THE RELATIONSHIP BETWEEN
RISK ATTITUDE AND
ADVERTISING CREATIVITY

by

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Abstract

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This research examines the relationship between risk and creativity in advertising, so that practitioners and academics can achieve further and deeper insight into the factors and situations that enhance or detract from advertising creativity. It begins with an assessment of the literature on risk and creativity, presenting a synthesis of these two separate, rarely intertwined, subject areas. A variety of methodological approaches were considered, seeking to balance reliability and validity with the practicalities of exploring the topic in the UK. Given the relative paucity of rigorous investigation of the area, it was decided to begin with a qualitative approach based on a series of personal interviews with senior practitioners in London. The results from this qualitative were embedded with the literature to produce an eight-page questionnaire, which was mailed to 522 advertising executives. This produced a final effective response rate of 28%. The survey explored common assumptions about the risk attitudes of sub-groups of the target population, and tested the underlying proposition that advertising risk and creativity are related. This proposition was upheld. Sex, age, family status and income were found to affect risk propensity, with young and childless males the most risk-seeking. Finally, several recommendations are made. At the agency level, the findings suggest that the working environment is key. In particular, it is crucial for practitioners to be cognisant of the inverse relationship between creativity and the length of the agency/client relationship and to take actions to counter this. At the staff level, it is recommended that agencies encourage female staff, older staff and newly promoted staff to be more risk seeking. Furthermore, agencies should examine staff profiles in relation to target audiences to mitigate any potential negative effects. These actions will contribute greatly to the enhancement and maintenance of the creative vigour of creative teams.

TABLE OF CONTENTS

SECTION 1

LIST OF FIGURES

LIST OF TABLES

ACKNOWLEDGMENTS

SECTION 1

Chapter 1: INTRODUCTION

Global advertising expenditure amounted to US$276 billion in 1998, the last complete year reported by the World Advertising Research Center (*sic*) (WARC, 2001). This was an increase of US$6 billion on 1997. An estimate for 2000 has US$233 billion for the United States alone, with a further US$230 billion for the rest of the world (Belch and Belch, 2001). According to some experts, half[1], or as much as 90% (Rogers, 1995), of this is wasted. Practitioners and academics have long sought ways to improve their understanding of the way mass advertising works[2], and to demonstrate and improve the effectiveness of their advertising, to reduce or eliminate the 'half,' or indeed the 90%, that is wasted (see, for example, Vanden Bergh, Reid and Schorin, 1983; Rogers, op. cit.). The topic of advertising effectiveness continues to exercise the attention and imagination of academic researchers. Apart from direct response advertising, there is little consensus as to what constitutes effective advertising[3], or how to best to produce and deliver it. It should be emphasised at the outset, therefore, that this research is focused on conventional mass advertising, and the findings and discussion should be interpreted in this light.

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[1] The now cliché saying to the effect that "half the money I spend on advertising is wasted, but I do not know which half" is attributed in the UK to industrialist Lord Leverhume, in the USA to retailer John Wanamaker.

[2] See Vakratsas and Ambler, 1999, for a comprehensive review of relevant literature.

[3] Clearly, effective direct-response advertising is that which delivers the required quantity and/or quality of responses. The effectiveness of direct response advertising, compared to mass advertising, is therefore relatively easy to measure.

There is surely agreement, however, that, to be effective, advertising must be noticed. Advertisers can achieve this in two ways. One is to have significantly larger advertising budgets than do their rivals, so that their advertisements can appear more frequently and more prominently, maximising what marketing people refer to as "share of voice" (Jones, 1990; Schroer, 1990; Belch and Belch, 2001, p. 238). Share of voice leads to "share of mind", and thence to "share of heart." Share of heart in turn leads to share of market (Shimp, 2000, pp. 285-287). The other way for advertisers to be noticed is to be outstanding in some other dimension, so that their advertisements gain "share of mind" or "share of heart" directly, without needing greater share of voice. It has been shown that a television viewer's attitude towards a brand can be changed by a single exposure (Gibson, 1996; Jones, 1995; Bogart, Tolley & Orenstein, 1970). This is done by capturing the attention and imagination of the target audience because of what is said, or the way in which it is said (Bell, 1992), so that the target audience sees and senses *"in a flash what the product is for, whom it is for, and why they should be interested in it."* (D'Arcy, Masius, Benton & Bowles's "Universal Advertising Standards," cited in Belch and Belch, 1998). Usually this involves agency creatives searching for new and often untried ways of presenting and conveying advertisers' messages. This is what advertising people call "creativity". This "newness" involves risk. Creative people in advertising take it for granted that there is a positive relationship between risk and creativity (Belch and Belch, op. cit., p. 247), although they may not often articulate the belief in this way. Academic researchers support this view (e.g. Nickerson,

1999; Freeman, 1983). Advertisers, and to a lesser extent their representatives, the account management team, tend towards caution since they are responsible for spending large sums of other people's money (Wackman, Salmon and Salmon, 1987; Silk and Berndt, 1993). This cautious, or risk-averse, approach may result in missed creative opportunities.

The creative work of advertising agencies that eventually reaches the public domain is thus only a fraction of that which is produced (Vanden Bergh, Reid and Schorin, op. cit.), and is not always the most creative. This is because advertisers are often reluctant to take the risks suggested by creative teams, and because agencies' account-handling executives are, therefore, reluctant to show the more creative work to their clients.

It is a commonly held belief that, in general, risk and return are related and that the relationship is positive, hence expressions such as "nothing ventured, nothing gained", and "who dares, wins". This positive relationship has been tested extensively in the field of business and finance (see Fiegenbaum and Thomas, 1988) and has been found to prevail (with notable exceptions, e.g. Bowman, 1980), since at least Conrad & Plotkin (1968). The research has been primarily applied to investment risk and the associated financial return (see Tables 1 and 2 for a summary of major empirical studies). Much less has been published on the relationship between risk or, more specifically, risk *attitude* and *marketing* decision-making, particularly where this relates to advertising. This is surprising. There is a significant financial dimension to investment in advertising (White and Miles, 1996). There is also

much wastage on ineffective campaigns, with senior business practitioners in the USA believing that 90% of all advertising fails to meet its objectives (Rogers, op. cit.). More significantly, an incorrect strategy can result in serious "collateral damage" (Crosier, Hernandez, Mohabir-Collins and Erdogan, 1999).

Although it is not always easy to quantify the return, advertising effectiveness can be measured (Crosier et al, op. cit.; Broadbent, 1995), for example in terms of sales, where this has been the objective, or "awareness." In this sense, advertising risk and return could be viewed as a subset of investment risk/return analysis. Given the huge sums spent on advertising and its inherent risk this apparent lack of interest is a major omission. The neglect is perhaps due in part to the difficulty of defining and measuring advertising risk and advertising returns, and to the complexity of the advertising task itself. Yet, effective advertising is essential for the achievement of marketing objectives, such as increasing market share and/or long-term profitability. Research has shown that to be effective advertising has to be creative (e.g. Gross, 1967, 1972; Spence, Yasuda, and Alvarez, 1997). This relationship between effectiveness and creativity has been subsequently researched and upheld (e.g. Vanden Bergh, Reid and Schorin, op. cit.; Kover, Goldberg and James, 1995; Fletcher, 1995; O'Connor, Willemain and MacLachlan, 1996). There is a widespread belief that creative advertising tends to be risky (e.g. Hytner, 1997; Crosier, Hernandez, Mohabir-Collins, and Erdogan, op. cit.). Advertising agencies consistently encourage

their clients to take risks, and clients have a natural tendency to resist (ibid). If it can be shown that there is a positive relationship between risk and creativity, advertisers may be persuaded to accept more risky and thus more creative advertising.

The earliest studies on business risk and return had focused on financial investments. "Return" was taken as the average performance for an industry or group of firms over time, and "risk" was defined as the degree of variability of this return over time. Risk-return, or mean-variance, studies (see Table 1) produced conflicting and sometimes paradoxical results (e.g. Bowman, 1980), and, because they were done on aggregate data, provided little insight into individual risk behaviour. Prospect Theory (Kahneman and Tversky, 1979; Tversky and Kahneman, 1986) provided a new way of looking at risk and revealed how individuals may behave under risk. Specifically, it was shown that people are risk averse when faced with gains, and risk-seeking when faced with losses. This finding provided an insight into the way *firms* might behave in differing circumstances. When they are performing well, they are risk averse. When performing less well, according to prospect theory, they are more willing to take risks.

Sitkin and Pablo (1992) challenged earlier influential, but contradictory research on risk behaviour that had "focused on single determinants", such as the way a decision is framed (e.g. Kahneman and Tversky, op. cit.) and the effect of previous behaviour under risk on an individual's current attitude to risk (Osborn and Jackson, 1988; Thaler and Johnson, 1990). Instead, they

proposed a comprehensive model that incorporated these individual determinants, which, in their view, give rise to the intervening variables of "risk propensity" and "risk perception" (see Chapter 2). Other writers have stressed the importance of using multiple measures of risk (West & Shelton, 1998); the importance of allowing respondents themselves to provide the measure of the degree of risk involved (Lant & Montgomery, 1987); the importance of being aware of the difference between organisational and individual risk attitudes and behaviour (Wehrung, MacCrimmon and Brothers, 1984); and that research into the nature of risk measures was needed (Ruefli, 1991).

The present study, therefore, considers and quantifies different determinants; uses multiple measures; allows respondents to measure the amount of risk; assesses the individual's attitude to risk in several personal/individual contexts as well as in the business environment; and assesses the business risk environment of the respondent's employing organisation. These measures are cross-tabulated and compared with classification data such as age, income, status, family life-cycle stage, etc., providing an indication of the validity of some of the risk measures, and of assumptions commonly made about the risk attitude of different groups. In all, some ten potential indicators of risk attitude are assessed and employed. These are compared with creativity indicators, primarily the number and class of awards for creative advertising received by the respondent and his/her employing

organisation, and the relationship measured. A simplified version of the

research framework is reproduced here for ease of reference:
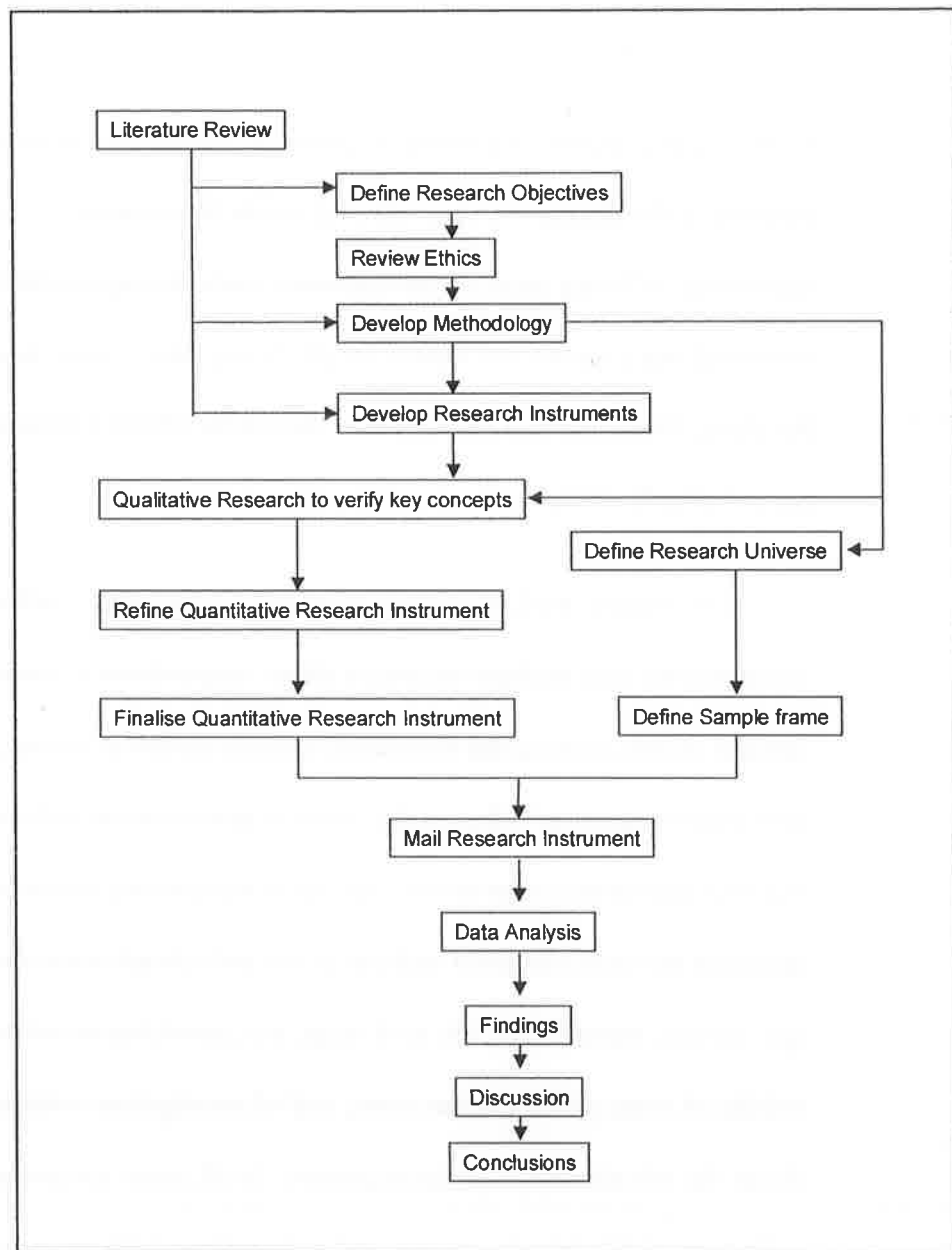
Figure: A Simplified Version of the Research Framework

The study will make a number of contributions. It is the first to

examine the relationship between risk attitude and advertising creativity, and

as such is a major contribution to academic research in Advertising, in an area where "instinct" and "conventional wisdom" have hitherto prevailed. It also adds to the Risk/Return literature, which has, in the main, been general in nature and compiled from aggregate statistical data rather than measures of individuals' attitudes, and largely limited to financial risks and returns. Here the risks and the returns have an important financial consequence, but the "return" measured is not financial. Rather it is in a new and very specific dimension: "creativity". The study, therefore, also contributes to Creativity research, by studying the link between creativity and risk, building on such work from Freeman (1983), Nickerson (1999) and Crutchfield (1962), amongst others.

Furthermore, the study tests the applicability of Prospect Theory (Kahneman and Tversky, op. cit.), which was developed with individuals (primarily university students) in laboratory conditions who considered only imaginary financial risk situations, to a particular, and only indirectly financial, context. Instead of asking respondents to evaluate and choose between hypothetical monetary gambles which, particularly for university students, may well be "outside of the run of their normal experience" (Lee, 1991, P. 76), the present study asks advertising agency employees to respond to choices that are framed as recognisable work situations. Linked to traditional Prospect questions (Kahneman and Tversky, op. cit.), this study provides an indication of the applicability of Prospect to a business sample and population.

In summary, the current research represents a contribution to the risk/return literature, the literature on advertising, and the literature on creativity. The main contribution, however, is that it is the first specifically to examine the relationship between risk and creativity in advertising using widely accepted and validated measures of creative performance. This is a highly important issue, because of the large sums of money firms spend on advertising (and possibly waste on ineffective advertising), and because of the damage that can be done by advertising that may be inferior (or contradictory) to the existing brand equity of the product being advertised, because of its lack of creativity.

This introductory chapter has presented a general background to the study. A review of the literature and major research on risk is provided in Chapter 2. This is followed, in Chapter 3, by a similar review of the literature on creativity. The research objectives are discussed in detail in Chapter 4, and developed into a number of hypotheses for subsequent testing. The methodology for achieving the research objectives is discussed in Chapter 5. This includes the development of the main research instrument, which was a self-completion postally administered questionnaire. Chapters 6 to 9 are concerned with the analysis of the results. A descriptive analysis of the sample is provided in Chapter 6, whilst results for the risk measures are analysed in Chapter 7. Several of the research hypotheses are addressed in Chapter 7. A similar analysis of creativity measures follows, in Chapter 8. Bivariate analysis of risk and creativity measures, to test the remaining hypotheses, constitutes

Chapter 9. Chapter 10 summarises the entire research, and provides conclusions arising from the study, and implications for the advertising industry and its clients. Finally, the limitations of the study are listed and discussed in Chapter 11, which also provides recommendations for further research.

Chapter 2: RISK

Introduction

Defining Risk

Theoretical Antecedents

Measuring Attitudes to Risk

Advertising Risk

Measuring Attitudes to Risk in Advertising

Conclusions

Chapter 2 : RISK

1 Introduction

This chapter presents a review of the literature and major research on risk, including summaries of Expected Utility Theory, Prospect Theory, and Means/Variance analysis. This is followed by a discussion of advertising risk, and the different ways in which it might be measured. The chapter starts with an exploration of definitions of risk.

2 Defining Risk

Risk is a complex concept (Conrad and Plotkin, 1968), and its meaning varies according to user and context. Typical dictionary definitions for the noun form include: *"a chance or possibility of danger, loss, injury, etc"* (Oxford English Dictionary, 1996), or *"the possibility of incurring misfortune or loss"* (Collins, 1987). Although nearly 30 years apart, the following definitions share the notion that risk involves uncertainty. According to Conrad and Plotkin (op. cit.) risk is: *"the uncertainty (or lack of predictability) one encounters when looking at the anticipated outcome of an event."* (p.91). More recently, Sitkin and Pablo (1992) defined it as *"the extent to which there is uncertainty about whether potentially significant and/or disappointing outcomes of decisions will be realised"* (p.10). Other researchers have used this approach during the intervening period, and subsequently. "Uncertainty" in the former definition is general and unspecified. In the latter, there is an implication that the risk concept applies to the possibility of

positive as well as negative outcomes. This is the common stance of many of the risk/return studies (see below).

Yates and Stone (1992) concurred with the loss aspect of the dictionary definitions, but suggested in addition that risk was a combination of three components: potential losses, the significance of those losses, and the uncertainty of those losses. This refinement enables the development of a means of quantifying risk. According to Yates and Stone (op. cit.), the more significant the loss, and/or the greater its likelihood of occurring, the higher the risk. Their main contribution is the idea that "probability" and "significance" should be combined interactively – and multiplicatively. Mitchell (1995) expressed similar reasoning in the following formula, where "P" represents "probability" and "I" "importance" (or "significance"):

$$Risk_n = P\ (Loss_n)\ x\ I\ (Loss_n)$$

This is illustrated in Figure 1, where the curves $R_1 \ldots R_n$ are contours of increasing risk:
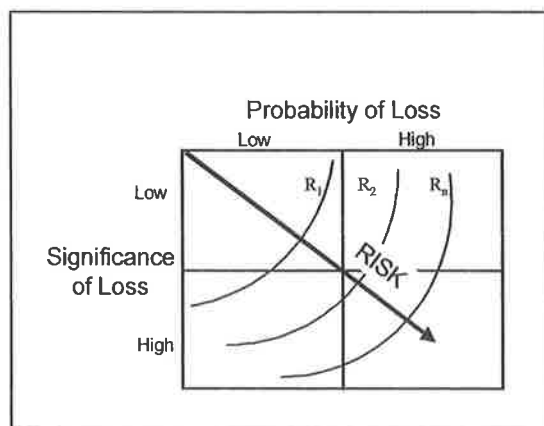
Fig. 1: A Visual Representation of Risk, adapted from Yates and Stone (1992) and Mitchell (1995).

The proposed refinement still leaves considerable ambiguity. For example, a missed opportunity is also a loss. Roselius (1971), and Jacoby and Kaplan (1972) identified six types of losses that an individual may suffer (Financial, Performance, Physical, Social, Psychological and Time), hence six types of risk. The relationship between these, however, is not clear and it is possible that people have different attitudes towards different types of risk.

Sitkin and Pablo (op. cit.) challenged the earlier, influential but contradictory, research on risk behaviour that had "focused on single determinants", such as the way a decision is framed (Kahneman and Tversky, 1979) and the effect of previous behaviour under risk on an individual's current attitude to risk (Osborn and Jackson, 1988; Thaler and Johnson, 1990). Instead, they proposed a comprehensive model (see Fig. 2) that incorporated and reconciled these individual determinants, which, in their view, give rise to the intervening variables of "risk propensity" and "risk perception."

According to Sitkin and Pablo (op. cit.) an individual's *risk propensity* is determined by three groups of factors: (1) individual preference with regard to risk, (2) individual inertia, and (3) previous experience of risk taking (outcome history). It also affects, and is affected by, *perceptions* of the amount of risk. In a work situation, *risk perception* is, in turn, determined by five groups of factors: (1) the way the problem is framed, (2) the senior management of the enterprise, (3) social influences, (4) the individual's familiarity with the problem under consideration, and (5) any organisational control systems. Risk

propensity, moderated or reinforced by risk perception, determines *risk*

behaviour. The next section will consider the theoretical antecedents in

understanding risk. Several of the theories examined have already been

alluded to, but the section provides a systematic analysis within a theoretical

framework rather than being definitional in nature.
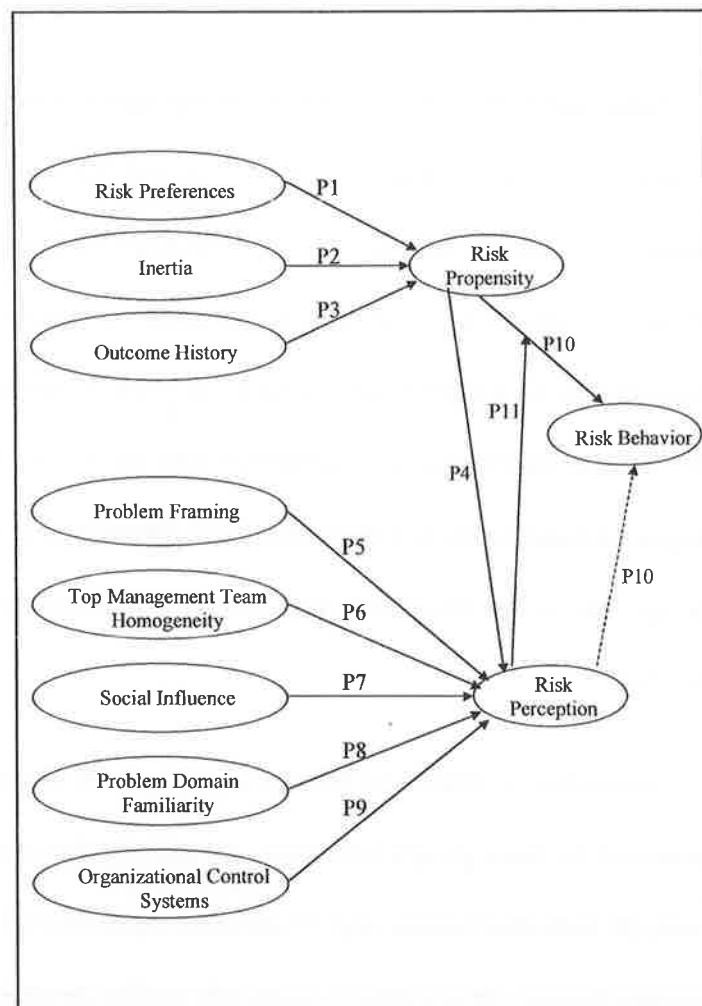
Fig. 2: Reconceptualization (sic) of the Determinants of Risk Behavior (sic), Sitkin and Pablo, 1992.

3   Theoretical Antecedents

3.1   Expected Utility Theory

The starting point of all studies involving decision-making under risk is Expected Utility (EU) Theory, *"the major paradigm in decision making since the Second World War"* (Schoemaker, 1982). Put simply, the basic principle of EU Theory is that individuals consistently seek to maximise total expected utility. Expected utility is that which results from an outcome, or prospect, multiplied by the probability of it occurring. Where this probability is less than one, the choice involves risk.

If the choice has several risky prospects, each with a different probability, people calculate the expected utility of each prospect individually then make the choices and trade-offs that in aggregate maximise the total expected utility.

Using mathematical notation, where:

n is the number of outcome vectors $\bar{x}_i$ and

p_i is the probability of each outcome vector, such that

$$\sum_{i=1}^{n} p_i = 1$$

EU theory predicts that people maximise

$$\sum_{i=1}^{n} F(p_i)\, U(\bar{x}_i)$$

This total expected utility is derived from the trade-off between different outcomes of varying probability that result from the same decision or set of decisions, and therefore involves the consideration of risk.

3.2   Prospect Theory

The first major challenge to EU theory as an explanation of decision behaviour under risk came in the form of an empirical study by Kahneman and Tversky (1979), which resulted in the proposal of an alternative, called Prospect Theory. The authors measured individual risk attitude by asking respondents to consider hypothetical (in some cases real) gambling situations with different outcomes (or prospects) and asking them to choose between them. A substantial amount of laboratory evidence was produced that violated the main principles of expected utility theory. The following is a simple example of the type of questions posed: *"Choose between the prospect of (A) an 80% chance of winning $4,000 and a 20% chance of winning nothing, or (B) $3,000 for certain."* In this specific case, where EU theory would predict a preference for (A) because of the higher expected value (80% of $4,000 = $3,200), 80% of a sample of 95 respondents chose (B). A wide range of questions and permutations were asked of different samples of respondents, with identical results, despite being replicated in three countries. Some of the questions had positive outcomes (gains), and others negative (losses), such as: *"Choose between the prospect of (A) an 80% chance of losing $4,000 and a 20% chance of losing nothing, or (B) losing $3,000 for certain."* Respondents to this question

typically choose (A), despite EU theory suggesting they should rationally choose (B).

The responses showed that individuals are generally risk-averse when outcomes are expressed as gains, as in the first example, and risk-seeking when they are expressed as losses, as in the second. This is referred to as the "framing effect" (Tversky and Kahneman, 1986), and is related to the concept of the "reference point" (Fiegenbaum and Thomas, 1988). Individuals (and firms) are generally risk-averse when operating above their reference point, usually defined as the status quo, and risk seeking when operating below it. Kahneman and Tversky (op. cit.) resulted in a renewed stream of risk-related research, much of it applying Prospect Theory. Lee (1991), For example, demonstrated the validity of Prospect Theory in a study of the US beer industry. His hypothesis was that performance below the reference point would give rise to a risk-seeking attitude, and that this in turn would lead to increased spending on advertising, and this was indeed found to be the case.

The position of gamblers is also worth reviewing in relation to risk. Gamblers make riskier choices when they are losing than when they are winning, in order more quickly to recover the status quo ante. When they are winning they have more to lose, so are relatively risk-averse. That gamblers take risks at all when they are not losing suggests that the correct reference point may not be the status quo, but some known or felt idea of what it ought to be. This would seem to be the case with firms, where goals are usually expressed as some improvement over the results of the previous period,

irrespective of whether those results were good or bad. The size of the required improvement is moderated by a form of weighted average of prior goals, or 'aspiration levels', for the previous period and the performance for that period (Levinthal and March, 1981). Lewin, Dembo, Festinger, and Snears (1944) call this difference 'attainment discrepancy', defined as performance minus prior aspiration level. Aspirations adjust upwards in response to favourable feedback (a zero or positive discrepancy) and downwards for negative feedback (a negative discrepancy). In addition, Lant (1992, P. 639) demonstrated the existence of an optimistic bias, whereby aspirations tend to be set higher than would otherwise be expected. Risk return studies will now be reviewed as they form the majority of explorations in the field.

3.3   Risk/Return or Means Variance Analysis

The majority of studies of business risk have been of the Risk/Return or Means Variance variety, and have defined and measured risk in similar ways. For example, Conrad and Plotkin (1968) stated that *"For the purposes of our study, then, the greater the uncertainty about the return on a potential investment, the greater the risk in making the investment."* For Conrad and Plotkin 'Uncertainty', hence risk, in this case was measured retrospectively, *"...by calculating the dispersion (or variance, in mathematical terms) of return on capital of individual companies around the average return from that industry."* (ibid).

The value for risk/return studies in using such definitions and risk measures, according to Conrad and Plotkin, is that they avoid "*all the complex elements of risk and its perception*". Instead, they simply concentrate on financial or monetary investments and the probabilities of alternative outcomes. Variability (variance) of operating results (usually ROE) is used as a surrogate for risk, and compared with the average (mean) ROE for the industry over a given time period to see how risk relates to performance.

