledge and apply these models to the study of advertising production. For example, Cohen and Levinthal's (1990) *absorptive capacity of the firm* could be used to explain how agencies source and acquire heterogeneous knowledge from outside the firm, which they then transform and exploit within the firm to design unique and useful solutions for clients. One could also consider the theoretical concept of *increasing returns of learning* whereby successful firms remain competitive by learning faster or working more intelligently through knowledge management (see Sarvary 1999). Finally, one could even approach advertising production as managing the internal climate of the agency to stimulate the transformation of knowledge (Amabile et al. 1996; Shalley, Zhou, and Oldham 2004).

A caveat of this approach, however, is that advertising production typically registers on the upper end of the distri-

bution of creative potential, so some of these ideas may not be as relevant. Since much of the management literature focuses on how to move organizations from slightly below average to slightly above average creativity, the best performers of this spectrum are neglected. Advertising agencies produce work that is often near the upper reaches of creativity, surpassing such boundaries, meaning that different parameters may be required for this field.

One goal of this study is to demonstrate that advertising agencies that do win awards tend to achieve this award-winning status over time. This illustrates the point that award-winning agencies have a creative capability that allows them to produce excellent work on a sustained basis. Another objective was to further examine Amabile et al.'s (1996), KEYS (*assessing the climate for creativity*) framework concerning the organizational climate for creativity. Findings show that either the hypothesized effects are not significant, or even more surprisingly, that they are in the opposite direction than anticipated. Although advertising agencies may have some kind of expertise, skill, or capacity to replicate their success over time, there are no firm conclusions as to the reason for why this might be the case. A caveat may be that applying general creativity management theory to advertising production may be less than ideal because of the different contextual environmental settings and variables. Or it could be that the paradoxes of creativity are even more puzzling than researchers previously thought. In any case, to set the tone for this research, a brief review of advertising production is summarized based on existing advertising creativity literature.

CREATIVITY IN THE ADVERTISING LITERATURE

A closer look at the literature in advertising/marketing accentuates different perspectives of how researchers view creativity

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within the advertising industry. One approach is to study how people are involved in creating ads. Another is to examine how the organizational context in which ad agency people involved in the creative process are embedded affects creative output. Finally, it is possible to look at the ad agency's connections and relationships with its clients and figure out how they affect creative output.

Creative Individuals

There is great interest in the psychological profiles of creative people such as copywriters or art directors because the term "creative people" comes with stereotypical associations. That is, they are thought to be quite different or to behave in a "different" manner (Sternberg [1997] would even venture that they *decide* to be different) from other people at the ad agency, such as account or media executives, and from agency clients (Koslow, Sasser, and Riordan 2003; Kover and Goldberg 1995; Vanden Bergh, Smith, and Wicks 1986; West 1993).

First, there is an interest in the individual differences related to personality traits of creative people. For example, Auer (1976) shows that creative copywriting advertising students possess more empathic capacities (characteristics needed to read the minds of the receiver/consumer) than students in noncreative courses or groups in a college or business. El-Murad and West (2004) propose that creative people who are younger, unmarried, or male have a higher propensity toward risk taking and higher levels of creativity. Hirschman (1989) describes how creative people experience conflict with colleagues in the ad agency as they identify intensely with their own creative product, and Kover (1995) and Kover and Goldberg (1995) argue that creatives avoid scientific copy-testing methods. Creative people argue that such methods do not take into consideration their implicit theories on how ads affect consumers. Therefore, these ad creators might display psychological defense mechanisms that, in turn, force them to engage in "ad agency political games" (Sasser and Koslow 2008). In addition, El-Murad and West (2004) present a divergent set of psychometric methods and expert opinions on how to gauge people's creative abilities. West (1993) shows that people across different countries, originality, intelligence, and visionary talent are perceived as important qualities when hiring creative staff.

To sum up, creative people probably have specific personality traits and they therefore create a natural division of labor within an ad agency. Most likely they think/feel in different ways because they are moved by different types of knowledge.