Bowman (1980), who was the first to identify a significant negative association between risk and return (which he named the Risk-Return Paradox), showed that firms performing less well also appear to take more risks. Whilst doing empirical research for an earlier paper Bowman had found that "*... not only is risk not associated with higher profits/returns, but it is actually (ex post) associated with lower profits/returns*" (Bowman, op. cit., p.18). In an exploration of Bowman's "risk-return paradox", Fiegenbaum and Thomas (1988) introduced the idea of a target return on equity, separating the firms studied according to whether they were above or below this target. They found that risk and return are negatively correlated when firms are operating below target, when they are expected according to prospect theory to be risk seeking. Similarly, they are positively correlated above target, when they are expected, by prospect theory to be risk averse. The latter finding is particularly intriguing: if risk and return are positively correlated for above target firms, why are they risk-averse, or, if they are risk averse, how can risk and return be positively correlated?

Bowman offered several possible explanations for the paradox. One is that the overall negative industry-wide (i.e. average) relationship could mask a positive relationship for above target firms. This explanation would seem to reconcile Bowman with Fiegenbaum and Thomas. Whilst above target firms may be risk-averse, the superior judgement of their managers may lead them to take 'better' risks, and execute them more efficiently.

One explanation according to West and Berthon (1997) suggests that firms with a predominantly risk-seeking culture may classify virtually all performance as below target. This would explain why high-performing firms might also be risk-seekers, in apparent contradiction of both prospect theory and Bowman (1980). The proposition is also in line with the literature on aspiration level adaptation referred to above (Lant, 1992).

The 1988 Fiegenbaum and Thomas paper included a summary of all the previous major studies on Risk-Return. This summary shows the inconsistency of the risk-return association across studies. In the six major studies before Bowman (1980), showing a significant association between risk and return, this association was positive. Of the eight studies that followed Bowman, up to and including the 1988 paper by Fiegenbaum and Thomas, five were negative and three were positive. Another interesting observation is that negative risk–return associations are more common in studies covering the 1970s than the 1960s. This suggests that results may have as much to do with other factors, such as social and/or economic conditions, as with risk attitude. The US economy in the 1960s was characterised by strong growth,

with real GNP up by 4% on average. Inflation was low, but rising as the decade progressed, with unemployment falling to less than 4% by 1969, a post-war low. These were favourable conditions for firms, which would tend, according to Prospect Theory, to encourage a more prudent approach to risk whilst at the same time fostering better returns. By contrast, the US economy of the 1970s was characterised by instability (OPEC, Vietnam and floating-exchange rates). The early 1970s saw recession, followed by boom, followed by recession, followed by boom; inflation rising to peaks of over 12% in the mid-1970s and late 1970s (but lower in-between), with unemployment racing upwards (Mass, 1976; Porter, 1980). These conditions were likely, according to Prospect Theory, to encourage risk-taking. At the same time they were likely to lead to business failures, and hence a negative risk-return relationship. This inconsistency of risk-return association across studies could suggest that ROE variance is simply an unreliable indicator of risk attitude. The major studies of the risk/return relationship using ROE variance as a measure of risk are summarised in Table 1, overleaf, adapted from Fiegenbaum & Thomas (1988).

AUTHOR	PERIOD COVERED	STUDY	RISK/RETURN RELATIONSHIP FOUND
Conrad & Plotkin, 1968	1950-65	783 US companies from 59 industries	Significant positive
Fisher & Hall, 1969	1950-64	11 US industries	Significant positive
Cootner & Holland, 1970	1946-60	315 US companies from 39 industries	Significant positive
Hurdle, 1974	1960-69	228 US firms from 85 industries	Significant positive
Armour & Teece, 1978	1955-73	28 firms from the US petroleum industry	Negative, but not significant
Neumann, Bobel & Haid, 1979	1965-73	334 West German industrial stock companies	Significant positive for the sample as a whole. When divided into big and small companies both positive and negative association was found.
Bowman, 1980	1968-76	Analysis of published results for 1,572 US companies from 85 industries.	For most industries (56) and for the period studied there was a significant negative relationship. For 21 industries, it was positive, the remaining 8 showed neutral results.
Bowman, 1980	1972-76	Analysis of published results for 11 industries.	Significant negative
Treacy, 1980	1966-75	1,458 US companies from 54 industries	Significant negative
Bettis, 1981, Bettis & Hall, 1982, Bettis & Mahajan, 1985	1973-77	Diversification strategies and risk	Negative association for related diversification, positive for unrelated
Marsh & Swanson, 1984	1958-81	135 US firms	No statistically significant relationship
Fiegenbaum & Thomas, 1985	1960-79	345 to 700 US companies from 7 industries	Significant positive association in 1970s, significant negative association between 1965 and 1969
Fiegenbaum & Thomas, 1986	1960-79	1,283 to 2,394 US companies from 37 to 56 industries	Significant positive association in 1960s. Significant negative association in 1970s.
Fiegenbaum & Thomas, 1988	1975-79	2,322 firms from 47 industries	Negative for below-target firms, positive for firms with returns above target.

Table 1: Risk/Return studies using ROE variance as a measure of risk (adapted from Fiegenbaum & Thomas, 1988).

Ruefli (1990) criticised the whole concept of means-variance approaches to risk-return analysis from a mathematical and analytical point of view. He questioned the accepted practice of using annual versus quarterly results for calculating mean ROE, and rejected the assumption that distributions can be constant over multiple observations. Ruefli (1991) noted that: *"…researchers wishing to employ a means-variance approach to risk and return are caught between the Scylla[4] of an unidentified system and the Charybdis[5] of spurious correlation and a consequently insufficient number of data points with, as of this writing, no reasonable way through. Given the importance of risk in strategic management, there is a clear need for research to enable the use of existing measures and to develop new measures for this concept."* It is clear that it is imperative to find an alternative to the use of variability of returns as a measure of risk. This issue will now be reviewed.

3.4   **Risk According to Managers**

The concept of the reference point (referred to above) is a fundamental consideration when examining risk from the point of view of managers, and the behaviour of managers under risk (Levinthal and March, 1981; Lee 1991; Lant, 1992). Lee (1997) questioned the treatment of the reference point in the literature: *"…no study in the risk-return literature has modeled (sic) the reference point in a way consistent with prospect theory. The reference point is either not modeled (sic) at all (Bettis & Hall, 1982; Bettis & Mahajan, 1985; Fiegenbaum & Thomas, 1986); or, if*

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[4] A sea nymph transformed into a sea monster believed to drown sailors navigating the Straits of Messina (Collins, 1987)

[5] A ship-devouring monster in classical mythology identified with a whirlpool off the coast of Sicily (ibid.)

it is modeled (sic), *the average or median ROE or ROA of an industry is used as the reference point (Fiegenbaum, 1990; Fiegenbaum & Thomas, 1988; Jegers, 1991). Yet prospect theory posits the status quo of a firm's performance and not an industry average as the reference point. It is possible to infer the firm's reference point in a way more consistent with prospect theory."* His solution is to use the individual firm's last recorded ROE as the reference point, rather than an average for the industry or over time. Managers are judged according to their own or their firm's performance relative to the previous year (not that of the entire industry), so this is more likely to affect their attitude to risk-taking.

Writing on prospect theory, Lee noted: *"An individual is said to be risk-taking (risk averse) if he or she chooses an alternative with a higher (lower) variance and an expected value no higher (lower) than that of other alternatives"* (1997, p. 61). This derives from the third assumption of Expected Utility theory, that *"a person is risk averse if he prefers the certain prospect (x) to any risky prospect with expected value x"* (Kahneman & Tversky, 1979), and contrasts with the lay concept of risk, i.e. that the whole point of taking a risk is to achieve a higher return than would otherwise have been expected. It is also inconsistent with the way that managers perceive risk. Under these two definitions, most managers would be deemed risk-averse: the choice of a risky prospect with the same expected value as a certain prospect would surely appear to be foolishness to most managers.

For managers (as opposed to investors) variability in operating results is not a risk, it is an outcome (MacCrimmon and Wehrung, 1986). An

exceptionally good result would certainly not be perceived as a risk, although it would be treated so under prospect theory and most risk-return analyses, as it would contribute to variability – the standard measure of risk for many researchers. Indeed the terms "mean/variance" and "risk/return" are used almost interchangeably throughout the literature. MacCrimmon and Wehrung (op. cit.) showed that managers do not consider variability a risk: they are more concerned with avoiding losses, or negative outcomes. Thus, if risk can only be quantified in retrospect, it can have little effect on or value for managerial decision-making. Commenting on the use of this historical data by researchers to predict future behaviour Bettis stated: *"Aside from the inherent estimation problem here, it should also be noted that observed risk measures (i.e. ex-post estimates) may tell little about the risks that were expected and hence influenced decision making"* (1982, p. 22). Motivation is an important issue to now consider.

Researching the motivation of senior managers, Grey and Gordon (1978), developed a risk scale in which high scorers more frequently desired to make decisions on their own, to have a good deal of personal responsibility, and to have broad freedom to act. Low scorers generally wanted to have security for the future, to work for a solid company, and to have a stable income. They tested over 700 staff in one large multinational company, comparing the number of promotions with risk scores and found that risk takers were promoted more rapidly. This suggested that managers of corporations favour risk-takers, that risk-taking is good for business, and, by extension, that the relationship between risk and return is positive.

This finding was supported by a more recent study by MacCrimmon and Wehrung (1990), which showed that *"the most successful executives were the biggest risk takers"*. Wehrung, MacCrimmon and Brothers (1984) were interested in personal risk-attitude compared to business risk-attitude. A risk-propensity study of more than 500 senior Canadian executives showed that they were predominantly risk-averse, substantially more so when it came to personal wealth: personal risk aversion appears to be greater than business risk aversion. This has major implications for studies that use personal attitude to risk as a proxy for business-risk behaviour, and for the interpretation of the classic study by Kahneman and Tversky (1979), in particular for its application in business contexts.

4   Measuring attitudes to risk

If defining risk is problematic, it follows that it is even more difficult to measure both risk, and attitudes towards it. Mitchell's (1995) model (see Fig 1) provides a framework for quantification, but it is unclear how this should be operationalised. If risk is a function of loss and its probability of occurrence, in order to quantify risk attitude both "Loss" and "Probability of occurrence" have to be quantified. Risk *attitude,* defined as a willingness to take risk, could then be quantified by somehow measuring the extent to which individuals are willing to take risks of different magnitude. This can be done in experimental or laboratory conditions using hypothetical risks (e.g. Kahneman and Tversky, 1979) but it is not clear how it might be implemented empirically.

In a systematic comparison of approaches, Miller and Bromiley (1990) analysed different risk measures that had been used in strategic management research (often with contradictory results). Applying factor analysis to nine different risk measures, they proposed a combination of three measures: income stream risk, stock returns risk, and strategic risk. The third factor is a composite of debt to equity ratio, capital intensity and R&D intensity. As such, it may have a causal link with risk-attitude (but which way round?). The other two are retrospective variability measures, similar to the earlier studies. However, this multi-factor approach goes some way to answering the criticism (Fiegenbaum & Thomas, 1988) that different stakeholders may be interested in different measures of corporate risk.

These issues bring into doubt several of the fundamental tenets of previous research. Thus, Bowman's paper (1980) was considered a turning point in risk/return research, but, like Conrad and Plotkin (1968), and others (see Table 1) he used variability of profits over a given time period as the measure of risk for that period. It could be argued that the reason for the apparent paradox is simply the problem of using ex-post data (variability of historical returns) to measure what is essentially an attitude to the future, and to do so in aggregate. According to prospect theory the worse the decision context, the more likely it is that managers (like gamblers) will take risks. The higher the potential return (or the greater the distance below the reference point), the greater the risk that will be considered – the greater the risk, the higher the desired return. Unless the majority of outcomes are satisfactory,

measuring the phenomenon in this way, ex-post and in aggregate as Bowman (1980) and others have done, is bound to show a negative association between risk and return. The relationship between risk and *desired* return is clearly positive, but not every gambler can be a winner.

Perhaps recognising the limitations of his previous approach, Bowman (1982) instead used content analysis, counting the number of times the word "new" appeared in letters from Presidents and Chief Executive Officers (CEOs) of target companies in their annual reports. This method is intuitively more appealing than the use of profit or ROE variance. It at least attempts to measure "attitude": variability in profits can surely result from a number of factors, only one of which may or may not be the (risk-taking) attitude of the managers.

In his study of the relationship between risk-taking attitude and advertising budgets, Lee (1994) also measured risk attitude by using content analysis of CEO letters to shareholders in company annual reports. Dismissive of the mean/variance approach for the reasons stated above, and, because it is an ex-post measure, Lee was equally critical of questionnaire or experimental methods for measuring risk. He preferred content analysis because: *"It is able to reveal the psychological state of persons or groups through natural situations instead of asking rather complex questions out of the run of their normal experience"* (1991, P. 76). Lee's use of content analysis was more sophisticated than that of Bowman, who had simply used the number of times the word "new" appeared as a proxy for risk-attitude. Lee counted the number of

appearances of three categories of words or expressions that denoted negative feelings related to loss (for each company studied, for each year of the study). These were (1) perception of loss, (2) low confidence in future success, and (3) overall perception of competition intensity. He then divided the frequency of each indicator by the number of words in the entire letter, to eliminate the size effect of different letters.

Content analysis, as briefly outlined above, seems more likely to reflect attitude than does ROE. It is possible, however, that the descriptors used by Lee may be just that – descriptions of a situation, but not necessarily of the likely risk reaction to it. Lee (1994) justifies his position using prospect theory, stating: *"The concept of value as defined in prospect theory can generally be interpreted in terms of negative or positive expectancies, feelings or experiences (Kahneman & Tversky, 1979). The negative ones bring about a risk-taking attitude"* (P.250). However, it is not clear whether Lee screened for the time period to which the negative feelings referred. Besides describing attitudes and hopes for the year ahead, annual financial reports also discuss the year that has just gone by. It is possible to have negative feelings about the period that has just passed yet remain optimistic about the future (and vice versa). For example, sales and/or profits may have been adversely affected by an unfavourable external or internal phenomenon of a temporary nature, such as the loss of a vital piece of equipment, or a transport strike. This phenomenon may have ceased before the end of the year, resulting in an optimistic, hence risk-averse outlook for the year ahead. Nevertheless, the CEO's letter to shareholders

would include content describing the unfavourable conditions and the harmful effect on the business during the year that has just ended. In such a situation, content analysis may falsely predict risk-seeking or at least neutral behaviour. This false reading could be avoided by also counting the words and phrases that would indicate a contrary attitude, using this measure to counterbalance or confirm that of the variable in question.

It is also possible that CEOs could under-report bad news to minimise adverse reactions by the stock market. Nevertheless, Lee's preliminary content analysis (1991) found that there was a positive correlation between the frequency of words and phrases that connoted competition and poor performance and a negative correlation between the frequency of such words and phrases and 'good' performance.

5 Advertising Risk

Advertising is an uncertain business (Kover and Goldberg, 1995), and therefore involves risk. If business risk is elusive of definition and hard to quantify, advertising risk is arguably more complex, and perhaps in greater need of precise definition. It is not just about whether to invest in advertising, but relates to all decisions to do with advertising, including amongst others, *"...changing celebrities, emphasizing (sic) new uses for a brand, reallocating a TV budget to direct marketing, counter-cyclical advertising in place of traditional seasonality (e.g. heavy advertising of ice cream in November), and widening the age of the target market"* (West and Berthon, 1997, p. 28). It also includes setting the budget. Lee's (1994) study concentrated on this topic, and showed that a firm's previous poor

performance leads to its heightened risk-taking, which in turn leads to increased spending on advertising. This section will consider advertising risk, and begins with a brief outline of the advertising campaign process.

Fig. 3 is a simplified model of the iterative process of producing advertising, adapted from Belch and Belch (1998). It starts with the marketing plan, which sets out the marketing objectives. These define the Target Market and desired Product Positioning (STP), the communication objectives, and the advertising budget.
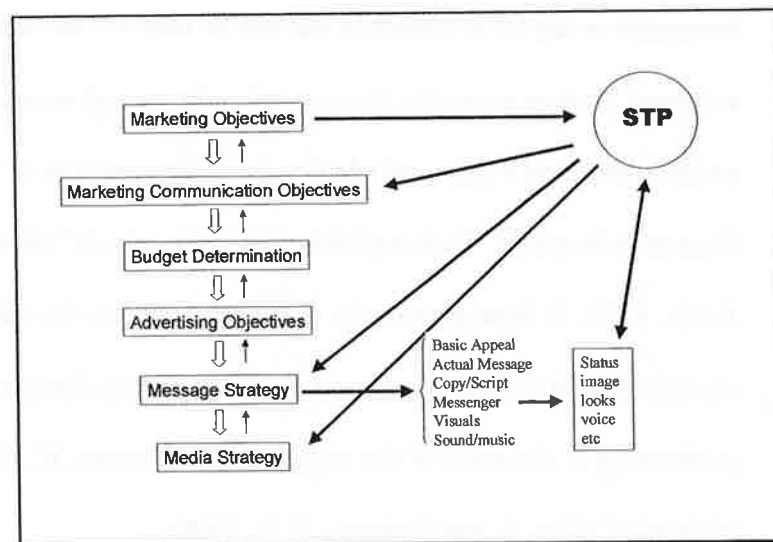
Fig. 3: The Advertising Process, adapted from Belch and Belch (1998).

The advertising objectives — what is to be achieved through advertising — are usually expressed in the client brief, although they are sometimes suggested by the agency, in the agency brief. The process of actually creating the advertising then follows. Belch & Belch (op. cit.) label this stage "Message Strategy." The main elements of this stage are shown in Fig.3, and the

characteristics of one of its key components, the "messenger", are listed by way of example. This is the stage where the creative strategy is developed. It includes the underlying concept and basic appeal of the campaign, the message, the verbal and visual way that the method is *encoded* (Kotler, 1997), the copy or script, the choice of "messenger" or actors, visual effects, sound effects, music, and so on. As indicated in Fig. 3 all of these must match the desired positioning for the product, in a way that captures the attention and imagination of the target audience. All of this involves risk: from the risk that the target market has not been correctly identified, to the risk that the creative treatment or any of its elements will not be received favourably by the target audience. If done correctly, the target should see and sense, *"in a flash what the product is for, whom it is for, and why they should be interested in it,"* (D'Arcy, Masius, Benton & Bowles's "Universal Advertising Standards" cited in Belch and Belch, 1998). If done poorly, the risk is, at best, that the advertising will pass unnoticed, and the budget wasted. At worst, it may damage the product positioning in the mind of the target market (Crosier, K., Hernandez, A., Mohabir-Collins, S. and Erdogan, B.Z., 1999).

A modelling approach to advertising risk may be helpful. In drawing up models for corporate strategy formulation, Bettis (1982) proposed a simple model of the relationship between business strategy, risk and performance:

$$Performance = f\left\{Strategy, Risk\right\}$$

Where "strategy" includes all the usual variables associated with running a business, both at the level of the SBU and that of the diversified firm, including R&D, pricing, quality, product line breadth, distribution width, investment intensity, etc. Substituting these variables with the type of advertising variables listed above would give a simple model of the relationship between advertising strategy, advertising risk and advertising performance:

Advertising Performance = f {Advertising Strategy, Advertising Risk}

In such a model every element of advertising strategy would have associated risk. In making advertising decisions, however, it is often more risky not to change these variables, so how should risk in advertising be defined, and quantified?

West and Berthon (1997), based on Sitkin and Pablo (1992) define advertising risk as: *"a decision involving uncertainty about whether potentially significant outcomes will be realized* (sic) *from an advertising campaign's creativity, media choice and/or utilization* (sic), *positioning or strategy"* (p. 27). Above all, risk in advertising concerns the degree of 'creative licence'. This encompasses everything from the basic underlying concept, to the treatment, the choice of director, photographer, models, actors, music, and so on. Even the choice of and way of using the chosen medium can be highly creative - and hence risky. This linkage between creativity and risk is demonstrated by the way that creatively successful campaigns are often described using words such as "bold" or "daring". Advertisers and their agencies are willing to risk upsetting

audiences and regulators by running controversial campaigns such as those of Benetton (Crosier et al, op.cit.), and, more recently, French Connection UK (fcuk), if they believe it will have the desired effect. As if to highlight the presumed relationship between risk and creativity, the 1997 Awards Review Evening of the Marketing Society adopted the SAS motto "Who Dares Wins" (Hytner, 1997).

Creative risk, a subset of advertising risk, has been defined as *"the degree of uncertainty as to the results of the words, images or symbols used in an advertisement"* (West, 1998). West argued that successful firms (which according to prospect theory are risk averse) paradoxically *risk* being offered mediocre advertising. The better a firm's performance relative to its reference point or aspiration level, the more risk averse it will be and the more likely it is that its agency's creative ideas will be rejected – and at earlier stages in the process.

The development of winning creative ideas follows a largely random process, so the generation of large numbers of ideas is essential (Gross, 1972; Vanden Bergh, Reid and Schorin, 1983; O'Connor, Willemain and MacLachlan, 1996). This finding is supported by studies using Divergent Thinking tests to measure creativity, largely in the educational environment, where subjects are scored for "fluency" (the ability to generate large numbers of ideas) and "originality" (statistical infrequency) (Plucker and Runco, 1998). What limits the consideration of some of the more creative ideas is the agency's own attitude to risk, and its perception of the client's attitude to risk. A risk-taking agency with a risk-averse client will, through a process of self-

censorship, limit the range of ideas that are shown to the client. A risk-averse agency will not develop such a wide range of ideas.

6 Measuring Attitudes to Risk in Advertising

Perhaps the first consideration for anyone seeking to understand the relationship between risk and advertising is the identification of risk-seeking behaviour. If the common practice of risk-return analysis or prospect theory were adopted, it might be said that advertising risk seekers are identified by the variability of their operating results. To do so would leave us vulnerable to the sorts of criticisms noted above (Bettis, 1982; MacCrimmon and Wehrung, 1986; Ruefli, 1990, 1991; Lee, 1997). It would also seem to be introducing an unnecessary stage; one might just as well study the relationship between poor results and advertising practices and attitudes, without advertising risk.

As noted previously, Lee's 1994 paper considered the impact of poor performance on risk-taking attitude, and, in turn, on advertising budgets. He took Bowman's (1982) hypothesis as a causal model – i.e. that poor performance leads to risk-taking, and then measured the relationship between this and the setting of advertising budgets. In essence, this is an extension of the risk-return approach, and sheds little new light on the relationship between risk attitude and advertising. If poor performance leads to risk-taking, it is quite likely that one of the risks that might be taken would be an increase in advertising. Similarly, if poor performance is a result of below target sales, increasing the advertising allocation might be a logical response, which managers would consider as the *less* risky option. One analogy would

be that advertising risk seekers could be identified by the variability of their *advertising* results, using some measure of advertising quality or effectiveness.

The key point to make is that Lee's 1997 research focused on the relationship between poor performance and risk-taking attitudes, but was not linked with advertising. It was concerned with the 'shortcomings' of risk-return/mean-variance research to date. It supported Bowman's 1982 hypothesis and the first linkage of the model in Lee (1994), but did not assess the implications for advertising, and consequently made no attempt to link with advertising risk attitude. Thus, it remains to specifically examine the measurement of advertising risk, and this will now be considered.

According to prospect theory, firms are risk-averse when operating above their reference point, and risk-seeking when below (Kahneman and Tversky, 1979). The reference point is taken as some financial performance measure, typically ROE. This should be firm specific, rather than the industry average, and for the most recently recorded time-period, rather than an average over time (Lee, 1997). Applying this by analogy to advertising practice would give the following proposition: firms are risk-averse *with regard to advertising* when their *advertising* is performing above the reference point (some measure of advertising performance, e.g. recall, brand awareness, etc., that may have been set as the advertising objective in the marketing plan). They are risk-seeking *with regard to advertising* when advertising is performing below this reference point. Even this approach, however (if a way could be found to operationalise it), would only be able to measure risk after the event, and risk

attitude would be inferred rather than directly measured. The complex and multi-faceted nature of defining advertising risk thus renders its measurement even more problematic than that of standard risk-return analysis. The solution adopted by West and Berthon (1997) was that: *"The measurement of risk is best left to the participants in the process rather than the observers of the process"* (p. 28). This is because observers would lack the necessary background or contextual information to judge the risk involved in a particular creative treatment, or other aspect of advertising strategy. Measurement of risk by the participants themselves is supported by Lant and Montgomery (1987), in their study of the relationship between aspiration levels and risk attitudes among teams taking part in the Markstrat business game: *"... it is important to tap both aspirations and risk from the decision maker's point of view."* In West and Berthon's 1997 study advertising risk attitude was measured by asking two very different questions:

1. *"Considering your most recent advertising campaign, how much risk do you think was taken?"*

2. *"Imagine that your company is launching a new product and that only one of the following advertising options can be chosen. Which one do you think your company would favour?*

   - *If Plan A is adopted, sales of $200,000 will be made*

   - *If Plan B is adopted, there is a one-in-three chance that sales of $100,000 will be made, and a two-in-three chance that sales of $400,000 will be made*

   - *If Plan C is adopted, there is a one-in-three chance that sales of $600,000 will be made, and a two-in-three chance that sales of $50,000 will be made"*

The first question asks the manager to evaluate the level of risk of a recent project, on a 7-point Likert-type scale, in *retrospect*. The second is based on the type of question used by Kahneman and Tversky (1979) in their work on prospect theory, and requires the respondent to make a hypothetical advertising decision in *prospect*. The use of Questions (1) and (2) is an illustration of the argument that risk should be measured using multiple approaches, thus avoiding the limitations of earlier studies that relied on single measures such as variance, or narrowly applied content analysis, and because managers are not consistently risk-averse or risk-taking. A further illustration of the use of multiple approaches (and self-reporting) appears in a study by West, Miciak and Sargeant (1998). Here respondents are asked to locate their companies on seven point scales for four items that are considered the key components of advertising risk. These are company culture (non-risk vs. high-risk), creativity in advertising (not creative vs. highly creative), media choice (non-risk vs. risk-taking) and the degree to which they were leaders or followers of their competitors.

A related but more fundamental problem is to do with the meaning of the word 'risk'. A creative director may come up with a brilliant, innovative campaign idea, in his or her mind the obvious solution to the client's brief, and, therefore, in his or her view of zero risk. He or she would, in response to Question 1, give a low risk score for what might indeed have been a high-risk project. The solution is a clear and common understanding between the researcher and the respondent about the precise meaning intended by the

word "risk". It is essential when asking respondents to measure the degree of risk involved in this way to be assured that they are working to an agreed definition, such as that of West and Berthon (1997), cited above.

A further problem may arise from the finding that concepts that are believed by their creators to be risky will be withheld from risk-averse clients (West, 1998). If this were the case, Question 1 may be unlikely to yield high-risk scores. However, in the 1998 study most respondents claimed that their agencies were more willing to take creative risks than were their rivals, with only 20% suggesting that their agency was less willing. 70% claimed they were more willing to take risks than were colleagues at the same agency.

This study will also use multiple measures, including items measuring willingness to take risks, risky behaviour and factors affecting the degree of risk taken. The problem of measuring risk remains. Given that outsiders may lack the necessary background it probably is best, like West and Berthon, and Lant and Montgomery before them, to leave the measurement to the participants. Some form of benchmarking may be helpful. This could perhaps have been achieved by rephrasing the above Question 1 along the following lines: *"Considering your most recent advertising campaign, how much risk do you think was taken compared to the previous three?"*

A summary of studies using risk measures other than ROE variance follows below (Table 2):

AUTHOR	MEASURE	STUDY	FINDING
Bowman, 1982, covering period 1972-76	Content analysis of CEO letters to shareholders for the word "new"	27 companies in the US container industry, listed in Value Line, 1976	The 7 worst performing companies speak of new activities substantially more than the best 7. Troubled companies take more risks, which supports the negative risk return relationship (1980).
Kahneman D. & Tversky, A., 1979	Choices among gambles	Surveys of college students in Israel, repeated in Sweden and USA	Consistently found that individuals are risk averse for gains, risk seeking for losses.
Laughhunn, Payne, & Crum, 1980		Laboratory tests using 237 managers	Extensive evidence to show that decision makers use a reference point in making risky choices
Lee, 1991, 1994	Content Analysis of CEO letters for 3 categories of words/phrases	Annual reports of US breweries	A firm's advertising budget is an increasing function of its risk-taking attitude
Lee, 1997	Content Analysis of CEO letters for 3 categories of words/phrases	Annual reports of US breweries	Supports Bowman (1982) poor performance leads to risk taking
West & Berthon, 1997	Self-completed questionnaires (1) riskiness of most recent campaign measured on 7-point Likert type scale (2) risk attitude measured by choosing between 3 risky prospects	68 US and Canadian advertisers	On or above-target companies are more risk-averse; for hypothetical campaigns top-down cultures are more risk-seeking.
West & Shelton, 1998	Case study	Clerical & Medical 1990-97	Advertising risk follows a cycle
West, 1998	Self completed questionnaires measuring willingness to take risks, risky behaviour, factors affecting the degree of risks taken	64 US advertising agencies	Agencies and their executives claim to be risk seeking, but are risk averse with more important (risk averse) clients.
West, Miciak and Sargeant, 1998	Self-scoring 7-point scales for (1) risk-taking culture (2) creativity (3) media risk attitude (4) leadership of competitors	66 US and Canadian companies	High risk takers (Assureds) are more confident about selecting creative strategies and executions, to try out different market segments and media, and react to market changes.