Internal Environment

Ads are not created by one person, but are produced by a team of people in an organization (Hirschman 1989) according to a

process (e.g., a process of briefings/creativity/copy testing). Some researchers focus on how creative climate (Amabile et al. 1996) affects the creative processes (Ensor, Pirrie, and Band 2006) in the ad agency. Others state that ad agencies have philosophies or implicit theories (e.g., Kover 1995) about how ads affect viewers—philosophies that, in turn, offer guidance for creating ads. For example, West (1993) explores the varying degrees that different people in the ad agency (e.g., senior creative director, creative team, or account manager) are involved in the creative process in different countries (e.g., the United Kingdom, the United States, and Canada). Other research focuses on the risks that people in the ad agency take when making new ads: They find that ad agencies with clear identities (clear implicit theories or philosophies) tend to have a higher risk propensity than those with hybrid identities (e.g., El-Murad and West 2004). Agencies with a clear identity as a creative award winning agency such as BBDO may actually pride themselves on taking creative risks and be more confident about such areas.

Another stream of research argues that incentive systems could be introduced within the agency to motivate creative people (individually or as a team) to take risks and come up with new ideas or nuances that make up different drafts (Gross 1972; Toubia 2006). Finally, Hirschman (1989) describes how ads are produced by different people (e.g., account managers, copywriters, creative directors) who take on different roles (a kind of natural division of labor). Such role taking comes with the elaboration of knowledge that is attached to that role (e.g., copywriters might focus on aesthetics whereas account managers focus on the effectiveness of ads). However, different people tend to simplify the knowledge (or perspectives) of those who take on different roles in the ad agency—all of which makes it difficult to judge and appreciate another's perspective in the production of an ad.

Hence, the ad agency is an environment in which ads are "produced" by people who have acquired different components (or bundles) of knowledge. During the creative process, an important challenge is to integrate, synthesize, and coordinate these different bundles of knowledge together to produce an ad campaign.

External Connections and Embeddedness

Clients choose ad agencies because they possess creative abilities that clients lack (Wackman, Salmon, and Salmon 1986/87; Horsky 2006), yet both client and the ad agency coproduce the ad (Koslow, Sasser, and Riordan 2006). Therefore, research has focused on how the working relationship between an ad agency and a client affects the client's satisfaction and intention to continue working with the ad agency (e.g., Fam and Waller 1999).

It has been argued, however, that when a relationship between client and ad agency is too close (or has evolved over

time) it might stifle creativity because both parties might become less critical of each other (e.g., Grayson and Ambler 1999). Explicitly implied is the fact that in knowledge-intensive industries, cognitive abrasion—the willingness to openly discuss, debate, and argue—is a key element in professional relationships. O'Connor, Willemain, and MacLachlan (1996) and Horsky (2006) propose that during the creative process, clients should source from several different ad agencies rather than from a single agency and then choose the best copy from one agency with whom a long-term relationship might be developed.

Others argue that the best way to understand client–ad agency relationships is to conceive of them as principal–agency relationships. Since the output of a creative ad might be difficult to measure or the client might want to shift the risk of making an ad to the agency, the agency might agree to use outcome-based compensation. If agencies take risks, they then also could or should be rewarded when the ad exceeds expectations, as when the creative ad drives more sales (see Spake et al. 1999). Finally, Bergen, Dutta, and Walker (1992) propose that clients should select ad agencies more carefully because these clients might not possess information about the creative capabilities of the ad agency, which, as we will see, cannot always be properly gauged.

Thus, the external environments, especially the clients, have a significant impact on creative outcomes (i.e., "creative press," to use El-Murad and West's [2004] term). Therefore, an important research task is to understand what knowledge clients bring to the agency and how that knowledge affects the way an ad agency operates, that is, how it creates ad campaigns.

A MANAGEMENT LITERATURE PERSPECTIVE: UNDERSTANDING THE CREATIVE CLIMATE

Based on Amabile et al. (1996), we distinguish among eight different dimensions of internal climate (KEYS: *assessing the climate for creativity*). All these stimulate people to combine acquired knowledge in new ways to strengthen, over time, the creative capabilities of the ad agency. We discern the following dimensions (see Table A1 in the Appendix for the questions used in the KEYS scales):

1. *Organizational encouragement* stimulates people to take risks and to accept failure as natural parts of the creative process.
2. *Supervisory encouragement* promotes setting clear goals and explicitly recognizing individual contributions to the creative process among the members of the creative team.
3. *Work group support* reflects the social capital of a group since it involves high trust, formation of diversity in teams, and openness in criticizing one another.

4. *Sufficient resources* include available budgets, data, and resources needed to support the realization of creative projects.
5. *Challenging work environments* make individuals feel energized so that they can work on challenging creative projects.
6. *Freedom* empowers individuals at an ad agency to choose which project to do or to explore ways to realize a creative project.
7. *Low organizational impediments* might stimulate creativity, since organizational impediments such as hoarding information, promoting destructive competition, or avoiding risks can obstruct creativity.
8. *Low workload pressure* might strengthen creative work because workload pressure has a negative effect on creativity as it sets unrealistic creative aspirations or requires that employees give attention to too many unnecessary projects. It is difficult to argue why one dimension would be more important than another. However, researchers who used participant observation as a method to study such internal knowledge markets emphasize the fact that ad agencies do not operate peacefully but that cognitive abrasion is the norm in their operations (Kover 1995). Therefore, people engage in knowledge-based exchanges so as to produce an ad. Hence, we use the term "internal knowledge market" to describe this negotiation process. In addition, El-Murad and West (2004) point out that risk taking is a crucial dimension in creativity. Thus, organizational support and encouragement, of course, will be significant (i.e., encouragement of new ideas as well as risk taking). Supervisory encouragement will also be crucial because such an environment reflects the ability of account managers—who in many cases act as supervisors—to engage in better briefings and communicate the essence of these briefings with creative people. Work group support is also critical, because without such a mechanism, political gamesmanship may impede the recognition of a good idea.

Moreover, a challenging work environment should be a positive predictor of success, since it reflects the creative and dynamic spirit of the agency whose creative people seek to match the constant and changing requirements of their clients. Likewise, that creative and dynamic spirit should be reflected in the way freedom impacts creative success. Sufficient, or at least adequate, resources are also important, for without them, a key input into the creative process is withheld, or possibly comprised (Koslow, Sasser, and Riordan 2006).

Organizational impediments and workload pressure will normally have a negative effect on creativity. But Amabile et al.

(1996) caution that workload pressure may have a paradoxical effect on creativity, since it is both positive and negative. If, indeed, ad campaigns come with tensions and cognitive abrasion, quite a lot of time can be expended on agency gamesmanship and politics, but such ad agency dynamics do not always have a negative effect on creative performance. Nevertheless, given that too many distractions take people away from their main focus, it is expected that both organizational impediments and workload pressure will have a negative effect on winning awards. Therefore, the following hypotheses are offered:

H1a: The higher the ad agency's score on organizational encouragement, supervisory encouragement, challenging work environment, work support, sufficient resources, and freedom dimensions, the higher its probability of winning awards.

H1b: The higher the ad agency's score on organizational impediments and workload pressure dimensions, the lower its probability of winning awards.

Typically, once an ad agency wins awards, this sets off a virtuous spiral of successes that reinforce the creative capacity of the agency. For example, people at the ad agency have more confidence, which is expressed in different ways. The creative people at the ad agency might feel that their abilities (which are not always recognized by colleagues) are now vindicated, thus causing them to feel that their position within the internal knowledge market is stronger. They might, therefore, take on more risks (or act more assertively toward the account managers/supervisors) and add variations to what they already know or begin to experiment with new ideas. In addition, they might source more heterogeneous knowledge, which they acquire from larger social networks (e.g., client contacts) in which people exchange ideas or knowledge. Moreover, people within award-winning ad agencies now better understand what works and what does not, and they therefore become more skillful in sourcing relevant knowledge when necessary. Thus, they might have better arguments during discussions—not only within their own firm, but also with clients (Chackravarthy et al. 2004). Account managers from these ad agencies might also hone their creative skills (or creative capabilities). They might develop better judgment, act more confidently, and communicate better with clients.