Table 2: A summary of Risk/Return studies using risk measures other than ROE variance

7 Summary and Conclusions

It would seem that there is a significant need for further research on the definition and measurement of business risk and the attitudes of managers towards it. The complex nature of the advertising task, and the relative lack of attention this important area has received to date, suggest a need to develop understanding of the impact of risk attitude on a number of aspects of advertising. The most important of these is the relationship between risk and creativity. Creativity is widely regarded as the most critical part of the advertising process. If risk-aversion damages or limits creativity it is essential that the process protects or shields the creative team from risk-averse account teams or clients, and managers must be encouraged to offer riskier creative to their clients.

Owing to the doubt that remains about the effectiveness of any single measure of risk-attitude, any study must use multiple approaches. Moreover, research into the measures themselves is needed, to increase confidence in their use, and to devise robust alternatives. Research comparing results of variance analysis with content analysis, and of self-reported risk-attitude questions with prospect-theory risk-measures *for the same samples,* may be one way of doing this. Having considered risk, the following chapter will examine the nature and measurement of advertising creativity.

Chapter 3: CREATIVITY

Chapter 3: CREATIVITY

1 Introduction

In order to examine the relationship between risk propensity and creativity in advertising, it is necessary to have a clear understanding of what is meant by risk, and what is meant by creativity. The previous chapter examined the literature on risk, and how risk might be measured. This chapter consists of a discussion on the nature of creativity, and of advertising creativity in particular. This is followed by an exploration of how it may be measured. The investigation begins with an assessment of the extent and range of research in the field, and then examines the nature of the leading studies.

2 The Scale and Scope of Creativity Research

Some observers have noted a decline in the level of interest shown in creativity research (e.g. Zinkhan, 1993). Others maintain that the topic is receiving a great deal of attention (e.g. Plucker and Runco, 1998). To throw some light on the issue, a search of the ABI/INFORM Global database on Proquest® was carried out in January 2002 for articles featuring either "creativity" or "creative" in the title, in an attempt to reconcile these contradictory views. There is no simple way to identify and isolate articles about creativity. It is a wide area, and it is quite likely that relevant articles have been published that do not feature either word in the title (in which case

any reading by this measure would be an understatement). Sternberg and

Lubart (1999) used a similar test, searching for the keywords "creativity",

"divergent thinking" and "creativity measurement" in the PsychLit database.

They found that there were three times as many articles on "reading" than on

creativity during the period from 1975 to 1994. Proquest® does not have a

keyword search facility, so a title search was used. Apart from a dip in 1987,

the number of peer-reviewed articles appearing each year with either

"creativity" or "creative" in the title rose steadily from 1985 to 1995, 1985

being the earliest year for which Proquest® displays continuous annual

records. In 1985, there were 18 such titles; in 1995, there were 85, an increase

of 372%. For comparison, there were 174 articles with the word "marketing"

in the title in 1985, and 399 in 1995: an increase of only 129% (see Fig. 4).
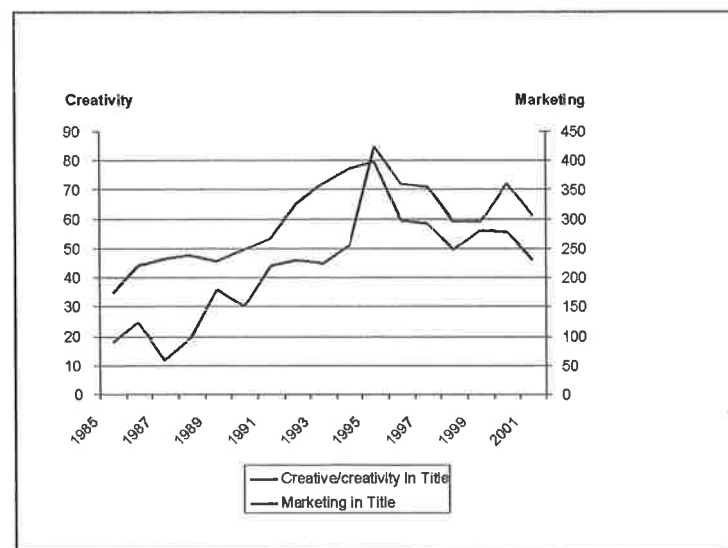
Fig. 4: Articles with "creative" or "creativity" in title, compared with those with "marketing" in title, ABI/INFORM Global database on Proquest®, 1985-2001.

It should be noted that this is not intended to be a comment on the level of interest in marketing, which covers a much wider area than creativity. Furthermore, it has to be acknowledged that the majority of research publications in the marketing field might not include the word 'marketing' in the title. 'Marketing' is used here rather in the same way that 'reading' was used by Sternberg and Lubart (op. cit.), i.e. merely as a point of reference[6].

The pattern post 1995 is different. There has been a decline in both categories, with only 61 "creative" titles, and 230 "marketing" titles appearing in 2001 (a steeper fall for marketing), but this neither supports nor contradicts Zinkhan (1993), who, writing of an earlier period, was solely concerned with advertising creativity and confined his enquiry to publications in the Journal of Advertising.

Since the decline in creative articles has been less than that of marketing articles, the ratio is moving in favour of the former (see Fig. 5). In 1985, there was one "creative" article for every ten "marketing" articles. By 2001, it was one for every four. Moreover, creative material has been showing renewed growth since Plucker and Runco (1998). There were 59 articles in 1998, and 72 in 2000: a 22% increase.

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[6] ABI/INFORM is a database of *"1000 premier worldwide business periodicals for information on advertising, marketing, economics, human resources, finance, taxation, computers, and more"* (Proquest, 2002) so does not carry many research articles on 'reading'.
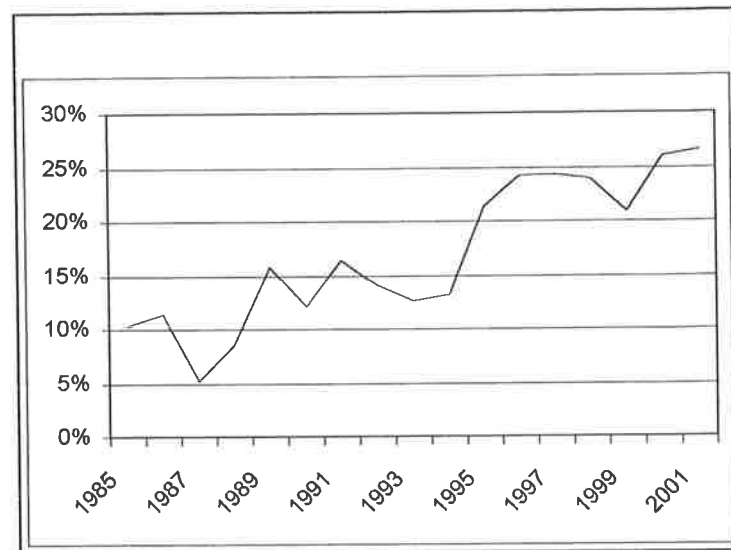
Fig. 5: Articles with "creative" or "creativity" in title as % of those with "marketing" in title, ABI/INFORM Global database on Proquest®

An examination of a subset of these articles shows that there was still considerable debate throughout the period about creativity, its definition and criteria, and that this continues, confirming Sternberg and Lubart findings (op. cit.). There is also a wide range of approaches and views. Where some writers maintain that it is not creative unless it is useful (e.g. Amabile, 1983; Mumford & Gustafson, 1988), others concentrate on creativity as an associative process (e.g. Mednick, 1962; Mendelsohn, 1976), with some contending that creativity is not a unitary concept at all. It has been argued that there are different types of creativity: responsive, expected, contributory, and proactive (Unsworth, 2001), or that it consists of a number of elements, each of which must be present for creativity to take place (e.g. Csikszentmihalyi, 1988; Rhodes, 1961).

Several researchers have produced creative typologies based on a variety of factors. According to Rhodes (op. cit.), creativity does not occur in a vacuum: it is demonstrated by (1) the *creative person*, who, by means of (2) the *creative process* produces (3) the *creative product*, in response to the macro/micro environment in which he or she is located, which he called (4) the *creative press*. Plucker and Renzulli (1999) further separate "press" into "environment" and "persuasion," but the difference is largely semantic. Knowledge of 'creativity' may be gained by studying any of these four interlinked elements. The 'creativity' of people can be evaluated by direct study of the creative *person*, or by assessing the quality and/or quantity of the creative *product*. The *process* may be inferred by observing the *person* and the *product* in combination, whilst the *press* may be studied for its effect on the other three. Sternberg (1999a) suggested that pursuit of creativity knowledge could take any of four different routes. These are (1) Psychometric Approaches, used primarily to evaluate the creative person and the creative process; (2) Experimental Methods (person, process); (3) the Case Study Method (person, process, product, and press); and (4) the Historiometric Method (person). A fifth, the Biometric Approach (person/process), which involves the measurement of glucose metabolism in the brain during creative activity, initially attracted scepticism but is now gaining ground with the development of enabling technology (Plucker and Renzulli, 1999, p. 38). See Brower (2000) for a recent example of the case study method, in which the creativity of van Gogh is examined. The historiometric method could be described as consisting of multiple case

studies, whose aim is to quantify across cases factors identified during the study of individual cases.

Approach Method	Person	Product	Process	Press
Psychometric	xx	x	x	x
Experimental	xx	x	xx	xx
Case Study	xx	x	xx	xx
Historiometric	xx	x	x	xx
Biometric	xx		xx	x

Table 3: Approaches to and Methods for Studying Creativity

Sternberg and Lubart (1999) outlined seven stages in the development of creativity research, during each of which a particular approach was predominant. The first of these was (1) the Mystical approach, whereby creativity was believed to be inspired by some external, 'spiritual' force – the 'muse' of classical poets, and was thus not really a suitable subject for scientific enquiry. Kipling (1937/1985), for example, spoke of the 'Daemon' that lives in the writer's pen: *"When your Daemon is in charge, do not think consciously. Drift, wait, and obey."* Next, and, according to Sternberg and Lubart (op. cit.) equally damaging to the scientific study of creativity, was (2) the Pragmatic approach, that of non-academic practitioners, who developed and taught techniques which they believed could improve creativity, but which had little or no research basis. A pioneer of this approach was Osborn (1953), who proposed a set of 'rules' for what came to be known as 'brainstorming', which worked by creating a climate (c.f. environment, or *press*) conducive to divergent thinking. De Bono (e.g. 1971, 1985, 1992) is currently one of the leading exponents of this approach. Although not grounded in research,

similarities between this work and studies of divergent and associative thinking are apparent. The Psychodynamic approach (3) is based on the Freudian belief that creativity results from the resolution of conflict between the conscious reality and sub-conscious drives. According to this view, creative products are a socially acceptable way of expressing otherwise unacceptable unconscious wishes. Although Freudian psychology is now rather less fashionable than it was, the emphasis on the sub-conscious is note-worthy and has relevance to theories involving "primary process cognition" (see Martindale, 1999; Anderson, 1992). The Psychometric approach (4) to studying creativity developed in response to Guilford's (1950) address to the American Psychological Association. In this address, he drew attention to the lack of creativity research, which he attributed in part to the paucity of highly creative individuals that were available for study. He proposed instead that ordinary people be studied, and their creativity measured by the use of divergent thinking tests, such as the "Unusual Uses Test," in which subjects think of as many as possible uses for an everyday object, such as a brick (Sternberg & Lubart, 1999). Subjects are scored for "fluency" (the number of uses suggested), and originality. Although tests such as these are not strictly-speaking psychometric, this is how they have come to be known in the literature. Tests were developed by Guilford and others, which enabled differentiation between subjects on a standard "creativity" scale. The psychometric approach to creativity is still very much in use today, although often primarily to provide support, in the form of quantification, for other studies. The Cognitive approach (5) is concerned with understanding the

creative process. Studies (e.g. Finke, Ward and Smith, 1992; Smith, Ward and Finke, 1995; Sternberg and Davidson, 1995) suggest that there are two phases to creative thought: the generative phase, and the exploratory phase. The Social-Personality approach (6) concerns the notion that creativity is more prevalent in certain personality types and in particular socio-cultural situations (Amabile, 1983; Barron, 1968, 1969; Eysenck, 1993; Gough, 1979; MacKinnon, 1965). Traits common to creative people include: independence of judgement, self-confidence, attraction to complexity, aesthetic orientation, and risk taking (Barron and Harrington, 1981). The Confluence approach (7) is based on the idea that creativity can only take place if several components are present. These are motivation, domain-relevant knowledge and abilities, and creativity-relevant skills (Amabile, 1983). These 'creativity-relevant skills' *"include (a) a cognitive style that involves coping with complexities and breaking one's mental set during problem solving, (b) knowledge of heuristics for generating novel ideas, such as trying a counter-intuitive approach, and (c) a work style characterized by concentrated effort, an ability to set aside problems, and high energy"* (Sternberg and Lubart, 1999). Sternberg and Lubart (1991, 1992, 1995, 1996) and Sternberg, O'Hara, and Lubart, T.I. (1997), proposed a confluence theory called an "Investment Theory of Creativity." According to this theory, creative people are those who are willing to *"buy low and sell high"* in the realm of ideas: they pursue (i.e. invest in) ideas that are of little interest to other people, or are unheard of by other people, but that they believe have "growth" potential. When first presented, these ideas meet resistance. The creative person persists in the face of this resistance and, eventually, is able to 'sell high'. According to this theory,

creativity requires the confluence of six factors: intellectual ability, knowledge, styles of thinking, personality, motivation, and environment.

The overriding concern of this chapter, given the nature of this research project, is to examine the different ways in which advertising creativity might be measured, and to identify the most appropriate methods for this study. Some of these different approaches to the study of creativity may also suggest ways in which it might be measured, so will be discussed in more detail below. First, we shall consider the problem of defining creativity.

3   What is Creativity?

There is a widely held lay belief that creativity cannot be defined or measured (Callahan, 1991; Khatena, 1982). Even renowned academic researchers in the field find it to be among the most complex of human behaviours (e.g. Runco and Sakamoto, 1999; Amabile, 1982), partly, perhaps, *"because it requires the simultaneous presence of a number of traits (e.g. intelligence, perseverance, unconventionality, the ability to think in a particular manner)"* (Martindale, 1999). Nevertheless, it would be useful to begin with an exploration of definitions of creativity, of which there are several. Some definitions incorporate the notion of creative thinking, although a definition of a concept that includes the concept itself is circular, and, therefore, rather unsatisfactory. Many involve an aspect of problem solving, where the solution to the problem requires insight (e.g. Simonton, 1999; Sternberg & Davidson, 1995). Most involve an aspect of 'newness,' or 'originality,' for example: *"Creativity is the ability to produce work that is novel (i.e. original, unexpected)"* (Sternberg and

Lubart, 1999). Originality is a required, but an insufficient condition for creativity: the work must also be of value, that is it should be: *"appropriate (i.e. useful, adaptive concerning task constraints)"* (Sternberg and Lubart, op. cit.). This combination of "novelty" and "appropriateness", or "usefulness" has met with widespread acceptance (e.g. Amabile, 1983; Mumford & Gustafson, 1988; Martindale, 1999; Lumsden, 1999; Gruber and Wallace, 1999; Unsworth, 2001).

Although creativity involves newness, this is not necessarily 'new to the world': *"creative productions always consist of novel combinations of pre-existing mental elements"* (Martindale, 1999). Combining two or more previously existing items, materials, ideas, thoughts, concepts in a new way is not only creative, it is considered by many to be the essence of creativity: it is *"the combinatorial leap which is generally described as the hallmark of creativity"* (Mendelsohn, 1976, in Martindale, op. cit., p. 139). This derives from the view, first proposed by Mednick in 1962, that creativity is an associative process. According to this theory: *"the ability or tendency which serves to bring otherwise mutually remote ideas into contiguity will facilitate a creative solution"* (Mednick, 1962). Creativity is, then: *"the process of bringing previously unrelated facts into associations so that previously unrealised relationships between them become apparent"* (Reid and Rotfeld, 1976).

Three major underpinning theories of creativity are (1) Primary Process Cognition, (2) Defocused Attention, and (3) Associative Hierarchies (Martindale, 1999, p. 138-139). The *Primary Process Cognition* theory dates from Kris (1952) and postulates that creative individuals are more able to switch

between primary and secondary cognitive modes, primary being the mode of dreaming, reverie, psychosis and hypnosis. *"It is autistic, free-associative, analogical"* (Martindale, op. cit.), and a probable explanation of Kipling's (1937/1985) 'Daemon', perhaps residing in the subconscious mind of Freudian psychology (Sternberg and Lubart, 1999). Secondary process cognition, by contrast, *"is the abstract, logical, reality-oriented thought of waking consciousness"* (Martindale, op. cit.). Creative people switch between the two, since the primary state enables the discovery of new combinations of mental elements, while the secondary state is necessary for elaboration of creative concepts identified in the associative primary state. The *Defocused Attention* theory (Mendelsohn, 1976) concerns the number of elements that an individual is able to keep in mind at one time. The greater this number, the more likely it is that the person can make meaningful and useful combinations, and thus formulate creative ideas. There is evidence to support the hypothesis that uncreative people have more narrow-focused attention than do creative people (Dewing and Battye, 1971; Dykes and McGhie, 1976). The third theory, i.e. that of *Associative Hierarchies,* concerns the 'shape' of a person's 'associative hierarchy'. If a person can only give a narrow range of answers in response to divergent thinking tests, he or she is said to have a steep associative hierarchy. Conversely, a wide range of answers indicates a flat associative hierarchy. According to Mednick (1962), creative individuals have flat associative hierarchies, so are more able to make original associations, and thus have more ideas that are more creative. According to Martindale (op. cit.), these three theories are, in fact, virtually the

same (albeit using quite different vocabulary), and all support the notion that associative ability is at the core of creative ability.

Reid and Rotfeld (op. cit.) were interested in establishing the role of the associative process within advertising creativity. This had previously been assumed, primarily by advertising practitioners, based largely on their own experience, and from studies in the psychology literature on creativity. Leo Burnett, for example, defined advertising creativity as *"the art of establishing new and meaningful relationships between previously unrelated things in a manner that is relevant, believable, and in good taste, but which somehow presents the product in a fresh new light"* (Burnett, 1968). This assumption had not, however, been tested or measured. Reid and Rotfeld (op. cit.) were particularly concerned with establishing the relationship between associative ability, attitude, and creative ability, and developed a conceptual model to show how this might work in the advertising context (see Fig. 6). In accordance with Mednick (1962), and Mendelsohn (1976), they pointed out that advertising creativity was dependent on the availability of a large number of facts with which, and from which, to draw associations.

In Fig. 6, the copywriter (4) receives facts, in the form of market, product and consumer data (2) and a definition of the problem, from the 'decision-makers' (1). The copywriter must then produce creative solutions, and will draw on his or her associative ability (3), the various research data (2), and the client brief (problem definition) (1), to do this. The copywriter relies on associative ability (3) to develop combinations and meaningful

relationships between these given elements in order to create solutions of the specified problem. Creative solutions may be differentiated by means of functional, physical or emotional appeals (5), in order to define the strategic concept (6) and tactical execution (7). The attitude (8) of the copywriter affects the amount of time and energy applied to the creative task. This attitude is affected by factors such as the degree to which he or she derives satisfaction from the act of creation, through the formation of problem-solving associations (Laughlin, 1967; Laughlin, Doherty, and Dunn, 1968).
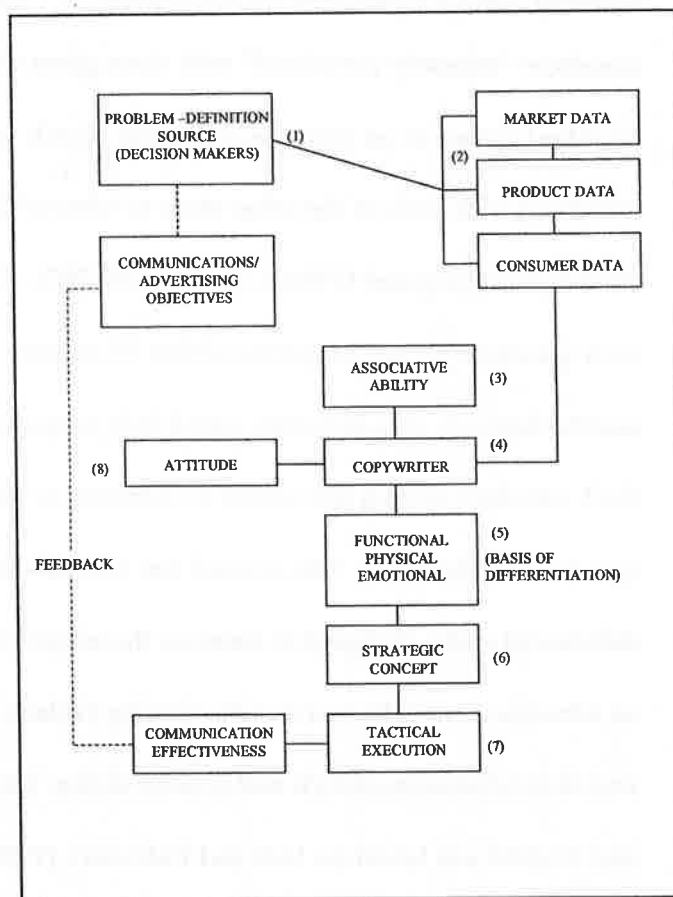
Fig. 6: A Conceptual Model of Advertising Creativity (Reid & Rotfeld, 1976).

Using this model, Reid and Rotfeld (op. cit.) formulated three hypotheses. These were that: (1) *"The higher the subject's associative ability, the higher will be his creative ability";* (2) *"The higher the subject's associative ability, the more favorable* (sic) *will be his attitude toward the act of creating a commercial or advertisement";* and (3) *"The higher the subject's creative ability, the more favorable* (sic) *will be his attitude toward the act of creating a commercial or advertisement".* Three different measurement instruments were used for data collection. The first of these was Mednick's (1962) Remote Associates Test (RAT), a self-completion divergent-thinking creativity test, in which subjects are required to suggest a fourth word that is somehow "remotely associated" with three given words. With the set: rat/blue/cottage as an example, a possible fourth word that is remotely associated with each of the other three is "cheese" (Mednick, op. cit., p. 227, cited in Sternberg and O'Hara, 1999, p. 262-263). The RAT consists of 30 such questions, to be completed within 40 minutes (Mednick, op. cit.). Reid and Rotfeld (op. cit.), however, asked their subjects to complete both the RAT and their second test within 45 minutes, nevertheless using the full 30 questions of the RAT. This second test consisted of ten 7-point semantic differential scales, designed to measure the subject's attitude towards creating an advertisement. The test was inspired by Golann (1963), who found a correlation between attitude and creative ability. The instrument used by Reid and Rotfeld was based on Icek and Fishbein's (1969, 1970, 1972) attitudinal model. It assumes *"that a person's attitude toward the act of creating a commercial is a function of the act's perceived consequences and its value to the person."* (Reid and Rotfeld, op. cit.). The third and final measure was the "Expert Opinion

Creative Ability Profile Scale." This consisted of ten 7-interval rating scales, designed, by Reid and Rotfeld, op. cit.), to measure the subjects' creative ability. The subjects, all students on an Advertising Creative Strategy and Tactics course, were then rated by expert judges (their instructors), using the ten scales. The ratings were *"whenever possible cross-validated among instructors"* (Reid and Rotfeld, op. cit.). After analysis, the results were found to support all three hypotheses, and the centrality of associative ability to advertising creativity.

4   **Advertising Creativity**

The term 'advertising creativity' is primarily used for the process of producing and developing advertising ideas, although it can also be used for treatments and executions: even the choice and use of media can be creative. Creativity is at once the least scientific aspect of advertising, and the most important (Reid, King & DeLorme, 1998). As with other forms of creativity, advertising creativity embraces both 'originality' and 'innovation' (Fletcher, 1995). To be successful, advertising creativity must have impact, quality, style and relevance (Fletcher, op. cit). Ideas must be new, unique and relevant to the product and target audience in order to be useful as solutions to marketing communications problems. The resultant advertising must be able to pass tests such as the "Universal Advertising Standards" established by D'Arcy, Masius Benton and Bowles (Belch and Belch, 1998) referred to earlier.

There are differences of opinion about the role and importance of creativity in advertising and marketing. Managers tend to value 'effectiveness,' usually measured by changes in awareness levels or in market sales, whereas creative people generally have a low regard for these kinds of measures (Kover, Goldberg and James, 1995). Hirschman (1989) showed that opinions tend to vary with the role of the participant. Product managers and account executives view advertising as a means to achieve a specific objective, such as to create awareness, desire, interest and/or action. This objective follows from the client brief, itself a result of the marketing plan, and is guided by research (Bell, 1992). Creative teams or individuals, on the other hand, tended to see the advertisement as an opportunity to demonstrate their own skills and aesthetic values and, thereby, to promote their careers (Hirschman, op. cit.). It is perhaps the friction between these conflicting interests: the desire of the creative teams to excel creatively, and the desire of the account executives for strategic relevance, that results in great advertising. It has been found that creativity is necessary for effectiveness and that it is this that *"pushes the message into viewers' minds"* (Kover, Goldberg and James, op. cit.).

Reid, King & DeLorme (1998) define advertising creativity as: *"original and imaginative thought designed to produce goal-directed and problem-solving advertisements and commercials."* This definition, based on Dillion (1975), Moriarty (1991), Politz (1975), and Reid & Rotfeld (1976), incorporates four key elements: originality, imagination, goal-direction, and problem solving. The authors maintain that advertising creativity is a special form of creativity,

and differs from others in that *"originality and imagination must operate within a goal-directed and problem-solving context"* (Reid, King & DeLorme, op. cit.). Yet, the concepts of 'relevance' and 'appropriateness' of mainstream creativity research imply goal attainment and problem solving, and are key features of definitions cited earlier (e.g. Sternberg and Lubart, 1999; Martindale, 1999; Amabile, 1983; Mumford & Gustafson, 1988; Unsworth, 2001). Architects and designers of all kinds 'create' by applying their originality and imagination to solve problems and achieve goals that are set, usually, by others. An artist may paint for the purpose of self-expression, but she or he may also do it for critical recognition, fame and fortune. Hirschmann (1989) showed that advertising creatives are motivated by similar considerations, even though their ostensible primary motive is to achieve the advertising objectives of their clients. White (1972, in Zinkhan, 1993) maintained that: *"the process of creativity in advertising (or marketing) is more or less identical with the process of creativity in the arts and sciences."*

5 Measuring Advertising Creativity

If advertising creativity is merely a special case of creativity, the theories, methodologies and measures used in creativity research should apply equally to this special case. Psychometric scales could be adopted or adapted. Case study methodology could be used. Advertising has a relatively young history, but it is probably sufficient to allow for historiometric study. Zinkhan (1993), however, felt that creativity *"defies measurement:"* aside from the lack of a consensus about the true workings of the creative process, his logic was that,

since tests have predetermined correct answers, and since originality is a requirement of creativity, any respondent giving those 'correct' answers in a creativity test could not, by definition, be creative. Nevertheless, researchers have persevered, as it is not easy to study a topic without some means of quantifying it.

5.1   The Psychometric Approach

The first creativity tests to be used were those that followed Guilford (1950), and belong to the psychometric school. These included Guilford's "Unusual Uses Test" (Guilford, Merrifield and Wilson, 1958); his "Structure of the Intellect" Test (SOI) (1967); Mednick's "Remote Associates Test" (1962); Torrance's "Tests of Creative Thinking" (TTCT) (Torrance, 1974), based on Guilford's SOI; and Meeker's "Structure of the Intellect – Learning Abilities Test" (SOI-LA) (Meeker and Meeker, 1982), also based on Guilford's SOI. The TTCT is still the most commonly used. It can be scored for 'fluency', (the total number of relevant responses), 'flexibility' (the number of different categories of relevant responses), 'originality' (the rarity of the responses) and 'elaboration' (the amount of detail in the responses) (Sternberg & Lubart, 1999). TTCT tests are available in both verbal ("Thinking Creatively with Words") and figural ("Thinking Creatively with Pictures") versions (Hickey, 2001). There are six verbal activities (Asking, Guessing Causes, Guessing Consequences, Product Improvement, Unusual Uses, Unusual Questions, and Just Suppose) and three figural activities (Picture Construction, Pictures Completion, and Lines/Circles) (Cropley, 2000).

Psychometric measures such as these have been applied to all four main areas (person, product, process, press) of creativity research (Plucker and Renzulli, 1999).

Critics of the psychometric measurement of creativity cite the lack of predictive validity of divergent thinking tests. Standard IQ tests are frequently criticised as being inaccurate predictors of achievement in later life, yet they correlate about 0.70 with school grades: by contrast, divergent thinking tests typically correlate around 0.50 (Cropley, 2000). Critics also question whether they measure creative thinking, or even the ability to become creative (e.g. Weisberg, 1993), and the vulnerability of the tests to administration, scoring and training effects. These include the test conditions, for example: whether or not the test is timed, whether it is presented more as a game than as a test, and whether or not subjects are told to be 'creative'. It has been shown that factors such as these influence originality and fluency scores (Chand and Runco, 1992; Runco and Okuda, 1991). The paper and pencil tests have been described as trivial, inadequate measures of creativity (see essays in Sternberg, 1986). Reid and Rotfeld (1976) used Mednick's Remote Associates Test, described earlier. One drawback of this test is that it is culture-, or subculture-specific, with a clear American bias, as can be seen from the four sample questions from Mednick (1962, p. 227, cited in Sternberg and O'Hara, 1999, p. 262-263), reproduced below:

    1. rat/blue/cottage. Solution: cheese
    2. railroad/girl/class. Solution: working

3. surprise/line/birthday. Solution: party

4. out/dog/cat. Solution: house

Another problem is that the test is verbal, making no allowance for non-verbal creativity, whereas much of advertising creative is non-verbal, or has significant non-verbal components. Another weakness is that it does not allow for the testing of illiterate subjects, although this is less likely to be a problem with regards to measuring advertising creativity.

5.2   The Biometric Approach

As discussed earlier, the Biometric Approach, which involves the measurement of glucose metabolism in the brain during creative activity, is gaining acceptance (Plucker and Renzulli, 1999, p. 38), largely because of developments in technology (see, for example, Haier and Benbow, 1995; Haier, Siegel, Tang, Abel and Buchsbaum, 1992). The tests allow the study of brain function during particular types of mental activity, which could include the performance of creative tasks. The approach is, however, subject to the same limitations as the psychometric approach, namely the definition or identification of appropriate creative tasks to use in the tests. In addition, it clearly may be employed only in laboratory conditions, which has implications for time and cost, and therefore would only be feasible on a relatively small scale or over an extended time period.

5.3   Expert Opinions

Given that advertising creativity includes attributes such as originality, innovation, impact, quality, style and relevance (Fletcher, 1995) it should in theory at least be possible to develop scales for each of these attributes. Individual advertisements or campaigns could then be evaluated along these six dimensions. Assuming such scales could be developed, however, who should do the evaluation? As mentioned earlier, Reid and Rotfeld (1976, p. 28) used an "Expert Opinion Creative Ability Profile Scale" of their own devising. This comprised ten 7-interval rating scales, designed to measure creative ability. Their subjects were then rated on these ten scales by expert judges, in this case instructors of Advertising Creative Strategy and Tactics, a course being studied by all the subjects. Unfortunately, the authors gave no further explanation about these measures and how they worked.

5.4   Consensual Assessment Technique

In the light of the criticisms of psychometric and other measures that depend on the use of tests, there is a view that the only reliable way to identify creativity is by evaluating the creative product. Bailin (1984), for example, says: *"... the only accurate indicator of alleged creative activity is the production of a valuable product."*

Amabile (1982) circumvented the problems of both the definition and the measurement of creativity with what she calls the Consensual Assessment Technique (CAT), by which experts assess the 'creativity' of creative products

using their own individual criteria and their own definitions of creativity. A

typical CAT item for rating the creativity of a painting reads: *"On a scale of 1 to*

5, and using your own subjective definition of creativity, rate the degree to which the painting

is creative" (Hickey, 2001). It is simply not possible, according to Amabile

(1982), to articulate clear, objective criteria for a creative product, whereas, *"If*

appropriate judges independently agree that a given product is creative, then it can and must

be accepted as such" (Amabile, 1982, p. 1002, in Hickey, 2001). By extension, the

person who created the product is also creative.

5.5   Popularity of Creative Product

Bell (1992) adopted a similar approach, taking the view that the

popularity of the creative product, in this case television commercials, is itself

a proxy for creativity. According to this approach, instead of attempting to

measure creativity, the reaction of the target audience to advertising may be

measured. The advantage of this is that there is no need to identify experts –

any member of the target audience is an *"appropriate judge"* (Amabile, op. cit.).

Stone (2000) was interested in the relationship between three key aspects of

advertising: recall, likeability, and creativity. In a telephone survey,

respondents were asked to name their most liked and their most disliked

television advertisements. In a separate exercise, these commercials were then

rated for creativity, by an expert panel. Seventy percent of liked commercials

were deemed creative, compared with only forty-six percent of those disliked,

which supports the view recorded by Bell (op. cit.) that popularity of

television commercials can be used as a proxy for creativity. TV commercial

popularity is measured in the USA by professional research agencies, such as Video Storyboard Test Inc (Bell, op. cit.), and published in papers such as the Wall Street Journal, so is readily available.

5.6   Panels of Top Creative People

In their 1983 study of the optimum number of creative alternatives to generate, Vanden Bergh, Reid and Schorin recruited a panel of top creative people to judge creativity. The panel consisted of a creative director, an art director, a copy supervisor, and a senior writer. Kover et al (1995) used a similar approach in their study of the relationship between creativity and effectiveness. They examined advertising that had been judged creative by the conventional standards of the industry: creative advertising was advertising that had won creative awards. In the USA, the One Show creative award is one of the most coveted in the industry. Kover et al (op. cit.) selected this award as evidence of creativity: thus advertising that had received this award was deemed "creative." This is consistent with Csikszentmihalyi, who argued that creativity is *"the ability to add something new to the culture"* (1999, p. 314) such that it is *"sanctioned by some group entitled to make decisions as to what should or should not be included in the domain"* (1999, p. 315). For someone to be creative their work must be recognised as such by those competent in the field, e.g. fellow practitioners, who have reached higher levels of their profession (Csikszentmihalyi, 1999). Creative award panels consist of advertising executives who have reached national or international prominence in their field, thus meeting this requirement. Advertising award panels operate in

different ways. The process adopted by London International Advertising Awards is reproduced here for illustration:

"Each judge receives, by courier, no more than two hours of material on videotape, slide, audiotape, printed proofs or actual packaging. Each judge has several weeks, not several minutes, to reach a decision. And change that decision, several times, so we've been told. Our judges are the top ranked, most highly awarded professionals in their disciplines. As you would expect, they bring a truly international perspective to their task.

All entries are judged for their creativity, originality and production values. Interactive entries are judged from the Internet for their creativity, concept, execution, functionality, interactivity and overall impact. Score sheets are faxed back to our office for tabulation. Even the judges don't know who the winners are. Only the Jury Chairmen and our staff do." (London International Advertising Awards, 1998).

5.7   A Summary of Measures

Whilst it is impossible to summarise all of the creativity research, Table 4, overleaf, shows the primary studies of creativity, by author and measure used. The measures fall largely into the two broad categories of psychometric measurement, and expert opinion, with a few studies using a combination of approaches. It is clear that psychometric methods are still widely used to measure overall creativity but that the more applied/practitioner-oriented research, particularly where advertising is concerned, tends towards the use of expert opinion in some form or other. These experts may be senior advertising creatives, advertising academics, their students, or members of the advertiser's target audience. That is, the norms of advertising practitioner

creativity measurement are significantly different to those used by other social scientists examining creativity in general.

	AUTHOR	MEASURE
PRIMARILY PSYCHO-METRIC	Guilford (1950	Unusual Uses Test
	Mednick (1962)	Remote Associates Test
	Torrance (1962, 1974, 1981)	Torrance's Tests of Creative Thinking (TTCT)
	Getzels & Jackson (1962)	Five creativity measures: word association, unusual uses, hidden shapes, make-up problems
	Wallach & Kogan (1965)	A series of 5 un-timed divergent thinking tests
	Guilford (1967)	Structure of the Intellect (SOI)
	Meeker (1969), Meeker and Meeker (1982), Meeker, Meeker & Roid (1985)	Structure of the Intellect – Learning Abilities Test (SOI-LA)
	Plucker (1999)	Torrance's Tests of Creative Thinking (TTCT)
	Naglieri & Das (1997)	Cognitive Assessment System (CAS)
	Naglieri (1999)	Planning, Attention, Simultaneous, and Successive cognitive tests (PASS); Stroop test.
COMBI-NATION	Reid & Rotfeld (1976)	Mednick's Remote Associates Test
		Attitude Scales
		Expert Opinion Creative Ability Profile Scale
	Mumford, Marks, Connelly, Zaccaro & Johnson (1998)	"Guessing Consequences" sub-test of TTCT, scored by panel of expert judges using 5-point scale
PRIMARILY EXPERT OPINION	Amabile (1982)	Consensual Assessment Technique: creative products assessed by expert judges, using own definitions of creativity
	Vanden Bergh, Reid, and Schorin (1983)	Creativity of advertising assessed by panel of top advertising creative people
	Gough (1992)	Creative Personality Scale
	Kover, Goldberg, and James (1995)	One Show advertising creativity awards
	Bell (1992)	TV commercial popularity, measured by Video Storyboard Test Inc
	Stone (2000)	Creativity of advertising assessed by expert panel of senior advertising students

Table 4: A partial summary of measures used in principal creativity and advertising creativity studies

6 Encouraging and Enhancing Creativity

The importance of creativity is acknowledged by the scale and scope of the research activity that has been conducted both to understand it, and to examine its application in diverse fields. These include, for example, art (e.g.

Brower, 2000; Kris, 1952), music (e.g. Hickey, 2001), science (e.g.

Innamorato, 1998), education (e.g. Naglieri, 2001; Freeman, 1983),

management (e.g. Sethi, Smith, & Park, 2001; King & Anderson, 1990; De

Bono, 1971), and advertising (e.g.; Kendrick, Slayden, & Broyles, 1996;

Kover, Goldberg, & James, 1995; Moriarty, 1991; Hirschman, 1989; Moriarty

& Vanden Bergh, 1984; Gross, 1967, 1972). At the same time, it is

acknowledged that people employed in a creative capacity perform better

under certain conditions, and many writers (e.g. Nickerson, 1999; Amabile,

1998; Cummings & Oldham, 1997; Anderson, 1992) have consequently

devoted effort to establish how creativity may be encouraged and enhanced.

Amabile (1998) listed six categories of managerial practice that affect

creativity. These are: challenge, freedom, resources, organisational support,

supervisory encouragement, and work-group features. Among the 'resources'

that could be made available, the most important are time and money. Other

resources often cited as essential for creativity include the amount and quality

of workspace, though Amabile (op. cit.) felt this was overstated. The

generation of advertising concepts that fulfil the requirements of the client

brief and the account management team is a complex process, involving the

consideration of a large number of factors and decisions. Davies (2000)

suggested that anything that can be done to reduce the complexity is worthy

of consideration, and recommends the use of decision-support software. An

analytical hierarchy process (AHP), for example, could be used as a group

decision support system to enhance the advertising creative brief. According

to Davies, an AHP can facilitate the creative process and encourage the

generation of ideas, mainly by organising, clarifying, and simplifying the decisions that need to be taken. Creatives may thus be freed to concentrate their efforts on the creative task at hand.

Research has shown that the workplace, relationships with supervisors and colleagues, and the nature of assigned tasks all have a significant impact on creativity (e.g. Scott and Bruce, 1994). One inhibitor of creativity is fear (Nickerson, 1999); research has shown, for example, that fear is the main reason why children may be reluctant to express their ideas to others (Freeman, 1983). Such expression involves risk. This includes the risk of failure, which is feared because it may result in ridicule, and in the exposure of one's limitations. There is no reason to believe that this is any different for adults, and people who are more susceptible to pressure to conform have been found to be less creative (Crutchfield, 1962). Managers can encourage employees to take creative risks by providing their staff a conducive work environment, *"surrounding them by a context that nurtures their creative potential"* (Cummings and Oldham, 1997). This includes a social environment at work that will encourage positive interactions (Brower, 2000). The work environment can easily be changed to cater to the needs of creative people, and this, by having a positive effect on intrinsic motivation, can thus have an immediate effect on performance (Amabile, 1983, 1988). Supervisors should be supportive and non-controlling (Cummings and Oldham, op. cit.), and show creative staff *"sympathetic understanding"* whilst at the same time giving specific, agreed guidelines and clear boundaries that staff understand and

appreciate (Fletcher, 1990). These guidelines and boundaries are important, as, without them, the intellectual independence that is essential for creativity can become a complete disregard for authority: a *"willingness to be unconventional"* can become a *"compulsion to be nonconformist for the sake of nonconformity"* and a *"willingness to take reasonable risks"* can become *"an irrational disregard for possible consequences of actions"* (Nickerson, 1999). Within these boundaries, however, staff should be given the maximum possible flexibility and freedom to create, *"for this delicate little plant, aside from stimulation, stands mainly in need of freedom"* (Einstein, 1946, p. 7).

The notion of working in teams to encourage and enhance creativity, both by mutual stimulation and by the provision of feedback, is well documented (e.g. King and Andersen, 1990; Brower, 2000; Sethi, Smith and Park, 2001). Amabile (1998) stressed the importance of the design of these teams, so that they are mutually supportive, and have a diversity of perspectives and backgrounds. This 'diversity' brings added scope for additional combinations, or *associations.* Leo Burnett was the first to realise the importance of teams in the context of advertising, when he established the concept of creative teams in his agency, matching and pairing copywriters with art directors (Rothenberg, 1998).

Anderson (1992) believed that uncreative people are constrained by their belief in a series of myths about creativity, including that it is *"too big to handle"*, or that it is only for geniuses. In a similar vein, Sternberg (2000), rather surprisingly, and in apparent contradiction of many creativity

researchers, posited that people are creative not because of any virtue, innate

ability, or circumstance, but because they choose to be. According to

Sternberg's theory (op. cit.), creativity is the result of an attitude, or set of

attitudes, which people can simply decide to adopt if they do not already share

them. He suggested ten "decisions" that people could take in order to

become creative. For ease of reference, these are summarised in Table 5,

below:

	TO BECOME CREATIVE, PEOPLE SHOULD DECIDE:
1	to redefine problems: to attempt to see them in a different way to other people.
2	to learn to analyse and criticise their own ideas, since nobody has only good ideas.
3	to sell their ideas: it is naïve to assume that good creative ideas sell themselves.
4	to recognise that knowledge is a double-edged sword: it is not possible to be creative with insufficient knowledge, but too much knowledge can hinder creativity.
5	to have the courage to overcome obstacles, to face opposition, since truly creative ideas are always likely to be opposed.
6	to take risks, and not be tempted to offer standard, safe solutions (c.f. the investment theory of creativity, Sternberg and Lubart, 1991, 1992, 1995, 1996).
7	to be willing to grow, and not rest on their one good creative idea.
8	to believe in themselves, because there will often be times when nobody else believes in them.
9	to learn to tolerate ambiguity, because new ideas are not always initially successful.
10	Finally, since research has shown that people are at their most creative when they are doing something they love, people should find out what they love to do, and do it.

Table 5: "Ten decisions characteristic of people who decide for creativity" from Sternberg, R.J. (2000), "Identifying and developing creative giftedness,"

Before concluding that Sternberg has decided to join the pragmatic

school of Creatology, it should be pointed out that his paper was largely

pragmatic, and concerned with the identification and development of creative

giftedness in children. Nevertheless, it is extraordinary that one of the leading

academic researchers on creativity should assert that anyone might become

creative by deciding to be, and adopting these ten rules. It has a particularly

important message for the current research, as it draws attention to the risky

and often controversial nature of creativity work. Four of the ten "decisions" deal with controversy and by implication with risk, while a fifth directly enjoins risk-taking. Taken as a whole, the paper highlights the fact that creativity is inhibited by fear of risk taking, self-doubt, opposition and criticism, all of which can be aggravated by an inappropriate working environment (c.f. Amabile, 1998; Csikszentmihalyi, 1999) and easily rectified by a change in the same.

7   Summary and Conclusions

The balance of evidence supports the view that there is still considerable interest in creativity. 'Creatology' is a relatively new science, which continues to grow and develop in several directions at once. Amongst many social scientists and virtually all advertising researchers, there is a consensus that creativity involves the conceptualisation, and ultimately the production, of a new object, or product, from new or existing components in a way that has not been done before, such that it is valued by someone who is regarded as competent to make this judgement. This competent, or appropriate, judge may be an expert or an academic instructor in the particular creative field, a more senior practitioner, a more senior student, or a typical consumer of the creative product. The process of creativity in advertising is, in most respects, identical to the process of creativity in the arts. In the case of advertising, the components from which the creative product is assembled could include data about the market, the likes and dislikes of target consumers, and competitors; knowledge of the general and

social environment and culture; and the creative's own store of knowledge of artistic and production possibilities, techniques and points of reference. It could also include knowledge of the effects of ideas and executions used in previous campaigns. The creative product of advertising creatives is the idea behind a particular piece of advertising, and ultimately its manifestation in the chosen medium. Creativity in advertising differs from creativity in the arts mainly in its purpose. In advertising, creativity must achieve objectives set by others: this is not usually the case in the arts. Success in the arts is achieved when the creative products are deemed 'pleasing' in some way. In advertising, it is generally not sufficient to 'please', nor, indeed, is it always necessary. To be successful advertising must first be *noticed* and then have a *specified* effect on the viewer. If it is not noticed, or if this effect is not achieved, the creative endeavour is considered to have failed. This goal-directed and problem-solving requirement is not unique to advertising creativity: it is also a feature in other creative industries, such as architecture, and most forms of design, where the objectives of the creative activity are determined by the clients of the creative process, not the participants.

There are several different ways of measuring creativity. The first were pencil and paper tests, similar to intelligence tests. Some of these tests have now been used for a considerable number of years, and thus have the advantage of familiarity and widespread acceptability, providing common measures that can be used across studies. They also have limitations. These include the fact that some of the measures have relevance only to the

dominant culture in the country where they were developed (primarily the USA). More importantly, there is some doubt as to whether they do measure what they set out to measure. They have limited predictive validity for future creative achievement, and considerably less than do intelligence tests. They are quite lengthy to administer, and are not suitable for unsupervised self-completion (such as in postal questionnaires) as, like intelligence tests, they must be completed within a specified time and without assistance. Since the environment has been shown to have a critical effect on creativity, it is essential that tests are conducted in identical conditions wherever and whenever they are run. Indeed, to be truly standardised, all test conditions must be perfectly replicated each time the test is used. This is not easily achieved.

The principal alternative to testing is the use of expert opinions, in the form of independent, but competent, judges. If the opinion of appropriate judges can determine whether a product is creative, the same method can be used to measure relative creativity by comparing the creative output of different subjects. The balance of usage in advertising creativity research favours reliance on expert opinion, and studies of advertising creativity have employed as appropriate experts senior advertising creatives, advertising academics, their students, or members of the advertiser's target audience. A method of particular significance and relevance is annual creative awards ceremonies. An advertisement or advertising campaign that has won an award for creativity from a recognised body is thereby deemed creative.

Chapter 4: RESEARCH OBJECTIVES AND HYPOTHESES

Introduction

Hypotheses

> *Personal Risk Propensity*
> *Individual Advertising Risk Attitude*
> *Size of Client*
> *Agency Risk Environment*
> *Length of Association*
> *Risk and Advertising Creativity*

> *Summary*

Chapter 4: RESEARCH OBJECTIVES AND HYPOTHESES

1 Introduction

The aim of this study is to examine the nature of the relationship between risk attitude and advertising creativity. This chapter sets out and explains the research objectives, which are then developed into a series of hypotheses about this relationship. Finally, a summary diagram is provided to illustrate the entire research framework.

Many earlier studies involving decision-making under risk were based on expected utility theory, but were less concerned with the attitude of people towards risk. Prospect theory added considerably to the understanding of these attitudes. Kahneman and Tversky (1979) demonstrated that individuals are risk averse when faced with the prospect of gains. By contrast, they prefer to seek risk when faced with the prospect of a loss, rather than accept a certain loss, even if the certain loss is somewhat less. Fiegenbaum and Thomas (1988) introduced the concept of the reference point, arguing that people are risk averse when they are above this reference point, and risk seeking when below it. Lee (1991) demonstrated the validity of this finding in his study of the US beer industry. His hypothesis was that performance below the reference point would give rise to a risk-seeking attitude, and that this in turn would lead to increased spending on advertising.

Lee (1991) was concerned with the relationship between a firm's performance, its risk attitude, and its advertising budgeting. He hypothesised that, in line with prospect theory findings, poor performance would lead to heightened risk taking, which would manifest itself in the form of increased advertising budgets. Lee's research framework is shown below, in Figure 7:

A conceptual framework of firms' performance-risk attitude-advertising behaviour.
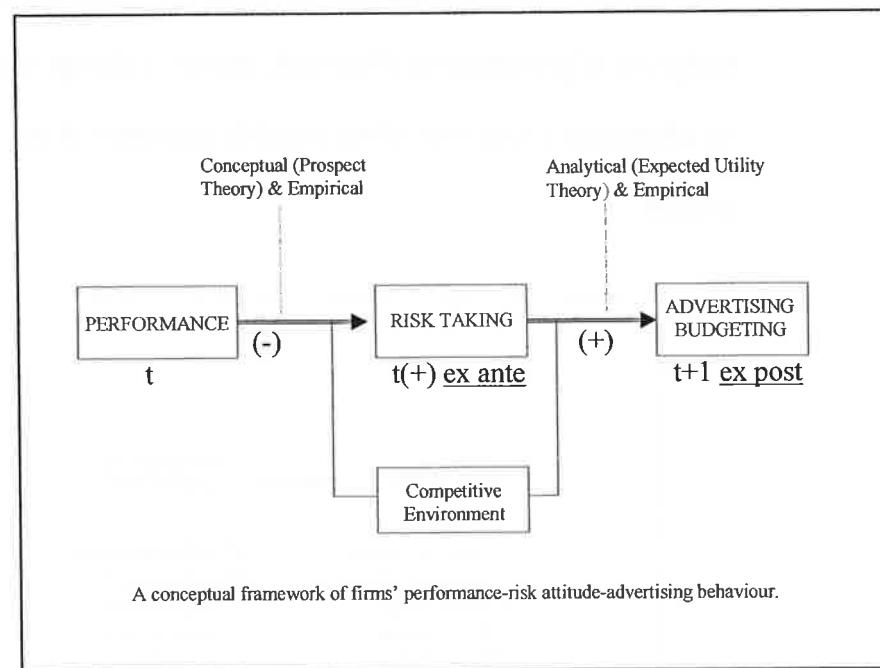
Fig. 7: Lee's (1991) Research Framework.

The first link in this model is suggested by prospect theory (PT), and its proof supported that theory. The second link, between risk attitude and advertising budgeting, grounded in expected utility (EU) theory, was a new contribution to the theory and the literature on advertising. The present study (see Fig. 8), although grounded in PT, is not concerned with establishing the cause of risk taking attitudes. Rather, it accepts as proven the PT finding that below target

performance leads to risk taking. The main interest in this study is the effect that risk attitude, whether positive or negative, has on advertising creativity. We are concerned only with the effect of risk propensity, not its cause. PT is nevertheless involved, as performance relative to reference point (a key feature of PT) is a determinant, and hence an indicator, of risk attitude. This study examined advertising creativity where Lee examined advertising budgeting. If performance affects risk attitude, a change in the amount spent on advertising is only one of the possible outcomes of this change in risk attitude.
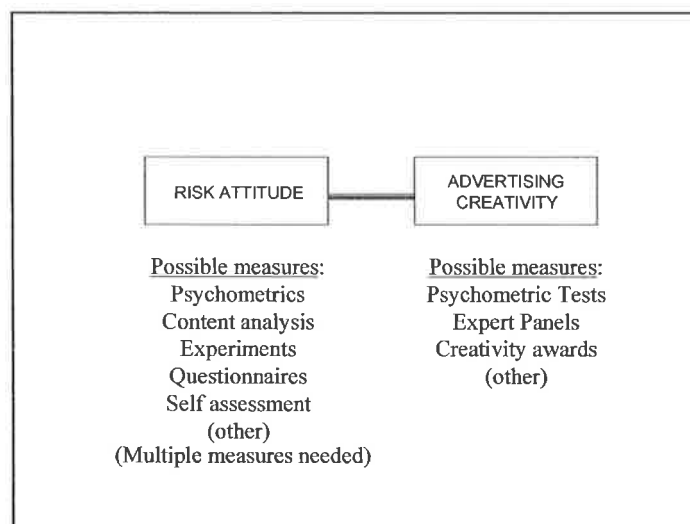
Fig. 8: Measuring the Relationship between Risk Attitude and Advertising Creativity.

It is "conventional wisdom" that risk attitude and creativity are closely and positively correlated, but this is the first study specifically to examine the relationship between risk and creativity in advertising, using widely accepted and validated measures of creative performance. The main challenge is to identify instances of creativity and to ascertain the risk attitude of the persons

or organisations involved. As such, it has been necessary to select and develop measures of risk attitude, and of creativity.

Fig. 9 below illustrates a number of factors that could be posited to contribute to an individual's advertising risk attitude. The present study will measure these individual factors and examine the relationship, if any, with advertising creativity, in an exploratory manner.
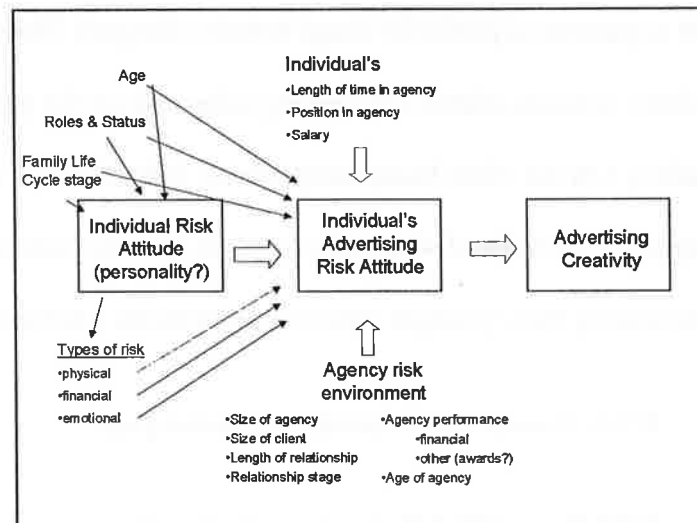
Fig. 9: The Relationship between Advertising Risk Attitude and Advertising Creativity, and Possible Contributory Factors.