In addition, once an ad agency has won an award, it may lead to a larger set of customers. Due to increased visibility and a higher profile, the agency may be invited to participate in more new business competitions. All of these activities increase the knowledge basis and contribute to learning. As the ad agency wins awards, it also becomes easier to attract top new talent. But conforming to the internal market does not necessarily mean that the ad agency will get larger per se. Award-winning ad agencies attract creative talent for various reasons, and less creative individuals will be motivated to leave

the agency (internal knowledge market). Creative people not only do creative work on specific projects; they also "are creative," and they aspire to work on the next campaign for large clients (Leonard-Barton 1992). These newly arriving creative talents feel attracted to ad agencies where they can take risks. This means they want to be challenged by seasoned account managers who provide them with support and insights. In addition, they might even take pleasure in competing with other ad agencies, thus adding to the emotional energy that makes creative centers thrive (Collins 1998). Therefore, ad agencies that receive creative awards develop into centers of creative gravity (or magnets) as they attract scarce creative talent (Csikszentmihalyi 1996).

Those ad agencies that do not win awards do not benefit from these increasing returns. Indeed, they might head in the opposite direction and become stagnant. Consequently, it is likely that they will not be in touch with leading clients, they will not hone their creative skills, and they will not attract top creative talent (see Sarvary 1999). Therefore, we present the following hypothesis:

H2: If ad agencies win creative awards, this increases their likelihood of receiving awards in the future.

Two additional constructs are considered as control variables that might affect the creativity of the ad agency. One could conjecture, for example, that clients who are market leaders possess more sophisticated marketing communications capabilities than competing clients with lower performance records. In the course of interacting with such knowledgeable clients, agencies learn about consumers. With that acquired knowledge, agency personnel become more adept at finding new combinations that resonate with consumers (Hargadon and Fanelli 2002; Zahra and George 2002). However, large clients may also be more likely to be meeting performance goals such that they are unwilling to take the risks that highly creative advertising entails (West and Berthon 1997).

Agencies can also gain creative insights by working across different industries, thus benefiting from a knowledge transfer across these agencies (Hargadon 2002; Sarvary 1999). In this way, creative agencies manage knowledge heterogeneity (Galunic and Rodan 2004), and this stimulates them to come up with new ideas and insights. When ad agencies focus on clients in just a few industries, however, they can reuse existing knowledge while also sourcing new knowledge, thus combining the two efficiently (O'Reilly and Tushman 1996). When account managers and creative people are able to have an in-depth conversation with clients about an industry, they gain more legitimacy and thus can better convince their clients about ideas. This balancing occurs via boundary setting (Välikangas and Gibbert 2005): Ad agencies should therefore focus on a few industries and develop implicit theories concerning what works in which industry if they want to attain

their creative edge in that industry. Thus, concentration in a few industries could have either positive or negative effects on creativity.

Finally, we control for agency size. The larger the agency, the more creative work it produces, which in turn increases the chances it could win a creative award.

DATA COLLECTION

Ad Agencies

A sample was selected consisting of 68 Dutch ad agencies (one group won no award and the other group won one or more awards in the period considered) as they are listed in the *Adformatie Guide,* which is a guide produced by the main Dutch ad agency catalogue. This guide is perceived as the main source for ad agencies. Its listings provide information on clients per ad agency, the number of employees, and income figures. Data is sampled over four years (1999–2002). In that period, the 68 ad agencies had about 1,450 clients. A database is created, and the data are coded according to specific criteria (see below).