2 Hypotheses

2.1 Personal Risk Propensity

It seems likely that there is a 'personality' dimension to risk, and, therefore, to advertising risk, with certain personality types more, or less, risk-seeking or risk-averse. A new measure, Personal Risk Propensity, is proposed (see Chapter 5 for a detailed explanation), which summarises an individual

respondent's attitudes and propensity towards risk in general. This propensity

is likely to be affected by factors such as age (Hambrick and Mason, 1984;

MacCrimmon and Wehrung, 1990); sex (Arch, 1993); income and family life-

cycle stage (Wells and Gubar, 1966), and the roles and status of the person

concerned. A young creative may have less to lose in terms of status and

security, and these may be less significant to him or to her than to an older,

more senior colleague who may have a dependent partner and children, and a

need to preserve a particular image before colleagues. This would suggest a

tendency towards relative risk-seeking behaviour on the part of younger

creatives. On the other hand, inexperience, deference, the desire to gain

acceptance, and lack of seniority may result in more cautious, risk-averse

behaviour by these younger creatives. Hypothesis 1 is therefore that:

> *H1A: Personal Risk Propensity is a function of age*

> *H1B: Personal Risk Propensity is a function of sex*

> *H1C: Personal Risk Propensity is a function of income*

> *H1D: Personal Risk Propensity is a function of family life cycle stage.*

It is also recognised that there are different types of risk (Roselius,

1971; Jacoby and Kaplan, 1972). These are shown in Fig. 9 as physical risk,

financial risk, and emotional risk. Whilst it may be the case that people have a

general propensity with regard to risk, it is also feasible that attitudes may vary

for the different types of risk for the same individual.

2.2   Individual Advertising Risk Attitude:

The second principal hypothesis is that personal risk propensity has a direct impact on advertising risk attitude, as depicted in Fig. 9. Hypothesis 2(A) is therefore that:

H2A: Individual Advertising Risk Attitude is a function of Personal Risk Propensity.

Apart from Personal Risk Propensity and its components, it is likely that an individual creative's advertising risk attitude is affected by the general risk environment of the agency, and the individual's position within the agency. Amabile (1983) found that work environments that affect creativity can easily be changed, and thereby have an immediate positive impact on creativity. In addition, Prospect Theory (e.g. Kahneman & Tversky, 1979; Fiegenbaum & Thomas, 1988) has demonstrated the importance of the reference point to attitudes towards risk taking. Agencies that are operating below their reference points will have different, more positive, risk environments to those that are operating at or above their reference points. Hypothesis 2(B) is therefore that:

H2B: Individual Advertising Risk Attitude is a function of the risk environment of the agency.

The greater the 'power' of the creative in his or her relationship with the employing agency, the less likely he or she is to feel constrained by any procedures of the agency that may derive, inter alia, from its risk environment

(Kover & Goldberg, 1995). Position within the agency, length of service, and salary are seen as proxies for 'power'. Hypothesis 2(C) is that:

H2C: Individual Advertising Risk Attitude is a function of the individual's relationship with the employing agency.

2.3   Size of Client:

Hypothesis 3(A) is grounded in prospect theory, and in the earlier discussion of risk (see Chapter 2; Mitchell, 1995; Yates & Stone, 1992), where risk is defined as the likelihood of a loss occurring, multiplied by the significance of that loss. If 'likelihood' is constant, losses of greater significance are therefore bigger risks. Smaller clients are generally less 'significant' than are larger clients, in terms of earnings potential and reputation, so, *ceteris paribus*, creative risks taken for them are less risky, from the point of view both of the agency and of the creative team. Agency creatives will therefore be willing to take bigger risks for their smaller clients, and, if risk and creativity are indeed positively correlated, will thus produce advertising that is more creative, and will consequently win more awards for these smaller clients. The relevance of Prospect Theory is that, if they wish to become bigger, small firms are by definition operating below their reference points, and will therefore be risk seeking. If clients are inclined towards risk, the agency will also be less risk-averse. Hypothesis 3(A) is therefore that:

H3A: Creative staff and account management will be more risk seeking for their smaller, less important clients.

Hypothesis 3(B) follows from H3A. There are several examples of agencies producing work that is more creative for their smaller clients, for example Bernbach's highly creative advertising for one of DDB's[7] then smallest clients, the Levy's bakery in Brooklyn, which within ten years became the biggest selling rye bread brand in New York City, largely as a result of DDB's advertising (McDonough, 1999). Hypothesis 3(B) is, then, that:

H3B: Creative staff and account management will win more awards for their smaller, less important clients.

Combined, H3A and H3B support H6B (see below).

2.4   Agency Risk Environment:

The fourth main hypothesis derives from the idea of the agency (and the client, represented by the agency) acting as an *"extrinsic constraint"* to the creative process (Unsworth, 2001). The more risk averse the environment, the greater the extrinsic constraint, and, consequently, the more risk averse, and less creative, the individual creative. Similarly, the more risk-averse the environment, the more 'closed' will be the creative task. This would lead to 'responsive creativity' rather than 'proactive creativity', the latter being the more creative (Unsworth, op. cit.). Hypothesis 4 is that:

H4: Advertising agencies with a more positive risk environment will win more creative awards.

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[7] Doyle Dane Bernbach

2.5 Length of Association:

According to agency life-cycle theory (e.g. Wackman, Salmon, & Salmon, 1986/1987), agencies produce their best work for their clients during the earliest stages of the relationship. This is because they are trying hard to impress new clients, to secure the relationship and to maximise the size of the account. Later on, once the relationship has stabilised, they move into the maintenance phase, and produce work that is only of sufficient quality and creativity to maintain the status quo. They become risk averse, since they do not want to jeopardise the relationship and the income stream. Hypothesis 5 (A) is, therefore, that:

H5A: Advertising agencies will produce less risky advertising for clients with whom they have been associated longer.

If risk and creativity are indeed positively related, this less risky advertising should attract fewer awards for creativity. Hypothesis 5 (B), therefore, states that:

H5B: Advertising agencies will produce less creative advertising (as evidenced by creative awards) for clients with whom they have been associated longer.

2.6 Risk and Advertising Creativity:

Finally, the central proposition underlying this research is that risk and creativity are positively related, that it is necessary to take risks in order to produce truly creative work (e.g. Sternberg and Lubart, 1991, 1992, 1995,

1996; Nickerson, 1999; Sternberg 2000). This hypothesis is expressed in two ways. Hypothesis 6 (A) concerns personal risk propensity, and states that:

H6A: The personal risk propensity of advertising creatives and their advertising creativity are positively related.

Hypothesis 6 (B) specifically concerns advertising risk, and states that:

H6B: The advertising risk attitude of advertising creatives and their advertising creativity are positively related.

3   Summary

This chapter has set the context for the study, and described the objectives for the subsequent research. Hypotheses have been proposed that concern personal risk propensity, and individual advertising risk attitude. Hypotheses concerning the effect on both risk, and creativity, of the size of the client, the agency risk environment, and the length of association between agency and client have been proposed. Finally, hypotheses have been formulated that describe the main underlying proposition of this study: the relationship between risk and advertising creativity. For clarity and ease of reference, the above-stated hypotheses are presented in diagrammatic form, in Fig. 10, overleaf. The following chapter describes the methodology employed to investigate these hypotheses.
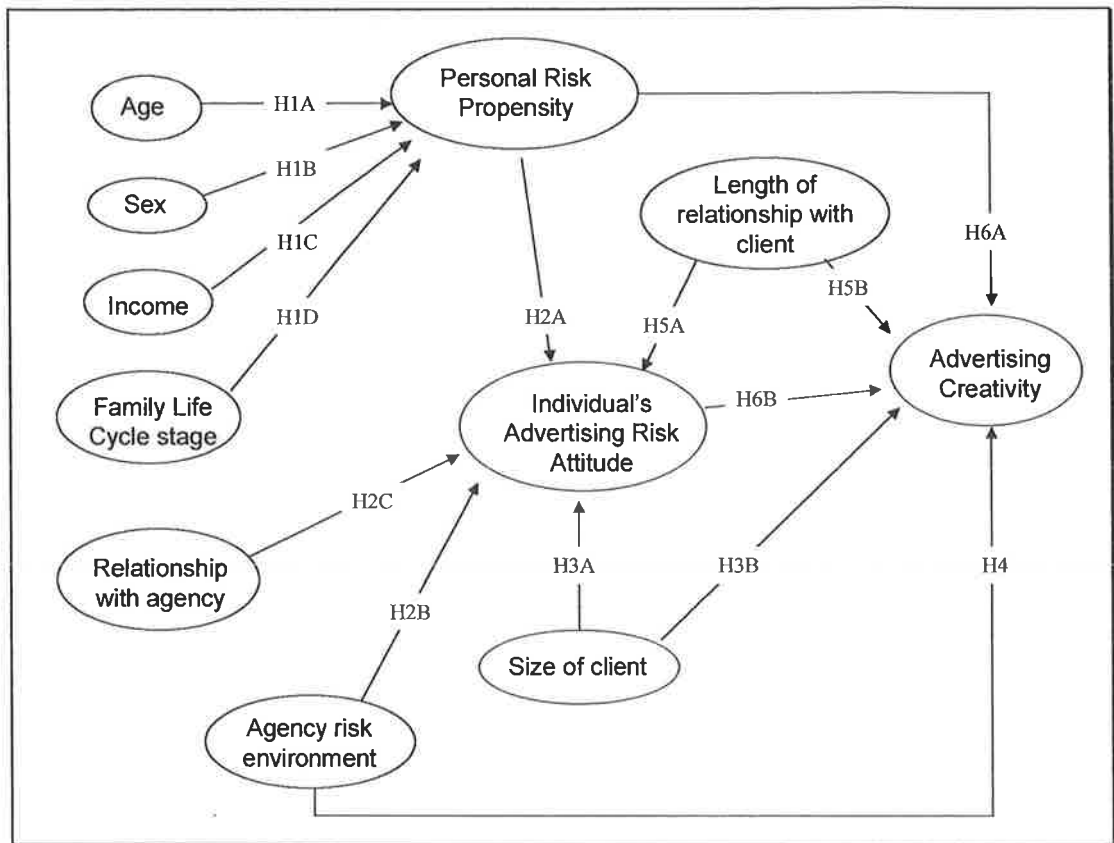
Fig. 10: Personal risk propensity, advertising risk attitude, advertising creativity, and their antecedents.

Chapter 5: METHODOLOGY

Chapter 5: METHODOLOGY

1 <u>Introduction</u>

The methodology employed in this research study is described in some detail in this chapter. Preliminary *qualitative* research was conducted to validate definitions of key concepts before embarking on the quantitative research, as there was doubt about the appropriateness of existing definitions of risk when applied to advertising and to advertising creativity, this being a relatively new field of research.

In order to examine the nature of the relationship between risk attitude and advertising creativity, and to test the various hypotheses, the extent to which individuals employed in the creation of advertising possessed or exhibited each of these two key variables was measured. This was done by means of a *quantitative* survey, using postally administered self-completion questionnaires. Data on risk attitude and creativity indicators were collected, as well as classification data, to see if particular groups had a greater (lesser) propensity towards risk and/or creativity.

Factor analysis was conducted on the multivariate measures 'Personal Risk Propensity' and 'Business Risk', and the validity of these was thereby confirmed. A separate study confirmed that the unit of analysis used for creativity was consistent with that for risk. The following pages will describe the methodology used for the qualitative and the quantitative stages, whilst Fig. 11, below, summarises the entire research process.
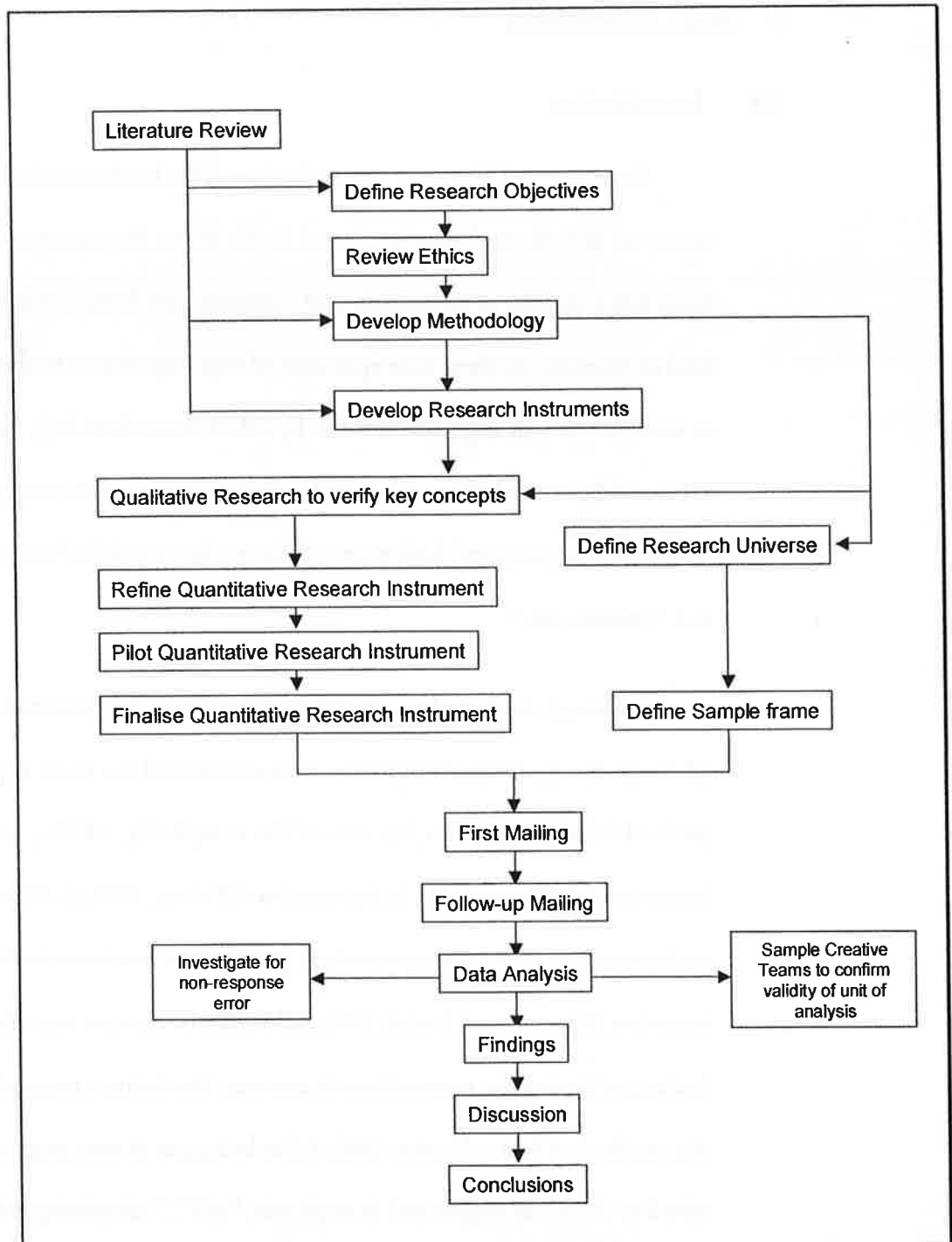
Fig. 11: The Research Framework.

2   Stage I: Qualitative

2.1   Introduction

The review of literature on studies involving business risk revealed a variety of definitions. There was some doubt about the appropriateness of these when applied to advertising and creativity, this being a relatively new field of research. As these concepts were of vital importance to this study, and in accordance with suggestions made by other researchers (e.g. Ruefli, 1991; West and Berthon, 1997) it was decided that the views of the target should be sought as to appropriate definitions of the two key variables "advertising risk" and "creative risk".

Although the list of questions[8] that needed to be answered was relatively short, personal interviews were considered the most appropriate method for gathering data, because of the complexity, subtlety and importance of the concepts being examined (Crimp, 1990, p. 38) and the need to show respondents prompt cards at appropriate junctures during the interview (Kinnear and Taylor, 1996, p.331). Extreme care was taken to avoid leading or biasing the respondents in any way, this being a major drawback of this method of data collection (*ibid*). After being put at ease, respondents were asked to define, at length and in sequence, "risk", "advertising risk", "creativity", "creative advertising", and "creative risk". The purpose of this sequential approach was to explore and elucidate the subtleties and complexities underlying the concepts of risk and creativity as applied to

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[8] See Appendix 1: List of questions used in qualitative study

advertising. Creative risk is a subset of advertising risk, which includes a greater number of variables, including choice and use of media, the advertising budget, and the decision whether or not to advertise. Other research, for example, has examined the relationship between risk and advertising budgets (Lee, 1994). This is not the purpose of this study, which is only concerned with creativity, in the sense of the process of generating and executing advertising ideas. Respondents were then shown a card bearing a definition of **advertising** risk[9]: *"Advertising risk is uncertainty about whether potentially significant outcomes will be realised from an advertising campaign's creativity, media choice and/or utilisation, positioning or strategy."* This definition had been adapted from the 1997 study by West and Berthon, itself based on Sitkin and Pablo (1992). Respondents were asked to consider and comment on this definition, and then to score it on a seven-point Likert-type scale. A seven-point scale was chosen rather than the normal five-point scale, as it enables the assimilation of a richer data set and improves the reliability of the measure (Churchill, 1999, p. 408). Respondents were then asked to suggest ways that this definition might be improved, in the light of their comments made in response to the earlier questions. They were then shown a card bearing a definition of **creative** risk[10], *"Creative risk is the degree of uncertainty as to the effects of words, images, symbols, or music used in an advertisement"*, taken from West (1998). As before, they were first invited to comment on the definition, before being asked to indicate the degree of their agreement with it, again on a seven point

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[9] See Appendix 2: Prompt card (A) used in qualitative study
[10] See Appendix 3: Prompt card (B) used in qualitative study

Likert-type scale, and suggest improvements. This was followed by four open-ended questions on the nature of the risk associated with the various creative elements of an advertisement listed in the above-mentioned definition. Finally, four questions attempted to evaluate the importance of aspects of these creative elements that had been anticipated in drawing up the questionnaire, whilst blank lines allowed for the insertion of aspects identified by the individual respondent. Interviews lasted approximately 30 minutes, long enough to obtain the required information but short enough to secure the cooperation of a sufficient number of respondents (Churchill, 1999, p. 287).

2.2   Sample selection

A broad mix of staff from a number of London agencies were interviewed. In all, 12 qualitative interviews were held. Senior people were particularly sought, as it was felt that they would have had more opportunity for reflection on these issues, but not to the exclusion of younger and junior creatives, who were expected to form the bulk of the quantitative survey. Although not creatives, the views of an account planner and an account executive were also included as they are the main bridge between the client and the creative staff.

2.3   Results of Qualitative Research

The data collected during this qualitative stage showed that advertising creatives were generally supportive of the idea that risk in general, advertising

risk, and creative risk all involved uncertainty with regard to outcomes. For respondents, 'Risk' meant *"breaking out of the comfort zone"*, *"the chance of failure in achieving your objectives"*, *"doing something the result of which is unknown"*, *"daring, dangerous, the unknown: knowing you should not be doing it"*. One respondent defined advertising risk as: *"The chance of failing to achieve a communications objective, which will result in a waste of investment, or producing, through communications, something that denigrates rather than builds the equity of a brand. Getting your brand strategy wrong is the most expensive risk."* Although more detailed and specific, this is very similar to the proposed definition of advertising risk: *"Advertising risk is uncertainty about whether potentially significant outcomes will be realised from an advertising campaign's creativity, media choice and/ or utilisation, positioning or strategy"*. This definition was, however, criticised by one respondent who felt it was too general, and because *"there is always uncertainty."*

One respondent defined creativity as doing: *"something completely fresh, where there is less evidence available as to its efficacy."* Creative advertising was *"Original and fresh, as opposed to known ways of doing things."* Creative risk, according to one respondent, involved *"trying to shock"*, or doing things that may be *"highly impactful to some people, and irrelevant, or worse, to others."* This echoes the concept of collateral damage proposed by Crosier et al (1999), although it is worth noting that respondents were highly concerned about the risk of offending the target audience, but were not at all concerned about the effect on people who were not part of the target audience. Creative risk was defined by another as: *"Doing things which are wacky to the extreme, which take the*

brand too far; doing things which are dissonant to the public's perception of the brand." One respondent added that *"creative risk is higher when there is no research, research is used to reduce the risk."* It is interesting to note that this comment was made by the planner, not by one of the creatives.

However, the proposed definition of creative risk: *"Creative risk is the degree of uncertainty as to the effects of words, images, symbols, or music used in an advertisement"* was criticised because respondents felt that the issue was less about the components of a creative product, and more about the concept, or the idea, behind the advertisement: *"It is the quality of the insight on which the ad is based, and also the calibre of the articulation of it."* Commenting on the definition, one respondent said, *"It is very executional. The first thing is the idea".* This, and the element of uncertainty, was reinforced by another comment: *"Any ad is a hypothesis."* After the concept, everything else - the words, the symbols, the images, and the music - was a matter of skilful (and creative) execution. Aspects of execution can involve risk, but this risk was felt to be of a relatively minor nature compared to the risk involved in the overall concept. This was not reflected in the original definition, which was therefore adapted accordingly for use in the quantitative study: *"Creative risk is the degree of uncertainty as to the effects of the concept, the words, the images, the symbols or the music used in an advertisement."* Respondents' views about risk in general, and advertising risk in particular, informed the study as a whole.

3 Stage II: Quantitative

3.1 Data Collection Method

One of the first decisions facing anyone embarking on primary research concerns the method by which data will be collected. The main choice is between communication and observation methods (Churchill, 1999), sometimes referred to as reactive and non-reactive methods (e.g. McDonald, 1992, 1999). Although there would be a limit to the type of data that could be gathered, in theory, it would be possible to obtain some of the data relevant to the primary research question by means of observation. This, however, would require the cooperation of a large number of creatives. They in turn would need permission from the agency management, and ultimately their clients. Owing to the large sums of money at stake and the confidentiality of the process, it is unlikely that such permission would have been easily obtained. It would have taken considerable time to build a sample of sufficient magnitude to allow for statistical analysis, and even longer organising and carrying out the observations. More fundamentally, it is likely that the presence of an observer would have unpredictable and possibly undetectable effects on the behaviour of the observed, rendering the research of questionable validity. Aside from the effect on the research, it has already been seen that creativity requires a particular set of circumstances and conditions in order to flourish. This too may well be compromised by the presence of an outsider – further reason for agency creatives and their managers to refuse to cooperate with this data gathering technique.

In the light of the foregoing considerations, a reactive approach, using a questionnaire, was adopted. Postal administration was chosen, although it was recognised that response rates could be a problem. Telephone interviewing can be intrusive for what is likely to be a lengthy questionnaire, it would be difficult to schedule the required number of interviews for personal administration, and the Internet is as yet insufficiently targetable for the purposes of this particular research. Postal administration gives the respondent the opportunity to complete the questionnaire at leisure, which may give a more considered and therefore more accurate response, which would not be subject to interviewer bias (Churchill, op. cit.).

3.2   Questionnaire Design

A self-completion questionnaire instrument was developed to include measures of risk, measures of creativity, and classification information (see Appendix 4 for the final questionnaire). These measures are described in some detail in the following pages.

3.2.1   Measures of Risk:

The literature review indicated that an attempt to measure risk should consider the following:

a)   The need to use multiple measures (e.g. Sitkin & Pablo, 1992),

b)   That risk should be measured by participants in the process (e.g. West & Berthon, 1997),

c) That individual risk attitude differs from organisational risk attitude (Wehrung, MacCrimmon and Brothers, 1984),

d) That research into the measures themselves is needed (Ruefli, 1991).

e) That questions be constructed in such a way that they are not too complex or out of the run of the respondent's normal experience (Lee, 1991, P. 76).

It seems likely that there is a 'personality' dimension to risk, and, therefore, to advertising risk, with certain personality types more, or less, risk-seeking or risk-averse. It is not the intention of this study to produce detailed personality profiles of all respondents, using psychometric testing. Such tests are usually administered in controlled, time-constrained conditions, and therefore are not generally suitable for postal administration. In addition, this would have considerably lengthened the questionnaire, and had a corresponding negative impact on response rates.

Instead of psychometric testing, a new measure, Personal Risk Propensity was developed. This consisted of fifteen statements designed to measure personal attitude to risk (PARXXX). Respondents were asked to score these on a seven-point Likert-type scale, where "1" indicated "Strongly disagree" and "7" "Strongly Agree". A seven-point, rather than a five-point, scale was chosen for reasons given in 2.1 above. In general, a high score indicated "Risk-Seeking" and a low score "Risk-Averse", but several statements were reverse-coded to minimise the automatic generation of responses, and recoded at the time of analysis. It has been suggested that the

inclusion of reverse-scored items may reduce the overall reliability of the scale, but Churchill and Peter (1984) found no evidence to support this. The 15 statements fall into three broad categories, reflecting the different types of potential loss identified by Roselius (1971), and Jacoby and Kaplan (1972). These three categories were social risk, experiential risk, and financial risk, giving the three grouped variables of PARSOC, PAREXP, and PARFIN. PARPHYS, a sub-set of PAREXP, measures Personal Attitude to Physical Risk. The five statements related to experiential risk and the five related to financial risk were adapted from West's (1998) study. The five social risk statements were adapted from a survey by Greenfeld (1999). Combined, these form the 15-item summated scale, or multivariate, PARTOT – Personal Attitude to Risk.

The use of summated scales or multivariate measures such as PARTOT reduces the reliance on any individual item, presenting instead a more rounded measure that is more likely to represent the item being measured (Hair, Anderson, Tatham and Black, 1998, p. 10). This is particularly important given the complexity of the concept being studied in this research and the diversity of interpretations. In general the greater the number of items the more reliable the measure (George and Mallory, 2000, p. 271; Churchill, 1999, p. 408).

As an alternative measure of risk propensity and in order to test the applicability of Prospect Theory methodology outside laboratory conditions, two pure prospect theory questions, adapted from Kahneman and Tversky

(1979), were included. In keeping with Kahneman and Tversky (op. cit.), the

questions take the form of a series of hypothetical gambles, and each question

embodies a range of five different levels of risk. One of the principal findings

of Prospect Theory is the effect of problem framing on risk attitude, so in this

study both positive and negative framing is used. One range (i.e. one

question) is therefore in the domain of gains, the other in the domain of

losses. These questions provide a comparative indication of individual risk

attitude across cases, and give the variables PROSWIN, and PROSLOSE.

Combined, PROSWIN and PROSLOSE form the variable PROSTOT.

A question based on prospect theory but adapted to the advertising

context is included. This gives an indication of individual risk attitude but in

an advertising context, and gives the variable PROSBUS. This question was

adapted from West's 1998 survey of US and Canadian advertising agencies,

and is therefore particularly relevant for this study. Supplementary questions

ask about management and client risk attitude respectively. The inclusion of

these questions is indicated by Sitkin and Pablo (1992), and Kover and

Goldberg, (1995): *"account managers (and sometimes senior creative management)*

usually want more conservative advertising; creative people want more daring output."

Advertising Risk Attitude is measured by a battery of ten statements

measuring the individual's attitude to risk in an advertising context. As with

Personal Risk Propensity (above), respondents were asked to score these on a

seven point Likert-type scale, where 1 indicated "Strongly disagree" and 7

"Strongly Agree". A number of these statements were reverse-coded to

minimise automatically generated responses. As with Personal Risk Propensity, once recoded, high scores indicate risk-seeking. Scores for these statements give the variable BUSRISK. Four of these statements were adapted from West (1998), others from Grey and Gordon (1978).

Agency Risk Environment was measured by means of general statements about factors likely to affect the risk environment of respondents' employing organisations, measured on seven-point Likert-type scales. These included questions on the agency's financial performance relative to targets, since the literature (e.g. Kahneman and Tversky, 1979; Levinthal and March, 1981; Fiegenbaum and Thomas, 1988; Lee, 1991) suggests that below-target performance leads to risk-taking. Scores for these statements give the variable AGENCYEN.

In order to quantify the effect of size of client, questions on respondents' perceptions of the amount of risk taken in their most recent campaign for their **biggest**, and **smallest** clients were included. Supplementary questions asked, whether, on reflection, they (the respondents) would have liked more, the same, or less risk, and how much risk they thought their **client** felt was being taken. The questions were presented in the form of itemised rating scales. In general, itemised rating scales with five to nine categories are recommended as they permit fine distinctions yet are readily understood by respondents (Churchill, 1999, p. 404). In this case, five categories were used for the main question "How much risk do you think was being taken?" Only three were used for (how much) "Would you have liked?"

since the required response was limited to "less", "more" or "the same". The combination of questions gives the respondent's perception of his/her own most recent risk attitude, contextualised by comparison with the same respondent's feelings about how much risk could have been taken, and with the respondent's beliefs about the **client's** perception of the amount of risk taken. The inclusion of "biggest" and "smallest" client is based on Prospect Theory (Kahneman and Tversky, 1979), which suggests that more risk will be taken with smaller, less important clients. This section gives the variables CRISKBIG, CRISKSMA.