Clients

Clients were marked (n = 1,450) in the database to classify them by the standardized business classification index produced by the Dutch Central Bureau for Statistics (CBS; Central Bureau voor de Statistiek). They are grouped into 31 different industries. Based on these classifications, clients are coded according to market leadership. A heterogeneity score is also computed based on the client portfolio (dispersion).

The clients are classified as market leaders or not. First, firms with over 40% market share are considered market leaders. Next, firms in industries without one notable market leader but with a market share exceeding 20% are also labeled as market leaders. Otherwise, firms are not considered market leaders.

Limiting Heterogeneity of Clients (Dispersion)

Clients are sorted by industry, and the dispersion index (which indicates client heterogeneity) is computed as follows:

Dispersion index = 1 / ($pSector1^2$ + $pSector2^2$ + . . . + $pSector31^2$),

where *pSector* is the percentage of the total amount of clients in a specific sector.

Ad Agency Size

The *Adformatie Guide* mentions how many creative employees work that year at an ad agency, a number that is used to measure the size of the ad agency. The data are then transformed by taking natural logarithms. It should be noted that the number of personnel may not be the best possible means to measure the number of creative people, but this serves as a proxy since there are no estimates of each individual's creativity level.

Creative Climate

All 68 ad agencies were contacted by phone and invited to fill out an on-line questionnaire that involved Amabile et al.'s (1996) KEYS scales for creative climate. On payment, the authors attained permission to use Amabile et al.'s (1996) KEYS scales (see Appendix, Table A1). Each agency was queried to allow two key informants (the director along with an account manager or a creative director) to fill out the questionnaire. A total of 103 people from 61 of the 68 ad agencies filled out the questionnaire. The next step was to select 32 of the original 78 questions from the original KEYS questionnaire (Amabile et al. 1996), since a pretest had revealed that it is difficult to motivate people at the agency to fill out all questions on the Internet. To confirm the structure, the authors did a factor analysis (maximum likelihood) of the data (KMO [Kaiser-Meyer-Olkin] = .60) using the eight hypothesized KEYS dimensions. Inspection of the results revealed, however, that the items did not load on the intended factors. There were 11 factors with an eigenvalue above 1.00, while the scree plot revealed three main factors.

There might be several reasons why the results of this factor analysis did not reveal the intended factor structure. First, the sample size might have been too small. Second, people filling in questionnaires on the Internet might not have been motivated to give close attention to the questions. Third, it could also be that the discriminant validity of the KEYS scale is not robust. Finally, the KEYS scales might not reflect how ad agencies operate. That is, clients do have a large impact on how an ad agency operates (cocreation).

Because the KEYS scales (see the Appendix) had already been validated by Amabile et al. (1996), the authors decided to use principal component analysis (PCA) for each dimension. If convergent validity was found, then we would use the items as indicated by Amabile et al. (1996). For all eight measures, it turned out that the first principal component captured enough variance. Hence, it was decided to include only the first components of each of the eight PCAs. However, one question (see Appendix, Table A1, Question 30) was deleted from the data because it did not fit into the first factor. Hence, 31 items were used. The αs of the scales are as follows: (1) organizational encouragement (α = .71), (2) supervisory encouragement (α = .68), (3) work group support (α = .69), (4) sufficient resources (α = .63), (5) challenging work environments (α = .59), (6) freedom (α = .26), (7) organizational impediments (α = .64), and (8) workload pressure (α = .70). Most scales, except freedom, have a satisfactory α.

The Amount of Awards Endowed to an Ad Agency

In the Netherlands, as well as in other European countries, various associations in the advertising industry grant different awards to ad agencies. About 11 different awards are allocated for a range of qualities that make an ad campaign creative (distinct and/or effective).

The Effie is an award that values an ad campaign's effectiveness, such as effectiveness in achieving a higher market share across different industries. The Grand Prix is an international award that focuses on both the effectiveness and the creativity of the ad campaign. The Leeuw (Lion) is an award that addresses the creativity of the ad campaign. The ADCN Lamp rewards the way features like music and graphics are woven into the ad campaign. The Loekie is an award that emphasizes how consumers in general notice, enjoy, and recall the ad. The Public's Award measures the popularity of an advertising campaign among consumers. The Meetlat (Ruler), an award that is offered by a women's magazine, highlights how the ad expresses quality and aids in the emancipation of women in society. The Esprix is an award that focuses on how the ad and the strategy behind the ad campaign are linked to each other. The Eurobest is an international award that addresses the creativity of the ad. The Magneet (Magnet) is an award for advertising campaigns intended to recruit new employees. Finally, the Accent looks at how effective ad campaigns are for a specific industry (such as B2B [business-to-business] or B2C [business-to-consumer]).

Two measures of winning awards are used. First, an agency can win a certain number of awards and that volumetric quantity may be used as an indicator. Second, the number of awards may be measured by a weighted, award-winning variable, where the opinions of a jury of three experts are taken into account.

RESULTS

The data are analyzed using a few econometric models. First, a binary logit model is used to describe the binary dependent variable of winning an award (yes = 1; no = 0). The explanatory variables are (1) the principal components of the KEYS' creative climate dimensions, (2) percentage of clients that are market leaders, (3) limited client heterogeneity (the dispersion), and (4) ad agency size. There are 61 observations, of which 23 have won awards and 38 have not. The estimation results appear in Table 1, and the insignificant parameters have been deleted. Of course, we retain the intercept even though it is insignificant for the reasons outlined in Franses and Paap (2003, chap. 4). The fit of this model is high (.504).

An evaluation of the estimation results in Table 1 in light of the hypotheses yields the following observations. Hypothesis 1a postulated that the higher the ad agency's score on organizational encouragement, supervisory encouragement, challenging work environments, work support, sufficient resources, and freedom, the more creative awards it would win. Hypothesis 1a is only partially substantiated. Only organizational encouragement has a positive effect ($b = 1.398$, $p = .031$). Work group support ($b = -1.542, p = .035$) and sufficient resources ($b = -1.851, p = .002$) have a negative effect on winning awards. Challenging work environment and freedom did not have any significant effect. Hypothesis 1b, which postulated that organizational impediments and workload pressure would have a negative effect on winning awards, is rejected. Instead, the higher the workload ($b = .927, p = .032$), the more awards the agency is likely to win. Organizational impediments did not have a significant effect. In addition, the more that a client portfolio consists of market leaders, the higher the probability of winning awards ($b = .367, p = .027$). Also, the more limited the number of industries in an ad agency's client portfolio (limited heterogeneity of client portfolio), the higher the probability that the agency will win awards ($b = -.352, p = .012$). Finally, ad agency size has a positive effect ($b = 2.076, p = .007$).

So far, the research has focused on the binary variable of winning awards versus not winning awards. The next phase poses a model for the quality-weighted score of winning awards. The dependent variable, then, is either zero or a positive value. Hence, the Tobit model is relied on in the next step (see Franses and Paap 2003, chap. 7). In Table 2, we report the Eviews-based estimation results, where the same empirical strategy is followed as for the binary logit model. Once again, the fit of the model is high (.610).

Based on the estimation results in Table 2, we conclude that H1 is not always supported by the data. Only five dimensions have a significant impact. Organizational encouragement has a positive effect and partially substantiates H1a. However, supervisory encouragement has an unexpected negative coefficient (H1a). Both work group support and having sufficient resources also have negative coefficients (whereas H1a predicted that those dimensions would be insignificant). In contrast, workload pressure has a positive effect (the reverse of H1b). Ad agency size has an expected positive effect. Please also notice that the regression results in Table 1 and Table 2 are quite similar. The exception is for supervisory encouragement, which dropped out of the regression in Table 1. This dimension will not be discussed further.

To determine the consequences of winning awards, a data set is compiled that includes the years 1997–2001, covering the ad agencies over a period of time. Sometimes not all information on all variables is available, and hence the next regression models cover differing numbers of observations.