Finally, respondents were asked to indicate, on a seven-point Likert-type scale, the degree of risk taken in their most recent award-winning campaign.

3.2.2 Measures of Creativity

The literature review identified two main ways of measuring creativity: psychometric testing, and expert opinions, usually applied to creative products. The difficulty of incorporating the psychometric method has been discussed in this section in the context of risk measurement. In addition to the short-comings listed there, it should be noted that psychometric testing for creativity is not universally accepted. There is doubt as to whether such tests do measure creativity, and they have limited predictive validity for creative achievement, considerably less so than psychometric tests for intelligence. For these reasons this study will use the expert opinion method.

For the purpose of this study, therefore, and in accordance with earlier discussion (see Chapter 3) and published theory (e.g. Kover et al., 1995, Csinkszentmihalyi, 1998, 1999), a creative advertisement is defined as one that has won a creative award. This advertising was selected from UK-based awards ceremonies such as those of Campaign Magazine (mainly press and poster), D&AD[11] (all advertising categories), Cannes Lions, and the British Creative Circle. Although primarily an international awarding body, a substantial proportion of LIAA[12] awards (all categories) are won by British agencies and their clients. All of these were included in the study in order to create a pool of sufficient size.

Advertising from calendar years 1998, 1999 and 2000 was used. The world of advertising and marketing is fast moving. The older the advertising, the less likely it is that the personnel responsible would still be in place and available to take part in the survey. For this reason, and to avoid relying too heavily on the respondent's long-term memory, the study will be limited to these more recent years.

The questionnaire included three questions seeking evidence of creativity. The first of these sought classification information regarding the respondent's most recent award-winning campaign. This included the year, title, and class of the award; the product category in which it was won; the number of people in the creative team; the value of the account in annual

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[11] Design and Art Director
[12] London International Advertising Awards

billings; the length of the agency's relationship with the client; and the number of campaigns that had been run for the client. Most of these are for descriptive purposes, to provide insight into the background and general environment of the campaign, and to answer questions such as whether smaller teams are more or less risk taking and more or less creative (Sethi, Smith and Park, 2001). The year of the most recent award-winning campaign gives an indication of the recency of creative activity, for comparison with current risk attitude. The class of the most recent award gives the variable RCCLASS, a direct measure of creativity. It is reasonable to assume that the most recent campaign more closely reflects the respondent's current attitude to risk and creativity.

This was followed by a question asking the number of awards for creativity received by the respondent this year, last year, the year before last, and ever. The "number of personal awards received this year" gives the best measure of most recent personal creativity, a proxy for current personal creativity. This is for comparison with current risk propensity, derived from recently reported risk attitudes. The number of personal awards ever gives the variable PERSAWD, a direct measure of creativity. Although limited, the time series data gives an indication of trend.

Finally, respondents were asked to indicate the number of awards for creativity received by their agency this year, last year, the year before last, and ever. Whilst this is really an indicator of the creativity of the agency as a whole, it is likely that individuals of a certain level of creativity will seek to

work in an agency that matches their own creative aspirations, and that agencies will seek to retain individuals who satisfy their criteria for creative achievement. An agency is, after all, a service business, and is composed almost entirely of the staff working there. If there is a relationship between risk and creativity, creative agencies will attract and retain individuals of similar risk profiles. The number of agency awards ever gives the variable AGENAWD, a direct measure of agency creativity. The historical data for agency awards can be compared with those from the risk question about performance relative to targets.

3.2.3 Classification Information

This section included questions on the respondent's background, career in advertising, employing agency, current position, age, sex, family life-cycle stage, and gross salary. Apart from their value for classification purposes, many of these data are considered contributory determinants of risk propensity and risk perception (Sitkin & Pablo, 1992).

3.2.4 Summary of Variable Names

A summary of variable names for risk measures and for measures of creativity follows in Table 6:

	VARIABLE	DESCRIPTION
1	PARSOC	Personal attitude to risk in a social context
2	PAREXP	Personal attitude to experiential risk
3	PARPHYS	Personal attitude to physical risk (a sub-set of PAREXP)
4	PARFIN	Personal attitude to financial risk
5	PARTOT	= PARSOC + PAREXP + PARFIN
6	PROSWIN	Risk attitude under Prospect Theory in the domain of gains
7	PROSLOSE	Risk attitude under Prospect Theory in the domain of losses
8	PROSTOT	= PROSWIN + PROSLOSE
9	PROSBUS	Advertising Risk Attitude as measured by Prospect Theory
10	BUSRISK	Advertising Risk Attitude as measured by Likert-type scales
11	AGENCYEN	Agency Risk Environment as measured by Likert-type scales, questions based on Prospect Theory
12	CRISKBIG	Amount of creative risk taken in most recent campaign for biggest client
13	CRISKSMA	Amount of creative risk taken in most recent campaign for smallest client
14	RECCAMP	Amount of creative risk taken in most recent award-winning campaign compared to other non-award-winning campaigns
15	RCCLASS	The class of the most recent award (e.g. bronze, silver or gold)
16	PERSAWD	The number of creative awards received personally
17	AGENAWD	The number of creative awards received by the agency

Table 6: A Summary of Variable Names used for Analysis with SPSS

4   Validity and Reliability

Validity and reliability are important considerations both in overall research design, and in the design of individual research instruments. Validity is concerned with how well the research actually measures the subject under investigation (Hair et al, 1998, P. 3, 9, 90), and as such is synonymous with accuracy, or correctness (Churchill, 1999, P. 452), whilst reliability relates to the consistency of the measure over time and across cases (Hair et al, op. cit., P. 117/118). Another way of putting this is to say that: *"validity is represented in*

the agreement between two attempts to measure the same trait through **maximally**

different *methods, whereas reliability is the agreement between two efforts to measure the*

same trait through **maximally similar** *methods"* (Churchill, 1999, P. 458). The

review of risk literature (Chapter 2) indicated the importance of employing

multiple methods to measure risk, and this has been recognised in the design

of the research instrument. The questionnaire measures personal risk

propensity both through summated scales and through prospect theory.

Advertising risk attitude is measured by the same two methods, whilst a

separate measure captures the business risk environment of the respondent's

agency. The summated scales used were adopted from scales validated in

other studies, and the questions on creative risk were based on a definition of

creative risk that had been validated through qualitative research. Individually

validated, convergence of these multiple measures would constitute an even

stronger indication of the validity of each. Reliability of the summated scale

items is tested using Cronbach's alpha.

4.1   Sample Selection and Size

The questionnaire was piloted with a sample of ten creative staff from

different agencies, and amended accordingly. The final questionnaire, a copy

of which can be seen in Appendix 4, was mailed to 522 advertising executives

in April 2000. A second mailing, to a similar number of advertising executives,

was planned for the following month.

A database of 856 UK creative advertising executives was compiled from two main sources: listings of creative awards from the advertising press, and staff lists provided by the agencies themselves. For the latter source, a list of London-based advertising agencies was obtained from the Institute of Practitioners in Advertising (IPA). Agencies were then contacted by telephone and by email, and asked to provide lists. In the event, all agencies contacted were able to provide a list, though not all of these were received in time for the initial mailing. As soon as a sufficiently large database had been created the first of two mailings was despatched, to 522 named individuals, between the 12th and 19th of April 2000. Thus, this was a randomised convenience sample. Participants were approached directly, without formal notification of or the assistance of agency management. This was to reduce the possibility that respondents would phrase their replies according to their perceptions or beliefs of the views of their managers (Kover, 1995).

4.2 Response Rate

Yu and Cooper (1993) advised that survey response rates for postal surveys can be increased by respondent pre-notification, the inclusion of return postage, a completion incentive, a pre-tested and refined instrument, identification of the researcher's organisational affiliation, and multiple mailings. Although it was recognised that it would have been desirable, *pre-notification* was not considered feasible in this case, because of the size of the sample frame. Monetary limitations precluded *return postage*, although an addressed (but not stamped) envelope was included. Inability to provide

return postage was not felt to be an issue, as it was assumed, since the questionnaire was mailed to respondents' work addresses, that they would be able to use their employers' outgoing mail facilities. In the event only one questionnaire was returned annotated to the effect that a better response rate would have been achieved had the envelope been stamped. The same financial limitations rendered the inclusion of a monetary *completion incentive* impractical. According to Yu and Cooper (op. cit.), the size of monetary incentives is directly related to the response rate. Even if funds had been available, it is not easy to conceive of a suitable yet affordable monetary incentive when respondents' annual salaries vary from below £25,000 to over £150,000, as in this research. A reply card enabling respondents to request a copy of the survey findings was provided as a non-monetary and the only tangible incentive, although the opportunity "to contribute to academic research," stated in the covering letter, was considered an incentive in its own right. It should be noted, however, that Yu and Cooper (op. cit.), found that such appeals to research progress were largely ineffective. The reply card was to be returned separately, to preserve respondent anonymity, so, in theory, could have been sent without completing and returning the questionnaire. In the event, only 19 of these cards were returned.

The instrument was *pre-tested and refined*, and the researcher's *organisational affiliation* (an educational establishment) was stated, making it clear that the research was purely for academic purposes. Twenty replies were received within the first week, but only 49 (9.38 %) were received in total: too small a

sample for statistical analysis. As only half of the questionnaires had been sent out by this stage and as it was reasonable to assume that the second mailing would have a similar result, a final sample of 100 could therefore be anticipated. Although smaller than had been hoped for, a sample of this size would have enabled a range of statistical analyses. If necessary, questionnaires could be mailed out to the entire advertising industry population of London until a sufficiently large sample was obtained. In many ways, the sample obtained from such a mailing campaign would be more representative, as a greater number of agencies would have been included.

4.3   Non-Response Bias

The low response rate posed a different problem, as it can lead to non-response error (Yu and Cooper, op. cit.). Non-response error is one of the most serious sources of error confronting the researcher, and its probability increases as the response rate decreases (Kinnear & Taylor, 1996). Low response does not, in itself, imply the existence of non-response error – this only occurs when there is a difference between respondents and non-respondents for the variables that are being studied (ibid). As the two main variables being measured in the present study are risk-attitude and creativity, relevant non-response could be the result of one of the following two hypotheses:

    i.   "Risk-averse people are less (more) likely than risk-seeking people to complete research questionnaires"

OR

ii.   "Creative people are less (more) likely than non-creative people to

         answer research questionnaires"

It is possible that neither of these potential outcomes would have been

detrimental to the research. Even if those that chose to respond were more

(or less) risk-averse or more (or less) creative they would still present a range

of each variable and it would still be possible to establish the existence or not

of any relationship between the two. The most compelling reason for

addressing the low response rate is the possibility that any relationship

between the two variables may be non-linear. If, for example, responders are

relatively risk seeking, and if risk seekers turned out to be more (less) creative,

this would only have been shown to be the case for people who are *relatively*

risk-seeking. No inference could necessarily have been drawn about the

relationship between risk and creativity for those that are relatively risk-averse

(the non-responders, under this hypothesis). It is conceivable that extremely

risk-averse people may also be highly creative, and that the relationship

between the variables be 'U' shaped, as illustrated in Fig. 12, below, where the

49 responders are assumed to have a risk profile at or above the line AB.
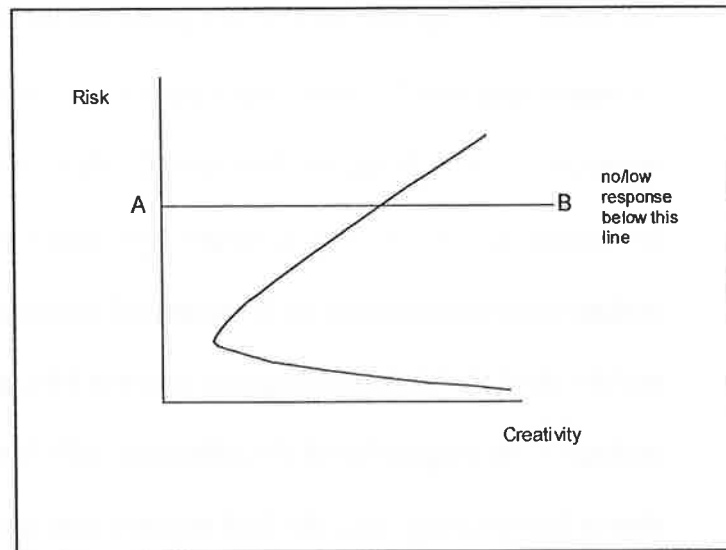
Fig. 12: Possible Relationship between Risk and Creativity, showing the danger of low response rate and possible Non-Response Error.

In the light of the above discussion and to render the research more robust, priority was given to improving the low response rate of the original mailing rather than to extend the research to a greater number of agencies, which, while yielding more responses, might actually have reduced the response rate. As a first step, the list was examined, and agencies contacted. Some 111 of the 522 addressees mailed (whose details had been obtained from listings of creative awards, rather than from the agencies themselves) were no longer available at that agency at the time of the mailing. Some had moved on to other firms, or retired. One case was away on maternity leave at the time of the survey. This finding improved the effective response rate from 9.38% to 11.9%.

A repeat mailing to the original addressees (less the 111 that were no longer in place), with an additional covering letter (see Appendix 6) brought

the number of responses to 115, a response rate of 28%. Thus the final recommendation of Yu and Cooper (op. cit.), for *multiple mailings*, was also implemented. Reid, King, and DeLorme (1998) achieved a final sample of 83 by sending three consecutive mailings to the same 195 respondents. The first mailing received a response of 45 completed questionnaires, the second 22, and the third 16. Their final response rate was 44%, as they limited all mailings to the original list of 195 addressees. Although somewhat lower than that of Reid et al (op. cit.), the final response rate of this study is in line with other published surveys of advertising creatives using postal, self-administered questionnaires. For example, Moriarty and Vanden Bergh (1984) obtained a response rate of 21%; Vanden Bergh, Smith and Wicks (1986), 26%; Kendrick, Slayden and Broyles (1996), 30%; and West (1993), 34%: an average response rate of 28%.

Since late responders are likely to resemble non-responders (Armstrong and Overton, 1977), the conventional wisdom has been to check for the likelihood of non-response bias by comparing the initial 25% of responses with the final 25% (ibid.). This was done using Student t-tests for independent means of numerical data (Baalbaki and Malhotra, 1995), and chi-squared tests to compare categorical data (Cass, 1973; Field, 2000). At 95% confidence levels, no significant difference was found between the first quartile and the fourth quartile of responses received for any of the research or classification variables. This suggests that means and categorical distribution for non-responders would also be similar to those of the first quartile, and that there

was therefore little likelihood of non-response error (Armstrong and Overton, 1977). Further tests for representativeness included comparing the sex (see, for example, Chapter 6, paragraph 2), age, and income profile of respondents with the database from which the sample was drawn, and with the industry as a whole. In all these respects, respondents were found to be representative of the target population, and it would therefore be reasonable to conclude, in the light of this additional information, that non-response error was unlikely.

4.4   Unit of Analysis

The unit of analysis for risk measures is the creative individual, who is asked, for the majority of the risk questions, to respond according to how she or he feels with regard to a particular risky proposition. The measure of creativity is the creative award. These awards are won by teams, not individuals, so the unit of analysis for creativity is the creative team – not the individual. It could thus be argued that the unit of analysis is inconsistent. As a precautionary measure, therefore, a separate study of ten creative teams was carried out, to tentatively explore the degree of homogeneity with regard to risk propensity among members of the same team. The fifteen-item risk propensity scale, and the ten-item business risk scale, both from the main survey, were used, and sent to all members of the ten teams. No significant difference was found within any team, and the mean difference among all teams was only 2% for personal risk propensity, and 3% for business risk. It is important to note that this was a small sample, and, therefore, of limited generalisability. Small samples like this are prone to null findings when in fact

there might be statistically significant findings present. However, the findings from this albeit small sample were further supported by the main survey, where respondents were asked, in Question 13 (see Appendix 4), if their background was Account Management, Art/Design/Layout, Copywriting, or Other. This information can be compared with the Personal Risk Propensity of the respondent (Table 7). It can be seen that there was no significant difference in risk propensity according to the creative role of the respondent. The two sub-populations are independent, yet have highly similar risk profiles.

YOUR BACKGROUND:	PERSONAL RISK PROPENSITY			
	Low Risk	Medium Risk	High Risk	Total
Art/Des/Layout	20	24	15	59
Copywriting	15	14	20	49

$$\chi^2_{2df} = 3.161, \text{NS}, p > 0.05$$

Table 7: Personal Risk Propensity and Background

This is further supported by responses to Question 18, where respondents were asked to give their current position (Table 8). Once again, there was no significant difference in the distribution of risk propensity by creative role.

YOUR POSITION:	PERSONAL RISK PROPENSITY			
	Low Risk	Medium Risk	High Risk	Total
Creative Director	9	11	8	28
Art Director	11	12	10	33
Copywriter	9	9	15	33

$$\chi^2_{4df} = 2.505, \text{NS}, p > 0.05$$

Table 8: Personal Risk Propensity and Creative Position

It seems that team members self select, or are selected, consciously or unconsciously, for similarity rather than complementarity with regard to risk propensity, or that they develop similar attitudes to risk-taking through their experience of working together on creative products. Whatever the reason, the similarity in risk propensity between members of the same creative team means that this research is not compromised by the apparent difference in unit of analysis. The creativity of the team (as evidenced by creative awards) is a valid surrogate for individual creativity, and the risk propensity of the individual is a valid proxy for the risk propensity of the team.

4.5   Factor Analysis

The main purpose of factor analysis is to reduce the number of variables that were used for data collection to a more manageable number, by combining them into new and fewer variables that nevertheless still encapsulate the information obtained by using the original items (Hair et al., 1998, P. 95). There are two alternative reasons why this may be desirable: to identify latent, underlying constructs behind the data, and for the sake of "parsimony", so that subsequent analysis can be carried out with a smaller number of variables (ibid). In this study, the largest multivariate measure is the fifteen-item "PARTOT" scale, developed to quantify personal risk propensity. As discussed earlier in this chapter, the 15 statements used to form the measure were from three broad categories, reflecting different types of risk: social risk, experiential risk, and financial risk, whilst a sub-set of the 'experiential' measure concerned attitude to physical risk. Thus, the scale was

assembled from the (known) underlying constructs. Moreover, subsequent analysis will be done using the results of the fifteen-item measure, and separately, using the individual constructs. In this situation, it is doubtful if much can be learned by carrying out factor analysis.

Nevertheless, a factor analysis was carried out on the fifteen-item scale (PARTOT), using principal components and Varimax rotation. Eleven of the fifteen original items were retained in the solution (Table 9), which has a KMO measure of sampling accuracy of 0.71. Bartlett's test of sphericity was also significant. All the retained items were reflective, in the sense that increases in risk seeking by individuals (i.e. increases in the personal risk propensity scale) were reflected in the individual items that comprise the scale.

ITEM	COMPONENT		
	Social	Experiential	Financial
Like gambling	.818		
I take bets	.733		
Always accept dare	.594		
Fun vs. Hazard	.592		
Like to be with unpredictable people	.450		
I rarely do anything reckless (Reversed)	.446		
I would like to try being hypnotised		.784	
Like Parachute		.780	
Dive in cold pool		.465	
I hold my wealth in secure assets (Reversed)			.804
I save on a systematic basis (Reversed)			.796

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations. KMO: 0.71. Bartlett (χ^2 $_{55df}$ =219, p=0.000)

Table 9: Factor Analysis of Personal Attitude to Risk Measure: Rotated Component Matrix

It may be observed that three of the factor loadings in the proposed solution are less than 0.50. According to recommended guidelines (Hair, et al. 1998, P.

112), with a sample of 100 a factor loading of 0.55 is indicated; for a sample of 120 the corresponding loading is 0.50. The sample in this study is 115, so loadings should be between 0.50 and 0.55. However, these guidelines are adjustable not only for size of sample, but also for number of variables: as the number of variables increases, so the acceptable loading level decreases. The lowest factor loading to be considered significant would in most cases be plus or minus 0.30 (Hair et al, op. cit., P. 113).

The factor analysis confirmed the validity of the three original sub-components of Social Risk Attitude, Experiential Risk Attitude, and Financial Risk Attitude, and the new scale was highly correlated with the original PARTOT: $R = 0.943$, $p = 0.000$.

4.6 Internal Reliability

The fifteen item multivariate scale was tested for internal reliability using Cronbach's alpha (Cronbach, 1951; George and Mallory, 2000, p. 271), for which the score was 0.687. This is just below the generally agreed lower limit of 0.70, although Hair et al (1998, p. 88) hold this limit to be *between* 0.6 and 0.7. For exploratory research, a score of 0.6 is acceptable (Churchill, 1999, p. 118). According to Churchill (op. cit., p. 462), low alphas suggest that one or more items may not be reliable measures of the underlying construct, and should be eliminated if the item pool is sufficiently large. Further analysis using SPSS indicated that if the item PAR11INV were excluded from the measure the alpha coefficient would rise to 0.7026. PAR11INV is the re-

coded PAR11 "Life insurance coverage is essential." It displayed very slight negative correlation with six of the 14 other items, more so with PAR9 "I would like to try parachute jumping" (correlation –0.172). Perhaps would-be parachute jumpers prefer to have such risk taking activity covered by life insurance, or seek to compensate for this seemingly reckless activity by appearing to be more prudent in other situations. If this were the case, agreement with the statement would not necessarily indicate risk aversion. To increase reliability, a new variable, PARTOT2 was created, with PAR11INV excluded. Like PARTOT, PARTOT2 was highly correlated with the 11 item scale derived by factor analysis: R was 0.957, p = 0.000. Coefficient alpha for the eleven-item scale resulting from factor analysis was 0.713.

5   Ethical Considerations

The market research industry is dependent on the cooperation and therefore the goodwill of the public, amongst whom primary research is conducted (e.g. Kinnear and Taylor, 1996; Churchill, 1999). The same is true of academic research in management (see, for example, Easterby-Smith, Thorpe, and Lowe, 1991). To preserve this goodwill it is essential that certain principles and practices be upheld, and various codes have been developed to this end. Easterby-Smith et al (op. cit.), however, questioned the value of these ethical codes (P. 67), citing Snell (1986), who highlighted the complexity of ethical issues, and Punch (1986), who pointed out that ethical codes may be *"constructed to protect the powerful and provide no consolation to the weak – who are presumably the people most in need of ethical protection."* Dalton (1964) argued that

ethical codes are not necessarily universal, and depend on the viewpoint of the rule maker, stating that it would be undemocratic to *"impose one fixed code on multiple conflicting codes"*. Nevertheless, it is clear that certain considerations enshrined in, for example, the Code of Conduct of the Market Research Society[13] (MRS) (1999), are likely to protect the interests of the research community. Such codes aim to maintain the good image of primary research by safeguarding the interests of the two main groups on which it depends: the respondents, and the clients. In the case of academic research, which is generally "commissioned" or initiated by the researcher, the "client" could be said to be the audience for the research, or the science or discipline to which the researcher seeks to contribute.

The rights of respondents include (B3[14]) that participation is voluntary at all stages, and that they must not be misled into co-operating. Some forms of research are inherently deceitful, for example where participant observation is involved (Easterby-Smith et al, op. cit.). In such situations, the ethical question for the researcher is the degree of deception that is warranted by the nature and importance of the research study. In the present research, there was no deception at any stage; and participation was voluntary, with no coercion. Furthermore, administration was by post, and responses were anonymous, further safeguarding the right of respondents to refuse to take part. The second requirement (B4) is anonymity. This was ensured by the use of anonymous, self-completion posted questionnaires. Anonymity is assured,

[13] The Market Research Society, 15 Northburgh Street, London EC1V 0JR
[14] This, and the following references B4 to B8, relate to the MRS Code of Conduct, July 1999

as the identity of individual respondents was, in general, not known to the researcher. It should be noted, however, that some respondents chose to identify themselves, annotating the questionnaire to this effect, and invited the researcher to make further contact with them for further discussion. The identities of these respondents will not be revealed unless they give their specific agreement. No respondents were likely to have been harmed (B5) or in any way adversely affected by their participation. No children or young people (B6) were involved in the research, so no special measures for their protection were required. No observation techniques or recording equipment were used (B7), so no warnings or permissions were required. The identity and bona fides of the researcher (B8) were established by means of a covering letter on headed paper from the researcher's institution (the University of Westminster). This letter bore the researcher's contact details, to facilitate verification by respondents should they have wished to do so. The questionnaire itself bore the symbol and logo of that institution and of that where the researcher was registered for doctoral study (Henley Management College). Further, a return envelope was provided, which bore the address of the University.

Additional considerations regarding the rights of respondents are set out in the relevant sections of the MRS Quantitative Data Collection Guidelines, and the MRS Questionnaire Design Guidelines, annexed to the MRS Code of Conduct (1999). The former provides general guidance to be followed when interviewing respondents, and detailed rules for each of the

main collection methods. Postal administration was chosen for this survey. Personal interviews were not considered practical because of the desired sample size and the fact that interviews would have had to be carried out in the workplace. Telephone interviewing was felt to be too intrusive for the same reason, and because of the length of interview required.

The MRS code for postally administered surveys is relevant to the current study. Researchers are advised to include a covering letter with the questionnaire. This letter should guarantee the anonymity of the respondent, explain why he or she has been chosen, provide a contact name and telephone number, and provide the MRS Freephone number. A covering letter was included for this research, meeting all of these provisions except the last, since this study was not conducted by a member of the MRS, nor was it for marketing research purposes.

Ethical considerations with regard to questionnaire design start from the general principle that they should give a positive image of research. The questionnaire should include all the questions needed to meet the research objectives, yet be easy to understand and complete, and not repetitive or excessively long: neither the researcher nor the interviewer should find the questionnaire a burden, or boring. Questions should not lead respondents to any particular answer. The questionnaire used in this study consisted of eight pages of questions, but there were only twelve main items, with a further twelve classification questions on the last page. The only non-numeric open-ended questions were for classification items such as 'current position', and

descriptive questions about the respondent's most recent award-winning campaign. The remainder were Likert-type scales, or closed-ended multiple choice questions. Visual design and layout was given careful consideration to make the questionnaire pleasing to the eye and easy to follow. The questionnaire was piloted with a small number of respondents. Half of these were observed, and timed. The average completion time was 15 minutes, there were no difficulties, and respondents reported that they had enjoyed the process.

Safeguarding the rights of respondents in order to encourage their future participation in the projects of other researchers is both an ethical and a pragmatic consideration. The researcher must somehow find a balance between the rights of respondents, and the needs of the research. However, the most ethically difficult area for researchers is that of maintaining the technical integrity of their own work (Hunt, Chonko, and Wilcox, 1984). Challenges to this range from carelessness (e.g. in research design) to deliberately withholding information, falsifying figures, altering research results, misusing statistics, and ignoring pertinent data (Hunt, Chonko, and Wilcox, op. cit.). In commercial marketing research, such falsification might lead to wrong commercial decisions being taken, which could result in significant financial loss. The financial implications of falsification in, or of, academic research would be harder to quantify, but it is clear that it would pollute the knowledge-base on which subsequent research is built. It is

conceivable that this could ultimately have more serious consequences for society than falsified commercial research.

If independent commercial market researchers, who generally are commissioned, and therefore rewarded, for establishing the truth of a particular situation whatever that truth may be are vulnerable to these temptations, this must be an even greater consideration for academic research, where careers and future research grants may depend on particular outcomes. Due care has been taken, therefore, throughout all stages of this study, to maintain the integrity of the research.

6 Summary

This chapter has explained the methodology that was employed in order to achieve the research objectives. This methodology consisted of both qualitative and quantitative stages. The qualitative stage was necessary in order to explore, in a phenomenological way, the mental constructs of risk and creativity when applied to advertising, by advertising agency personnel. As a result of this stage the research instrument for the second, main stage of the study was modified. The quantitative stage was the main part of the study, and was designed to establish the nature of the relationship between risk and creativity in advertising, and thus followed a primarily positivist approach. It could be argued, however, that this stage also had phenomenological aspects, since it dealt with mental constructs. This stage involved the use of an eight page self-completion questionnaire, which was mailed to 522 advertising creatives. A final response rate of 28% was achieved, which compares

favourably with other studies in the field of advertising research. This is the last chapter of Section One. Section Two concerns the Findings and Analysis, and commences with Chapter 6, which presents an analysis and discussion of key characteristics of the final sample.

SECTION 2: FINDINGS AND ANALYSIS

Chapter 6: SAMPLE CHARACTERISTICS

Chapter 7: RISK MEASURES

Chapter 8: MEASURES OF CREATIVITY

Chapter 9: BIVARIATE RELATIONSHIPS

Chapter 10: SUMMARY AND CONCLUSIONS

*Chapter 11: LIMITATIONS AND RECOMMENDATIONS FOR
        FURTHER RESEARCH*

REFERENCES

APPENDICES

Chapter 6: SAMPLE CHARACTERISTICS

Introduction

Constitution of Sample by Sex of Respondent

Constitution of Sample by Age of Respondent

Constitution of Sample by Income of Respondent

Constitution of Sample by Length of Career in Advertising

Constitution of Sample by Marital Status

Constitution of Sample by Number of Dependants

Constitution of Sample by Age of Youngest Dependant

Summary and Conclusion

Chapter 6: SAMPLE CHARACTERISTICS

1 Introduction

This chapter describes and discusses the constitution and characteristics of the final sample in terms of the classification data captured in questions 13 to 24 of the questionnaire. Sex, age, income, length of career in advertising, marital status, number of dependants and age of youngest dependant are featured, as it is posited that they are among the determinants of risk behaviour (Jacoby and Kaplan, 1972; Sitkin and Pablo, 1992). The sample is compared with the sample frame and, where appropriate, with the population at large. The presence of non-response error is tested using the methodology described in the previous section.

2 Constitution of Sample by Sex of Respondent
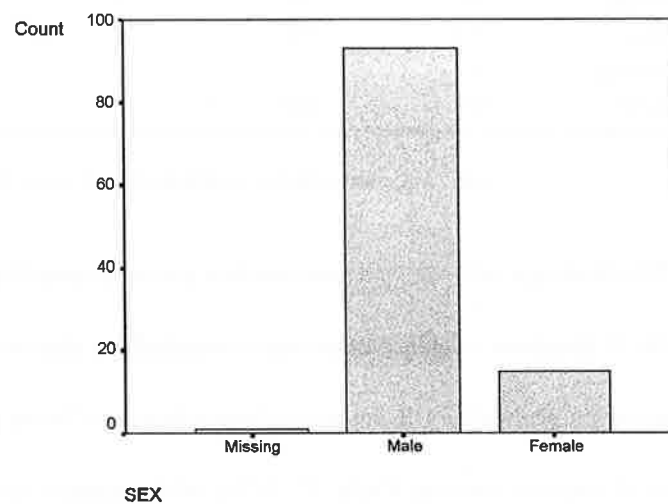
Fig. 13: Constitution of sample by sex of respondent.

Ninety-nine of the 115 respondents were male, 15 female, and one did not disclose this information (see Fig. 13, and Table 10). The high proportion of male respondents reflects the situation prevailing in the industry as a whole. In their 1998 study, Reid, King, and DeLorme devised a sample of 195 top-level US creatives by cross-referencing the 1995 *Advertising Age* list of top 200 US agencies with personnel information reported in the *Standard Directory of Advertising Agencies* (1996). Of their 83 usable returned completed questionnaires, 87% were from male respondents: exactly the same proportion as in this study. Alvesson (1998) found that the advertising industry is *"characterized by a rather clear gender division of labor* (sic) *in terms of creative and assisting jobs"*, with men tending to predominate the former and women the latter.

	FREQUENCY	PERCENT	1ST QUARTILE	4TH QUARTILE
Male	99	86	22	27
Female	15	13	5	2
Total	114	99	27	29
Missing	1	1	1	0
Total	115	100	28	29

Table 10: Constitution of sample by Sex of respondent

The findings of both of these studies are supported by the present research. A database of 856 names was compiled for this study from lists of creative staff supplied by the agencies themselves, and from published lists of winners of creative awards. Only 97 (11%) of the names on this list were recognisably female first names, compared with 685 (80%) who had recognisably male names. The first names of the remaining 66 (8%) were

either supplied in diminutive form (Chris, Pat, Alex, Sam, etc.), so might belong to persons of either sex, or were names of ethnic minority origin (such as Yu, Uche, Ylva, Lien, Kai, etc.) whose gender was not known to this researcher. At the very most, therefore, only 19% of this database may be female and then only if all 66 of these remaining individuals are female. In reality it is unlikely that all are female, and it would seem safe to assume that at least half of them are male. On this basis, 15.3% of the database would be female, which is closer to the sample 13%. By contrast, of the 36 names supplied for secretarial and assistant staff, 32 (91%) were female and three (9%) were male, further supporting Alvesson (op. cit.).

There were proportionately fewer females in the fourth quartile of respondents than in the first (see Table 6). It would be wrong, however, to conclude because of this evidence that there was a difference in the propensity of women to respond, for whatever reason, to this survey. There was one missing value in the first quartile. If we assume this case to have been female and thus this quartile to be even more "different" to the fourth, and taking the thereby adjusted observed frequencies of the first quartile as the expected frequencies for the fourth, we get:

	Expected (E) Q1	Observed (O) Q4
Male	22	27
Female	6	2
Σ	28	29

χ^2 1 d.f = 3.403, NS, p>0.05

It is therefore safe to conclude that differences between the two quartiles are simply due to sampling fluctuations. Comparing the male: female ratio of the sample to that of the database, and assuming all 66 cases with non-gender specific names to be female (the least favourable scenario), it is clear that there is no significant difference:

	Database (E)	Sample (O)
	%	%
Male	81	86
Female	19	13
	99	99

χ^2 1 d.f = 2.204, NS, p>0.05

3 Constitution of Sample by Age of Respondent
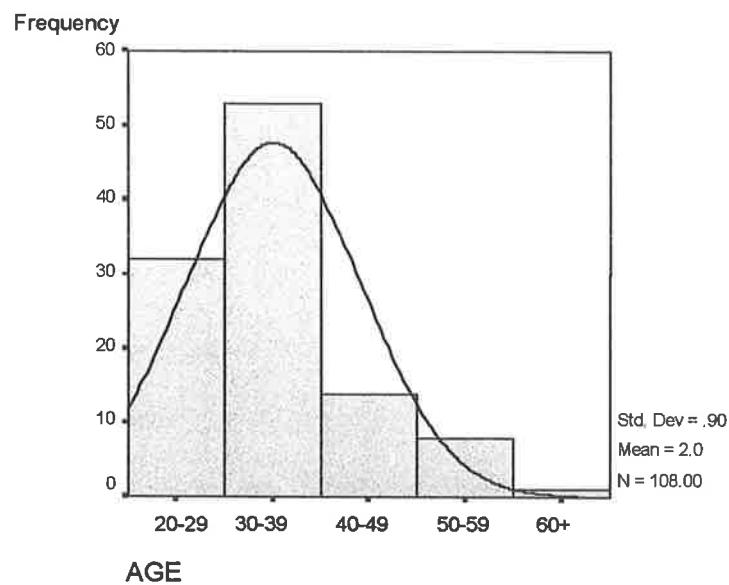
Fig. 14: Constitution of sample by age of respondent.

The sample was skewed (0.841), with the mean age of respondents 34.5 years, the mid-point of the 30-39 year age group, to the left of the

distribution. This was also the modal group, representing 46.1% of respondents. As can be seen in the Fig. 14[15] and in Table 11, the next group, the 40-49 year olds, had far fewer members (17, or 14.8% of respondents). This decline continued into the two older groups.

AGE (YEARS)	FREQUENCY	VALID %	CUM %
20-29	35	31	31
30-39	53	47	77
40-49	17	15	92
50-59	8	7	99
60+	1	1	100
Total	114	100	
Missing	1		
Total	115		

Table 11: Constitution of sample by Age of respondent

There were eight respondents aged 50-59, only one aged 60 or over, and one missing value where the respondent failed to disclose his or her age. Only 23% of respondents were over the age of 39, compared with 31% below the age of 30. As with sex, this distribution reflects the structure of the advertising industry. The average age of advertising executives is below 50 (Carrigan and Szmigin, 1999). In 1995, the average age of US advertisers' representatives was 31 years and the average age of agency account executives 28 years (Thomas and Wolfe, 1995). Agency executives in Europe are also predominantly in their 20s and 30s (Miller, 1998; Treguer, 1998).

Comparing the age distribution of first and fourth quartiles, using Q1 observed values as expected values for Q4, we find:

[15] Fig. 14, like similar charts presented throughout this dissertation, shows a histogram of the distribution, with a normal curve superimposed, for comparison.

	Expected (E) Q1	Observed (O) Q4	O-E	$(O-E)^2$	$\dfrac{(O-E)^2}{E}$
20-29	7	11	4	16	2.28
30-39	16	9	-7	49	3.06
40-49	2	6	4	16	8.00
50-59	2	3	1	1	0.50
60+	0	0	0	0	0.00
Σ					8.50

$\chi^2_{4df} = 8.5$, NS, p >0.05, thus there is no significant difference between the two quartiles with respect to age. Collapsing the table to avoid expected cell counts below five gives $\chi^2_{1df} = 0.925$, NS, p >0.05.

4   Constitution of Sample by Income of Respondent
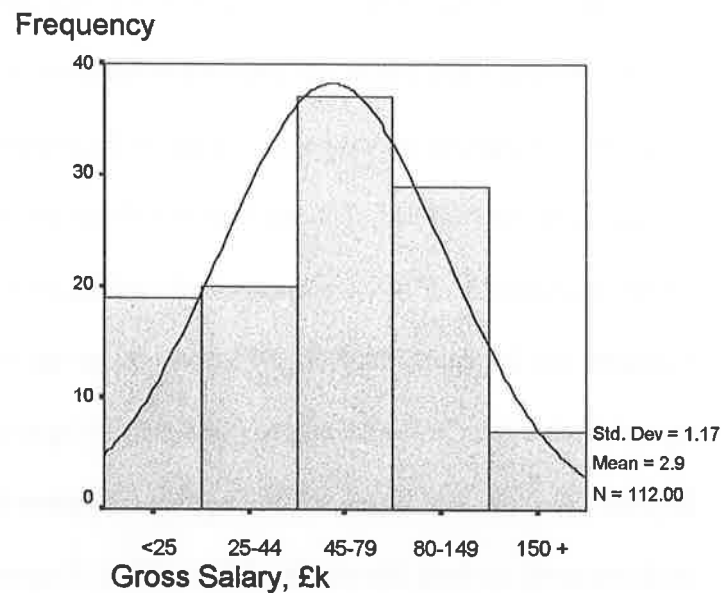
Fig. 15: Constitution of sample by gross salary of respondent.

The mean for Gross Salary was in the £45,000 to £79,999 category, and this is the modal group (37 people). Thirty-six respondents in the next two categories combined earn more, and 39 (two categories) earn less. It should

be noted that the categories are not evenly spaced. Excluding the non-finite final category, "More than £150,000", the biggest range is "£80,000 to £149,999" (£70,000) and the smallest "Less than £25,000" (it is reasonable to assume that starting salaries are in double figures). In spite of this incremental spacing the distribution of respondents across the five categories approximates quite well to a normal distribution, indicating the appropriateness of the categories chosen.

Gross Salary in £000	Expected (E) Q1	Observed (O) Q4	O-E	$(O-E)^2$	$\dfrac{(O-E)^2}{E}$
<25	4	4	0	0	0.25
25-44.9	6	2	-4	16	2.67
45-79.9	10	12	2	4	0.40
80-149.9	6	10	4	16	2.67
150+	1	1	0	0	0.00
Σ					5.99

$\chi^2_{4df} = 5.99$, NS, p >0.05. There is no significant difference between the first and fourth quartiles. In order to ensure no cell with an expected value below five, the first two and the last two income groups were collapsed and chi-square recalculated. As expected, this was still non-significant: $\chi^2_{2df} = 2.002$, NS, P > 0.05.

4.1 Income vs. Age

As might be expected, higher salaries tended to be earned by older advertising executives, who had achieved positions of seniority. As can be seen in Table 12, no respondent over the age of 40 earned less than £45,000. Although 20 of the 29 respondents earning between £80,000 and £149,999

were below the age of 40, all of those earning £150,000 or more were over 40 years old.

INCOME, X 1,000 AGE	<£25	£25-44.9	£45-79.9	£80-149.9	£150+	TOTAL
20-29	17	13	4	1		35
30-39	2	7	25	19		53
40-49			6	5	5	16
50-59			1	4	2	7
60+			1			1
Total	19	20	37	29	7	112

Table 12: Constitution of sample by Age and Gross Salary of respondent

4.2   Income vs. Sex

Table 13 shows gross salary by sex and age of respondent. Given the number of women in the sample, they are significantly over-represented in the lowest bracket: 42% observed vs. 13% expected, according to the proportions in the sample (χ^2 1df =13.54, p<0.005). Although the number of women in each of the next two categories is less than expected, the differences are not statistically significant (χ^2 = 1.174, 2.03 respectively). For the £80,000 to £149,999 bracket, the observed values are closer to the expected, and at the very highest level the observed number of women actually exceeds the expected value, albeit for a very small sample. Differences for these two categories were also not statistically significant (χ^2 = 2.03, 0.228), however. The larger than expected number of women at the lowest level (42% of those earning less than £25,000 are women) does not appear to be the result of

equal opportunity recruitment policies, as only 17% of respondents in the youngest age group are women.

AGE	SEX	GROSS SALARY, 000					TOTAL
		<£25	£25-44.9	£45-79.9	£80-149.9	£150+	
20-29	Male	11	13	4	1		29
	Female	6					6
30-39	Male		6	24	17		47
	Female	2	1	1	2		6
40-49	Male			5	4	4	13
	Female			1	1	1	3
50-59	Male			1	4	2	7
	Female						
60+	Male			1			1
	Female						
	Total	19	20	37	29	7	112

Table 13: Constitution of sample by Sex, Age and Gross Salary of respondent

Not one woman below the age of 30 was earning more than £25,000, whereas 13 men in the same age bracket claimed to earn between £25,000 and £44,999, four between £45,000 and £79,999, and one more than £150,000.

5   Constitution of Sample by Length of Career in Advertising

The mean length of career in advertising was 11.88 years, with standard deviation of 8.62 years. The minimum career length was one year, the maximum 35. The distribution is multi-modal, with peaks at 5, 10, 15, and 20 years. A possible explanation for this may be that people chose, perhaps for convenience, to report in multiples of five years. Similar rounding and grouping effects have been encountered by other researchers in different

fields. In a study based on Roper[16] opinion poll data spanning the period 1937-1987, Basil (1990) encountered this effect with regard to the way people surveyed reported their ages. See also Schindler and Kirby (1997), Ouwersloot, Nijkamp and Pepping (1997) and Small, (1982).
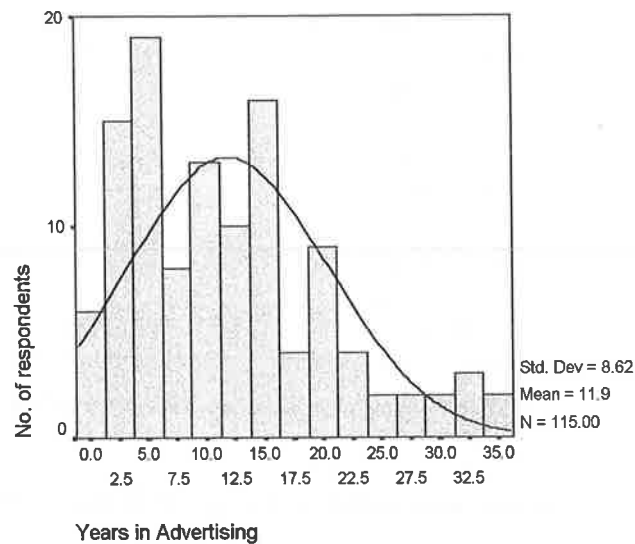
Fig. 16: Constitution of sample by Length of Career in Advertising.

As with age, the sample is heavily skewed (0.884) to the left. This is clearer when the data are grouped in five-year intervals, as in Fig. 17, below. Although the mean length of career was 11.9 years, the modal length (grouped data) was considerably less, at one to five years.

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[16] A US annual national opinion survey, sample size c. 60,000
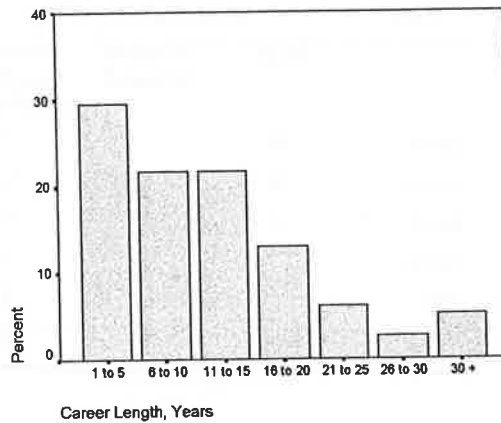
Fig. 17: Length of Career in Advertising (Grouped).

There was no significant difference between the first quartile (mean 10.79 years, SD 7.29) and the fourth (12.79 years, SD 9.19) for length of career in advertising [t_{55} = -0.911, p>0.05], hence less chance of non-response error.

6   Constitution of Sample by Marital Status

MARITAL STATUS	FREQUENCY	%
Single	46	40
Divorced/Widowed	3	2.6
Married/ Long-Term Relationship	65	56.5
Total	114	99.1
Missing	1	0.9

Table 14: Constitution of sample by Marital Status

Over half (56.5%) of the sample were either married or in a long-term relationship. A large minority (40%) were single. This is partially explained by the age distribution (see Table 15), with 28 of the 46 singles aged 20 to 29.

AGE	MARITAL STATUS			TOTAL
	Single	Divorced/ Widowed	Married/ Long Term Relationship	
20-29	28		7	35
30-39	16	1	36	53
40-49	2	1	14	17
50-59		1	7	8
60+			1	1
Total	46	3	65	114

Table 15: Constitution of sample by Age and Marital Status

No significant difference was found between the two quartiles as regards marital status: $\chi^2_{1df} = 0.083$, NS, p > 0.05.

	Q1 (E)	Q4 (O)
Single/Divorced/Widowed	12	14
Married/LT Relationship	15	15

7   Constitution of Sample by Number of Dependants
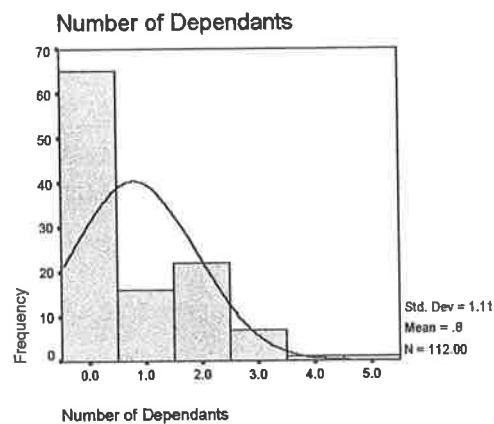
Fig. 18: Constitution of sample by Number of Dependants.

DEPENDANTS	FREQUENCY	%
0	65	56.5
1	16	13.9
2	22	19.1
3	7	6.1
4	1	0.9
5	1	0.9
Total	112	97.4
Missing	3	2.6
TOTAL	115	100

Table 16: Constitution of sample by Number of Dependants

As can be seen in Fig.18 and Table 16 above, the sample distribution is heavily skewed to the left, 56.5% of respondents having no children. Using t-tests, no significant difference was found between the first and fourth quartiles with regard to number of children (p= 0.318). The 40% of respondents who were single (there was only one single parent in the entire sample) accounted for 68% of childless respondents. Of the 67 respondents who were or had been married or in a long-term relationship, 21 (31%) were also childless (Table 17, below).

MARITAL STATUS	NUMBER OF DEPENDANTS						TOTAL
	0	1	2	3	4	5	
Single	45	1					46
Divorced/ Widowed	1	1	1				3
Married/ Long term relationship	20	14	21	7	1	1	64
TOTAL	65	16	22	7	1	1	112

Table 17: Constitution of sample by Marital Status and No. of Dependants

8 Constitution of Sample by Age of Youngest Dependant

Excluding those who were childless, the modal age of youngest dependant (Table 18) was 2 years (10.4% of sample). 33% of all respondents

were Full Nest I, with the youngest child below the age of six (Wells and

Gubar, 1966) and 25% were Full Nest II (youngest child six or over). There

was no significant difference between the first and fourth quartiles with

respect to age of youngest dependant (χ^2 10 d.f: 16.25, NS, p>0.05).

AGE OF YOUNGEST DEPENDANT	FREQUENCY
None	34
Below 6	27
6 to 11	10
12 to 17	7
18 +	3
	81

Table 18: Constitution of sample by Age of Youngest Dependant

9   Summary and Conclusion

In this chapter the sample has been examined with respect to

representativeness for the key characteristics of sex, age, income, length of

career in advertising, marital status, number of dependants, and age of

youngest dependant. With respect to sex, the sample is typical of the

advertising agency creative population of London, with males dominating

creative roles. This supports Alvesson's (1998) study, which was based on

Swedish data, and Reid et al. (1998), and is reflected in remuneration levels.

The sample also supports earlier findings (Carrigan and Szmigin, 1999; Miller,

1998; Treguer, 1998; Thomas and Wolfe, 1995) that advertising is a young

profession. Whilst it has not been possible to provide direct comparisons with

either secondary data or other studies with respect to marital status, number

of dependants, family life-cycle stage, and length of career in advertising, these factors are consistent with the young age profile of much of the sample.

Moreover, the first and fourth quartile of responses for each of these classification items were compared for significant difference as a proxy for differences between responders and non-responders, in order to identify any possible sources of non-response error. There was no significant inter-quartile difference for any of the classification data. It is safe, therefore, to conclude that there is no significant non-response error with regard to sample constitution, and that the sample is representative of the population from which it is drawn. Having examined, in this chapter, some of the principal characteristics of the sample, and confirming that it is in all respects representative, the following chapter will present the results of the risk measures.

Chapter 7: RISK MEASURES

Chapter 7: RISK MEASURES

1   Introduction

In this chapter, the results from the various risk measures are examined, and, where appropriate, compared with classification items, to test for the existence of any sub-groups with significantly different risk propensities. The first item to consider is personal risk propensity.

2   Personal Risk Propensity

This was assessed using the fifteen item multivariate seven-point scale described in detail in Chapter 5, paragraph 3.2.1. The scale incorporates three sub-scales, comprising attitudes to risk in social, experiential and financial contexts, following Roselius (1971), and Jacoby and Kaplan (1972). It is recognised that people may behave differently in relation to these different types of risk: it would therefore be unsafe to rely on a measure that failed to consider all of these dimensions. Personal risk attitude was also measured using Prospect Theory, for comparative purposes, and to test the applicability of Prospect Theory to non-laboratory situations. We shall first consider Personal Attitude to Risk in a Social context.

2.1   Personal Attitude to Risk in a Social Context

This was measured using the first five items of the fifteen item multivariate scale PARTOT. These were: "I almost always accept a dare", "I like to be with people who are unpredictable", "Rarely, if ever, do I do

anything reckless" (reverse coded), "I would never pass up something that sounded like fun just because it sounded a bit hazardous", and "I like to take a chance on something that isn't sure, such as gambling"[17]. The possible score after recoding ranged from a minimum of five to a maximum of 35, and the actual range was from five to 32 (Fig. 19). The sample mean was 21.26, with SD of 5.25.
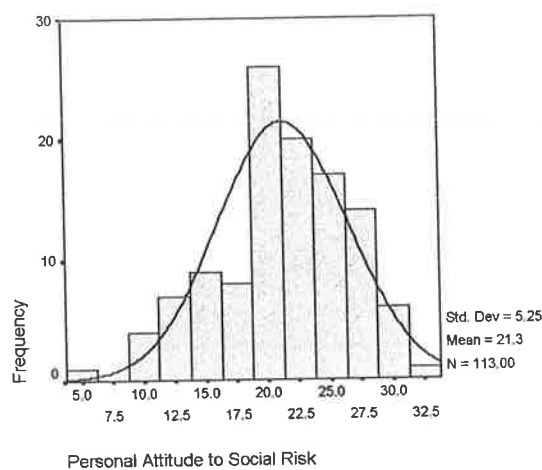
Fig. 19: Personal Attitude to Social Risk.

The means of the first and fourth quartiles were 21.5 and 21.75 respectively (SD 5.59, 4.81), with no significant difference [t_{54} = -0.179, NS, p = 0.858] between the two. This is particularly clear from the error graph (Fig. 20) showing the mean and spread of all four quartiles. Clearly there is no significant difference between the first and fourth quartiles with regard to personal attitude to social risk, and therefore there is unlikely to be any non-response bias with regard to this measure.

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[17] See Appendix 4 for the full questionnaire.
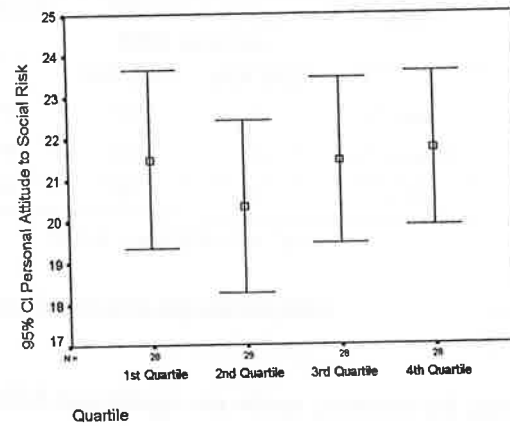
Fig. 20: Inter-Quartile Error Bar Graph for Personal Attitude to Social Risk.

Age (Table 19) had no significant effect on attitude towards social risk. Although proportionately fewer of the under 30s were in the low-risk group, there were not many more in the high-risk group, with the majority taking the medium risk position. The other age groups displayed the reverse pattern, with a minority taking the middle position, and an equal quantity taking the extremes.

AGE		ATTITUDE TO SOCIAL RISK			
		Low Risk	Medium Risk	High Risk	Total
Under 30s	%	27	41	32	100
All Others	%	36	30	34	100
N		37	37	38	112

$(\chi^2_{2df} = 3.051, NS, p > 0.05)$

Table 19: Attitude to Social Risk and Age

Sex had the predicted effect on attitude to social risk (Table 20): significantly more women, i.e. 66% of all women, are in the lower risk group, compared with 45% of men. This supports H1B: personal risk propensity is a function of sex, as expected.

SEX	ATTITUDE TO SOCIAL RISK		TOTAL	
	Low Risk	High Risk		N
Male, %	45	55	100	97
Female, %	66	34	100	15
N =	54	58	112	

$(\chi^2 \ 1df = 8.928, p = 0.003)$

Table 20: Sex, and Attitude to Social Risk

Income, by contrast, made no significant difference to Social Risk propensity (Table 21), so H1C, which concerns the relationship between income and personal risk propensity, is not supported by this measure. Respondents were asked to indicate to which of five income groups (as measured by gross salary) they belonged. Dividing the file into two groups for social risk attitude, marginally more respondents earning less than £25,000 per year than expected are in the low risk group. The pattern is reversed for those earning between £25,000 and £45,000, with fewer than expected. However, the next group (£45,000 to £80,000) reverts to the original pattern, whilst those in the two highest earning groups are more or less as expected.

GROSS SALARY		SOCIAL RISK	
		Low Risk	High Risk
Less than £25,000	Count	10	9
	Expected	9.2	9.8
£25 to 44,999	Count	6	14
	Expected	9.6	10.4
£45 to 79,999	Count	20	16
	Expected	17.3	18.7
£80, 000 or more	Count	17	18
	Expected	16.9	18.1
N = 110		53	57

$(\chi^2 \; 3df = 3.585 \; NS, \; p> 0.05)$

Table 21: Income and Attitude to Social Risk

There was a significant link between family life cycle stage and attitude to social risk (Table 22), with Full Nest 1 respondents, i.e. those with dependants below the age of 6 years (Wells and Gubar, 1966) being significantly more risk averse than all other categories. Sixty-three percent held a low risk attitude, compared to an expected value of 47%, and 43% for all other respondents. With the exception of parents of 6 to 11 year-olds, the majorities of all other categories of respondent favoured risk taking. This gives support to H1D, which states that personal risk propensity is a function of family life-cycle stage.