We first examine H2, that is, the prediction that when ad agencies win awards, they will earn more awards in the future. The relevant results are obtained from a Tobit model for win-

TABLE 1
Binary Logit Model Results for Winning an Award

Variable	Coefficient	Standard error	z statistic	p value
Intercept	-1.126	5.793	-.194	.846
Organizational encouragement	1.398	.647	2.160	.031
Work group support	-1.542	.729	-2.115	.035
Sufficient resources	-1.851	.603	-3.070	.002
Workload pressure	.927	.432	2.143	.032
Clients as market leaders	.367	.166	2.208	.027
Client heterogeneity	-.352	.139	-2.525	.012
Ad agency size	2.076	.768	2.704	.007
LR statistic (13 *df*)	40.778	McFadden R^2		.504
Probability (LR stat.)	8.93E-07			

Note: LR = likelihood ratio.

The standard errors are Huber/White standard errors.

TABLE 2
Tobit Model Results for Quality-Weighted Awards

Variable	Coefficient	Standard error	z statistic	p value
Intercept	2.148	4.210	.510	.610
Organizational encouragement	1.356	.358	3.789	0
Supervisory encouragement	-.882	.364	-2.424	.015
Work group support	-.926	.417	-2.218	.027
Sufficient resources	-1.776	.341	-5.209	0
Workload pressure	.908	.260	3.497	0
Clients as market leaders	.177	.082	2.156	.031
Client heterogeneity	-.270	.115	-2.362	.018
Ad agency size	1.865	.418	4.468	0
Error distribution				
Variance	1.917	.312	6.070	0
R^2	.610			

Note: The standard errors are Huber/White standard errors.

ning quality-weighted awards over the span of years, where we take as the explanatory variable the cumulative number of awards, after weighting for quality, up to and including the previous year. The sample covers 210 observations, concerning 53 agencies over four years. We deleted two data points because they were outliers.

The estimated parameter for the explanatory variable is .479, with a *p* value of 0; the model has an R^2 of .213. Clearly, this shows that, over time, winning awards in earlier years continues in the next year. Hence, H2 is supported by the data.

DISCUSSION

Ad agency creativity is an important topic for the management of an ad agency because creativity is at the core of an agency's capability; it is, in fact, the main reason why clients source creative services from ad agencies. It is not surprising that creativity in advertising has attracted lots of attention already (e.g., El-Murad and West 2004), yet it raises many interesting research questions, as Zinkhan (1993) noted. A substantial amount of literature has looked at the characteristics of the creative ad and how it affects consumer responses, the personality of the creative people (copywriters) involved, and the effects of both the internal and external environments (clients especially) on the creativity of advertising agencies.

Ad agencies coproduce ads with their clients (Koslow, Sasser, and Riordan 2006; Vargo and Lush 2004), and a great number of the creative ideas come from knowledge-based exchanges with a portfolio of clients (see also Cross and Sproull 2004). These clients were market leaders and came from a

selected number of industries. Thus, they possessed unique knowledge resulting from their leadership in the industry. This client input allowed ad agencies to source knowledge about markets before other ad agencies could obtain access to that knowledge and also allowed these agencies to blend this knowledge with already available heterogeneous knowledge. A somewhat similar proposal is made by Lilien et al. (2002), who conjectured that many innovations come from interactions with lead users (see also Sarvary 1999). This combination of knowledge is, in turn, possessed by different people, and each therefore possesses a unique perspective on how ads could or should be produced. Based on Kover's (1995) observation, we proposed that these organizations operate as internal knowledge markets where people ought to convince each other about their views on how a final output should be or look like. In other words, cognitive abrasion is the norm within an ad agency, not an exception, and firms that can best solve problems associated with cognitive abrasion develop what has been referred to in this paper as "creative capabilities." Clients buy services from excellent ad agencies precisely because they possess better creative capabilities.

At the same time, we argued that the creative capability of an ad agency is and remains an "opaque" concept. Therefore, the creative capability of an ad agency ought to be legitimized and validated by experts in the field. Hence, we conceived winning awards as a validation of creative capabilities. A closer look at this legitimization finds that it provokes feedback mechanisms in the advertising field (for similar perspectives on creativity, see Rao 1994 and Curried 2007). When an ad agency receives an award, its creative work then becomes validated, which allows it to be categorized as a creative organization. It is conjectured that this recognition of an ad agency's creativity in turn affects its client connections: Large clients were attracted to these large award-winning ad agencies—an effect that further spurred the agencies' creative capability. The client connections prompted even more cognitive abrasion within the ad agency as brand managers exerted pressure on the account manager, who in turn put his or her creative colleagues on the edge, not only to source heterogeneous knowledge, but also to combine it into useful solutions, that is, ads (in a process of "creative press," as El-Murad and West call it [2004, p. 192]). This probably explains why creative climate dimensions, organizational encouragement, and workload pressure help ad agencies win awards.

LIMITATIONS

First, it is possible that there are other explanations for the findings in this paper. For example, large multinationals might seek international ad agencies that can handle their international campaigns, and therefore small ad agencies would be automatically excluded. Thus, the findings could be an artifact of international firms seeking to work with large international ad agencies, and because of high switching costs, they might stay with them for a long time. Perhaps from their lengthy interaction and established relationship, ad agencies keep learning over a long period of time, and thus remain creative.

Second, the KEYS scales used to gauge the creative climate of the agency might not have been valid in this study and might explain, along with the other factors, why there were counterintuitive findings. Indeed, the validity of the scale was not satisfactory, as the exploratory factor analysis did not reveal the expected dimensions. There are two possible research strategies to counter this problem: (1) one could seek to replicate this study, and (2) one could make a new creative climate scale that better captures how internal knowledge markets operate within ad agencies, as well as how customers play a role in the cocreation process.

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APPENDIX

TABLE AI
Questions Used in the KEYS Scales

Dimension	Question
Organizational encouragement	1. In this organization there is a lively and active flow of ideas.
	2. New ideas are encouraged in this organization.
	3. Performance evaluation in this organization is fair.
	4. People are recognized for creative work in this organization.
	5. Failure is acceptable in this organization if the effort on the project was good.
	6. People are encouraged to take risks in this organization.
Supervisory encouragement	7. My supervisor's expectations for my projects are unclear.
	8. My supervisor supports my work group within the organization.
	9. My supervisor does not communicate well with our work group.
	10. My supervisor values individual contributions to projects.
Work group support	11. There is a feeling of trust among the people I work with most closely.
	12. Within my work group, we challenge each other's ideas in a constructive way.
	13. There is a good blend of skills in my work group.
	14. The people in my work group are committed to our work.
Sufficient resources	15. Generally, I can get the resources I need for my work.
	16. The budget for my project(s) is (are) generally adequate.
	17. I can get all the data I need to carry out my projects successfully.
Challenging work environment	18. I feel that I am working on important projects.
	19. The tasks in my work are challenging.
	20. The tasks in my work call out the best in me.
Freedom	21. I have the freedom to decide how I am going to carry out my projects.
	22. I do not have the freedom to decide what projects I am going to do.
	23. In my daily work environment, I feel a sense of control over my own work and my own ideas.
Low organizational impediments	24. There is much emphasis in this organization on doing things the way we have always done them.
	25. People in this organization are very concerned about protecting their territory.
	26. There is destructive competition within this organization.
	27. Top management does not want to take risks in this organization.
	28. Destructive criticism is a problem in the organization.
Low workload pressure	29. I have too much to do in too little time.
	30. There are too many distractions from project work in this organization.
	31. There are unrealistic expectations for what people can achieve in this organization.
	32. I feel a sense of time pressure in my work.

Source: Amabile et al. (1996).

Note: Question 30 is deleted from the final analysis.