AGE OF YOUNGEST DEPENDANT		ATTITUDE TO SOCIAL RISK		TOTAL
		Low Risk	High Risk	
Below 6,	%	63	37	100
All Others,	%	43	57	100
N		53	58	111

$(\chi^2 \; _{1df} = 8.029, \; p= 0.005)$

Table 22: Attitude to Social Risk and age of Youngest Dependant

2.2   Personal Attitude to Experiential Risk (PAREXP)

This measure is based on the next five items of PARTOT. These items were: "A good painting should shock or jolt the senses", "I like the idea of riding a motorcycle to work", "I would like to have the experience of being hypnotised", "I would like to try parachute jumping", and "I would like to dive or jump right into a cold pool". The mean was 20.3, which, like personal attitude to social risk, was from a possible score ranging from 7 to 35 (see Fig. 21).
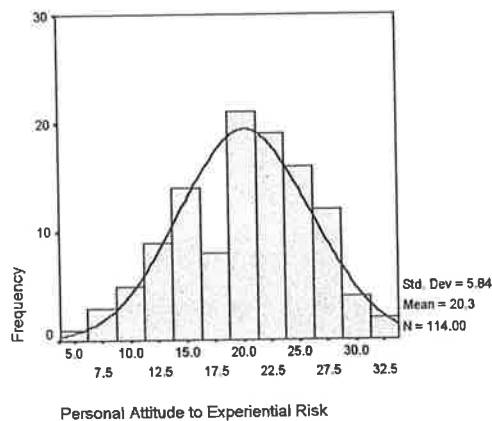
Fig. 21: Personal Attitude to Experiential Risk.

The means of quartiles 1 and 4 were 19.54 and 20.97 respectively, with SD 6.30 and 3.95, and no significant difference [t_{55} = -1.03, p = 0.308]. Although quartile 4 has a much narrower spread, the two quartiles are clearly from the same population (see Fig. 22).
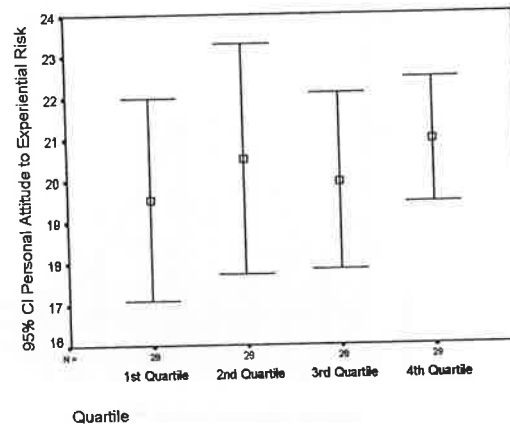
Fig. 22: Inter-Quartile Error Bar Graph for Personal Attitude to Experiential Risk.

There was no significant difference for sex (χ^2_{1df} = 0.028, NS, p= 0.867); age (χ^2_{1df} = 3.484, NS, p= 0.062); income (χ^2_{4df} = 2.199, NS, p= 0.699); or age of youngest dependant (χ^2_{1df} = 0.000, NS, p= 0.994) (tables not shown).

2.3 Personal Attitude to Physical Risk (PARPHYS)

This measure is a subset of "experiential risk" that consists of the three variables that involve an element of physical risk: "I like the idea of riding a motorcycle to work", "I would like to try parachute jumping", and "I would like to dive or jump right into a cold pool". The mean value was 11.49, with SD 4.28, and minimum and maximum scores of 3, and 20, from a range of 3 to 21 (Fig. 23). Quartiles 1 and 4 had means of 10.86 and 12.17, with SD 4.81 and 2.87. There was no significant difference [t_{55} = -1.259, p = 0.213], thus less likelihood of non-response error.
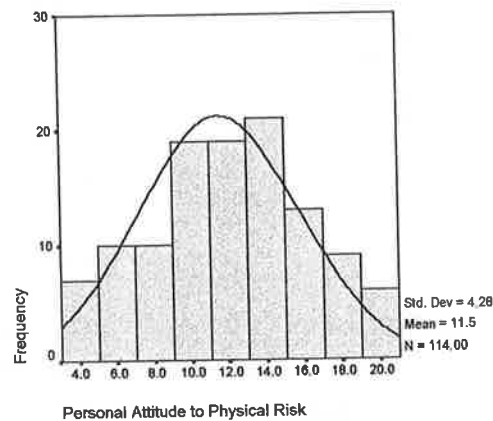
Fig. 23: Personal Attitude to Physical Risk.

There was variation according to age, the under-30 age group (mean 12.71) having a non-significant difference in attitude to physical risk when compared to all others (mean 11.0, p = 0.052, NS), and when compared to over 60s (mean 9, p = 0.296, NS). When analysed categorically using chi squared, however, the age effect was more apparent, with a higher proportion of under-30s having a higher propensity towards physical risk than those aged 30 and above (Table 23), supporting H1A, that personal risk propensity is a function of age.

PHYSICAL RISK PROPENSITY		AGE	
		<30	30+
Low	Observed	11.0	43.0
	Expected	16.2	37.8
High	Observed	23.0	36.0
	Expected	17.8	41.2
Total	Observed	34	79
	Expected	34	79

$$\chi^2 \ 1 d.f. = 4.643, p = 0.031$$

Table 23: Physical Risk Propensity and Age

The mean score for women was lower than that for men (10.87 vs. 11.61), offering some support to H1B, but not significantly so (p = 0.533). Again, when analysed categorically (Table 24), the proportion of women in the low risk group was significantly higher than that of men. Looked at in this way there is a significant relationship between sex and physical risk, and H1B, that personal risk propensity is a function of sex, is supported.

PHYSICAL RISK PROPENSITY	SEX	
	Male	Female
	%	%
Low Risk	54	73
High Risk	46	27
Total	100	100
N	98	15

χ^2 1d.f. = 7.788, p < 0.01

Table 24: Physical Risk Propensity and Sex

There is a significant relationship between attitude to physical risk and gross salary. This is not surprising since income and age are also correlated, as are age and physical risk. There was a significant difference (t_{46}=2.062, p = 0.045) between respondents earning less than £25,000 (mean 12.84), 89% of whom were below the age of 30, and those earning from £80,000 to £149,999 (mean 10.24). On average, those earning less than £45,000 were significantly more willing to take physical risks than were those on salaries of £45,000 and above (t_{109}=-2.202, p = 0.03). This supports H1C, that personal risk propensity is a function of income. There was no significant difference according to age of youngest dependant.

2.4   Personal Attitude to Financial Risk (PARFIN)

This was measured using the last five statements from the fifteen-item scale: "Life insurance coverage is essential", "I save voluntarily on a systematic basis", "I hold my personal wealth in secure assets", "I often take bets", and "I normally purchase travel insurance before flights". All but the fourth of these were reverse-coded. The mean after recoding was 17.10, with SD 5.57 and low and high scores of 7 and 33, from a possible range of 5 to 35. Quartiles 1 and 4 had means of 16.54 and 17.86, with SD 5.49 and 5.54. There was no significant difference between the two quartiles (p = 0.374), so less likelihood of non-response error.

Personal Attitude to Financial Risk
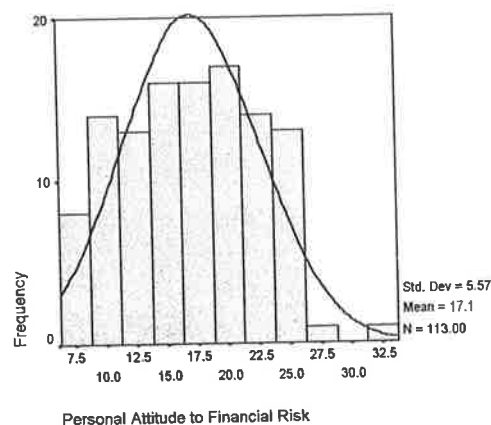
Fig. 24: Personal Attitude to Financial Risk.

There was significant variation according to age (Table 25), as was expected, with Under 30s tending to have riskier financial attitudes, further supporting H1A, but none for sex (x^2 2d.f. = 0.606, NS, p = 0.738) (table not shown).

AGE		ATTITUDE TO FINANCIAL RISK			TOTAL
		Low	Medium	High	
Under 30s	Count	5	21	8	34
	Expected	11.8	17.9	4.3	
All Others	Count	34	38	6	78
	Expected	27.2	41.1	9.8	
Total	Count	39	59	14	112

$$\chi^2_{2df} = 11.189, p = 0.004$$

Table 25: Age and Attitude to Financial Risk

There was, however, significant variation in attitude to financial risk according to income (Table 26): low scorers for this attribute included fewer lower earners and more high earners than numerically expected. High-scorers, those more willing to take financial risks, included a greater number of lower earners and fewer higher earners than expected. Correlation was significant (p <0.001), although rather weak (R = - 0.355). This inverse relationship between income and financial risk propensity is entirely consistent with Prospect Theory (Kahneman and Tversky, 1979) and the literature on the role of the reference point in risk-taking (Fiegenbaum and Thomas, 1986), and further supports H1C, that personal risk propensity is a function of income.

FINANCIAL RISK PROPENSITY	GROSS SALARY		
	Less than £45,000	£45 to £79,999	More than £80,000
Low Risk	4	13	21
Medium Risk	16	11	6
High Risk	19	11	9
Total	39	35	36

$$(\chi^2_{4df} = 19.568, p = 0.001)$$

Table 26: Gross Salary and Attitude to Financial Risk

The high-risk group also tended to be childless (Table 27): 68% had no children, supporting H1D, and younger. Eighty-six per cent more than expected were in the youngest age group, supporting H1A, that Personal Risk Propensity is a function of age. There was no difference in financial risk attitude between the sexes, so H1B is unsupported with regard to financial risk.

FINANCIAL RISK PROPENSITY		NUMBER OF DEPENDANTS		
		None	1 or more	Total
Low Risk	%	42	58	100
Medium Risk	%	64	36	100
High Risk	%	68	33	100
Total	%	58	42	100

$(\chi^2 \; 2df = 15.569, \; p = 0.001)$

Table 27: Number of Dependants and Attitude to Financial Risk

2.5   Personal Risk Propensity (PARTOT)

PARTOT is the sum of the three variables PARSOC, PAREXP and PARFIN, i.e. it comprises the fifteen items in the multivariate scale, and provides the measure of Personal Risk Propensity. While the minimum possible value was 15, and maximum 105, observations ranged from 30 to 83. The sample mean was 58.61, with SD of 12.13. Quartiles 1 and 4 had means of 57.57 and 60.67, with SD 12.62 and 9.88. There was no significant difference (p = 0.317) between the two.

There was significant variation according to age, as previously found by other researchers, such as Hambrick and Mason (1984) and MacCrimmon

and Wehrung (1990). The under-30 age group in this study (mean 62.91) exhibited a significant difference in attitude to risk when compared to all others (mean 56.75, p = 0.013).
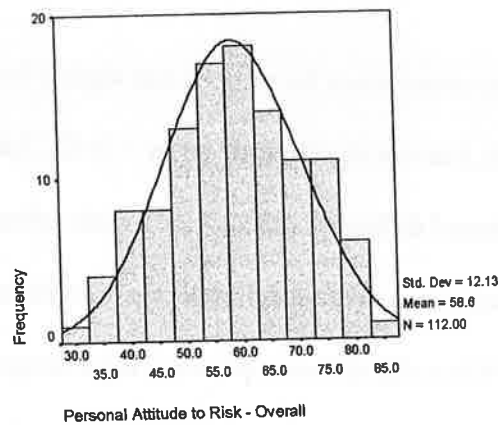
Fig. 25: Personal Risk Propensity – Overall.

In Table 28 (below), the under 30s are significantly under-represented and "All Others" are significantly over-represented in the low-risk group. Younger creatives are less risk-averse, or are more inclined to take such risks, than are their elders. The age of the respondent made a significant difference to overall risk attitude.

AGE	PERSONAL RISK PROPENSITY			
	Low	Medium	High	Total
Under 30s, %	17	32	50	100
All Others, %	38	36	26	100
N	35	39	37	111

$(\chi^2_{2df} = 15.828, p= 0.000)$

Table 28: Age and Personal Risk Propensity

H1A is supported: age primarily affects personal propensity towards physical and financial risks, with younger respondents more risk seeking, but this effect is sufficiently strong for it to impact positively on personal risk propensity as a whole.

The mean score for women was slightly lower than that for men (56.27 vs. 59.01), but not significantly so (p = 0.42). Although Arch (1993) found gender-based differences in attitude to risk-taking, in this study, gender-based differences were only found with regard to risks of a social and physical nature. When the different personal risks categories are summated into Personal Risk Propensity, the difference is no longer apparent, so H1B, that personal risk propensity is a function of sex, is only partially supported by this measure. There was low (r = -0.216) but significant (p=0.024) negative correlation between personal risk propensity and gross salary, supporting the notion of risk seeking below reference point (Fiegenbaum and Thomas, 1988), and H1C, that risk propensity is a function of income. Respondents with dependants below the age of six had lower mean Personal Risk Propensity than all others, supporting H1D.

3 Risk Attitude According to Prospect Theory

Having examined the multivariate measure Personal Risk Propensity, we shall now consider risk attitude according to Prospect Theory. Kahneman and Tversky (1979) determined the risk attitude of individual subjects by posing a series of hypothetical monetary gambles. These are of two main types, and are designed to assess the behaviour of individual respondents

when faced with the prospect of making gains, or with the prospect of making losses. This is necessary because of the effect of problem framing on risk attitude, identified by Kahneman and Tversky (op. cit.). The analysis commences with an examination of risk attitude in the domain of gains, which is derived from Question 2 of the quantitative questionnaire (see Appendix 4). There are five parts to the question, each representing an increased level of risk. Respondents were asked to choose between "A" and "B" for each question part. A respondent is deemed to be more risk-seeking the greater the number of As returned, with a score of zero being the lower, and five the upper limit.

3.1   Risk Attitude according to Prospect Theory in the Domain of Gains

Std. Dev = 1.50
Mean = 3.2
N = 114.00

Prospect of Winning
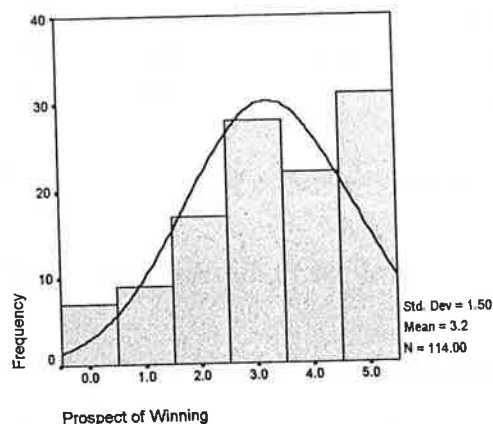
Fig. 26: Risk Attitude under Prospect Theory in the Domain of Gains.

The mean for this was 3.25, with SD 1.5 and low and high scores of 0 and 5, from a possible range of 0 to 5. Quartiles 1 and 4 had means of 3.43 and 3.24 with SD 1.64 and 1.33. There was no significant difference [t_{55} = 0.474, p = 0.637].

The distribution appears to be bi-modal, with 24% on the mid-point score of three, and a larger proportion of respondents, 27%, on the extreme score of five. This suggests two sub-populations – a group that takes the extreme risk position, and a group that is more normally distributed. Although 70% of the extreme risk group (PROSWIN = 5) are below the age of 40, and 47% of the below 40s are in this group, the distribution does not differ significantly from the expected given the constitution of the sample, 77% of whom are below the age of 40 (see Fig. 14 and Table 11). Observed and expected values for the different age groups, and the resultant value for chi squared, are as follows (Table 29):

AGE	EXPECTED (E)	OBSERVED (O)	O-E	$(O-E)^2$	$\dfrac{(O-E)^2}{E}$
20-29	30.4	23.3	-7.1	50.41	1.66
30-39	46.1	46.7	0.6	0.36	0.00
40-49	14.8	16.7	1.9	3.61	0.24
50+	7.9	13.3	5.4	29.16	3.69
Σ	99.2	100			5.59

$(\chi^2 \text{ 3 d.f.} = 5.59, \text{NS}, p>0.05)$

Table 29: Extreme Risk Group (Prospect of Winning), by Age

The difference in risk attitude is therefore not attributable to age. Nor does it appear to be attributable to sex (Table 30), as there is no significant divergence in the distribution of sexes from that expected. Care should be taken with this result however since both expected and observed values for women in the extreme risk group are below five, and it is known that chi-squared is unreliable where expected values are below five.

	EXPECTED (E)	OBSERVED (O)	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
Male	26.3	28	1.7	2.89	0.11
Female	3.7	2	-1.7	2.89	0.78
Σ					0.89

$(\chi^2$ 1 d.f. = 0.89, NS, p>0.05)

Table 30: Extreme Risk Group (Prospect of Winning), by Sex

There is, however, a significant difference with regard to gross salary: 43% of the extreme risk group were earning over £80,000 compared to the 32% expected (Table 31).

GROSS SALARY:	EXPECTED %	OBSERVED %
<£25k	16	7
£25-44.9	18	18
£45-79.9	33	32
£80-149.9	26	39
£150+	6	4
Σ	99	100

$(\chi^2$ 4 d.f. = 12.99, p<0.025)

Table 31: Extreme Risk Group (Prospect of Winning), by Gross Salary

This finding appears to contradict what we know from Prospect Theory, where individuals operating below their reference points tend to be more risk seeking, whilst those above are relatively risk averse. It also contradicts the finding form Personal Risk Propensity in this study, i.e. that low earners are more ready to take risks than are high earners. There is in fact a simple explanation for this. Since risk is the significance of a loss multiplied by the

probability of its occurrence (Mitchell, 1995), it will vary according to the size of the loss relative to the respondent's income and/or current wealth. Wealthy individuals will *perceive* less risk than will the less wealthy for given absolute losses. This difference in Risk Perception will have a moderating effect on Risk Behaviour, whatever the Risk Propensity (c.f. Sitkin and Pablo, 1992; Sitkin and Weingart, 1995) with regard to financial losses and gains[18]. What appears to be the high-risk group according to the Prospect Theory questions is a high-wealth group. This was confirmed by comparing PROSWIN scores with PARTOT (Personal Risk Propensity). There is no significant relationship between membership of the high-risk group under prospect theory and that under Personal Risk Propensity (Table 32):

PERSONAL RISK PROPENSITY	EXPECTED	OBSERVED
<50	10	11
50 to 59	10	9
60+	10	10
Total	30	30

$(\chi^2$ 2 d.f. = 0.1, NS, p=0.95)

Table 32: Extreme Risk Group (Prospect of Winning) and Personal Risk Propensity

This demonstrates the difficulty of applying the kind of question used by Kahneman and Tversky (1979) to sample populations with a wide range of incomes and/ or wealth.

---

[18] Incidentally, this also goes some way to explain MacCrimmon and Wehrung (1990), who found that successful senior executives were more willing to take risks than were their less-successful peers.

Having considered the findings for risk attitude according to Prospect

Theory under gains, we will now consider those for risk attitude according to

PT in the domain of losses.

3.2 <u>Risk Attitude according to Prospect Theory in the Domain of Losses</u>
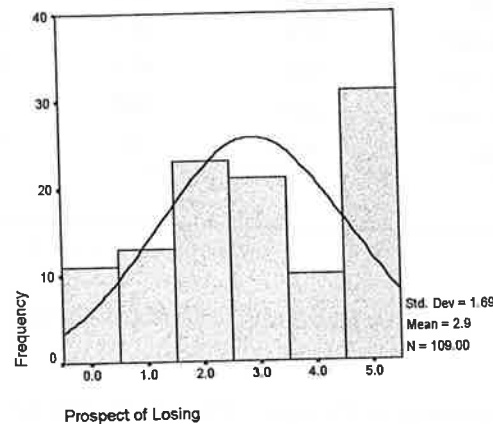
Fig. 27: Risk Attitude under Prospect Theory in the Domain of Losses.

The mean for this was 2.91, with SD 1.69 and least and highest scores

of zero and 5, from a possible range of 0 to 5. Quartiles 1 and 4 had means of

3.00 and 2.96, respectively, with SD 1.81 and 1.56. There was no significant

difference [$t_{51} = 0.080$, $p = 0.937$]. Six respondents had difficulty with this

question, claiming they would rather lose £500 for sure than take a chance of

losing £1,000 or losing nothing (which is a logical choice), but that they would

rather risk the same £1,000 or nothing loss than lose £100 for sure. The six

missing values explain the fewer degrees of freedom.

As with PROSWIN, the distribution was bi-modal, with 18.3% on the

mid-point score of three, and a larger proportion of respondents, 27%, on the

maximum score of five. There is no clear reason for this. As with PROSWIN,

there was no significant divergence from the expected values for age or sex for these high scorers. Unlike PROSWIN, there was no significant divergence from the expected values for income (Table 33).

GROSS SALARY	EXPECTED (E)	OBSERVED (O)	O-E	(O-E)²	$\frac{(O-E)^2}{E}$
<£25k	16.5	13.3	-3.2	10.24	0.62
£25-44.9	17.4	16.7	-0.7	0.49	0.03
£45-79.9	32.2	43.3	11.1	123.21	3.83
£80-149.9	25.2	20.0	-5.2	27.04	1.07
£150+	6.1	6.7	0.6	0.36	0.06
Σ					5.61

$(\chi^2_{4df} = 5.61, \text{NS}, p > 0.05)$

Table 33: Extreme Risk Group (Prospect of Losing), by Gross Salary

According to Prospect Theory, people are risk averse in the domain of gains and risk seeking in the domain of losses. This was not borne out by this sample. The mean score for PROSWIN was 3.25, while that for PROSLOSE was 2.91, indicating a greater willingness to take risks in the domain of gains than in that of losses, although more respondents took the extreme risk position for PROSLOSE than did for PROSWIN, which was consistent with Prospect.

PROSWIN and PROSLOSE are nevertheless significantly correlated. Taking the percentage observed mean values for PROSWIN as the expected mean percentage values for PROSLOSE (Table 34) then $\chi^2_{5df} = 12.54$, $p < 0.05$. PROSWIN is significantly skewed to the right (-0.525, $z = -2.32$), indicating risk seeking. PROSLOSE, although skewed in the same direction, is not significantly so (-0.160, $z = 0.692$). This apparent lack of support for

Prospect Theory may perhaps be due to the difficulty reported above and hence *respondent error* in completing PROSLOSE.

SCORE FOR PROSPECT	PROSWIN % (E)	PROSLOSE % (O)	O-E	$(O-E)^2$	$\dfrac{(O-E)^2}{E}$
0	6.1	9.6	3.5	12.25	2.01
1	7.8	11.3	3.5	12.25	1.57
2	14.8	20.0	5.2	27.04	1.82
3	24.3	18.3	6.0	36.00	1.48
4	19.1	8.7	-10.4	108.16	5.66
5	27.0	27.0	0.0	0.00	0.00
Σ					12.54

$$(\chi^2_{5df} = 12.54, p<0.05)$$

Table 34: Mean Scores, Prospect of Winning, compared with Mean Scores, Prospect of Losing

Having considered the results for risk attitude according to prospect theory in both the domain of gains and in the domain of losses, we shall now consider the results for the combined Prospect Theory measures.

3.3 PROSTOT - Risk Attitude according to Prospect Theory
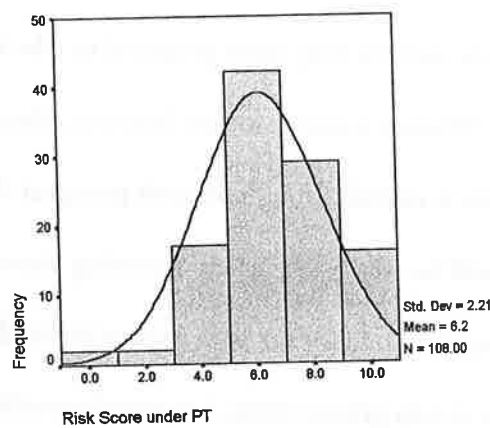
Fig. 28: Risk Attitude under Prospect Theory, Gains and Losses Combined.

PROSTOT is the sum of PROSWIN and PROSLOSE. The mean score was 6.16, with SD 2.21 and low and high scores of 0 and 10, from a range of 0 to 10. Quartiles 1 and 4 had means of 6.46 and 6.22 with SD 2.42 and 1.83. There was no significant difference [$t_{51} = 0.407$, $p_{0.05} = 0.685$].

Unlike PROSWIN or PROSLOSE, which were both bi-modal, with large numbers of cases on the extreme score of five, PROSTOT more closely resembles a normal distribution, with a single peak at six, the mid-point. In other words, those that scored high risk for one measure did not do so for the other: of the 29 that scored five for PROSWIN only 11 also did so for PROSLOSE. This indicates more risk seeking for gains, far less for losses, which is contrary to the general findings of Prospect Theory. Of the 31 scoring five for PROSLOSE, only 11 did so for PROSWIN, i.e. risk seeking for losses, risk aversion for gains, which is consistent with Prospect Theory. This anomaly is explained by the fact that high risk scorers in the domain of gains were also high earners, and therefore did not perceive the same level of risk as low earners: they were prepared to take bigger gambles for bigger rewards. When it came to losses, however, they were less prepared to take risks. This is entirely consistent with prospect theory, which predicts that people will be risk averse when operating above their reference points. They were prepared to take risks with money they did not have (and did not 'need'), in order to win greater sums, but were less willing to lose wealth they already possessed. Having considered personal risk attitude according to prospect

theory, we will now consider advertising risk attitude according to prospect theory.

4 Advertising Risk according to Prospect Theory

This measure was based on a question adapted from West's 1998 survey of US and Canadian advertising agencies. The question follows a typical prospect theory format, but is phrased in the language of advertising. Responses indicate individual risk attitude in an advertising context, and give the variable PROSBUS. Supplementary questions ask about management and client risk attitude respectively. The inclusion of these questions is indicated by Sitkin and Pablo (1992), and also by Kover and Goldberg, (1995): *"account managers (and sometimes senior creative management) usually want more conservative advertising; creative people want more daring output."*

There was no significant difference between the first and fourth quartiles with respect to this item (χ^2_{1df} = 1.16, NS, p>0.05), indicating less chance of non-response error. Ninety-nine respondents (86% percent) favoured the more risky Plan B, which had a 50% chance of exceeding the forecast rate of return and a 50% chance of a lower return (Fig. 29).
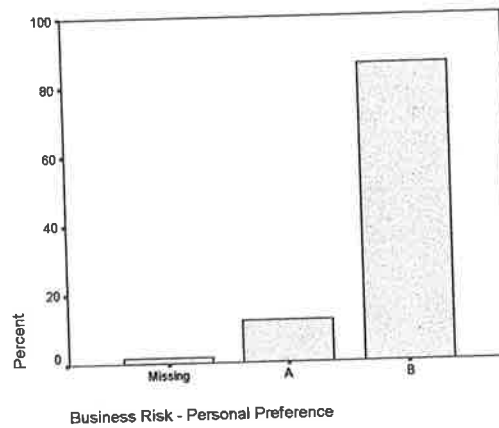
Fig. 29: Business Risk according to Prospect Theory: Personal Preference.

The preference of creatives for the risky Plan B over the safe Plan A, which is an indicator of advertising risk attitude under Prospect Theory, was not determined by sex ($\chi^2_{1d.f} = 0.539$, NS, p>0.05), or family life cycle stage ($\chi^2_{1d.f} = 0.012$, NS, p>0.05) (tables not shown). However, age, and income may be relevant factors. In Table 35, below, it can be seen that the proportion of each age group preferring the more risky Plan B declines as age increases, indicating a negative correlation. However, this was not significant (R = -0.144, NS, p=0.129). It should be noted, also, there was only one respondent over the age of sixty, so it would not be safe to rely on this finding.

BUSINESS RISK - PERSONAL PREFERENCE	AGE GROUPS			TOTAL
	Under 30 %	30-59 %	Over 60 %	
Plan A	11	12	100	12.5%
Plan B	89	88	0	87.5%
Total	100	100	100	100
N	35	76	1	112

$(\chi^2_{2df} = 7.067, p=0.029)$

Table 35: Business Risk according to Prospect Theory: Personal Preference, by Age.

All of those earning below £25,000 favoured option B (Table 36). It is interesting to note that this declines to 70% for the next income bracket, rises to 91% for the next, before falling back to 82%. Finally, all those earning above £150,000 p.a. favoured the more risky option.

BUSINESS RISK - PERSONAL PREFERENCE		GROSS SALARY, £000					
		< £25	£25 to 44,9	£45 to 79,9	£80 to 149,9	£150 +	Total
Plan A	%	0	30	9	18	0	12.7%
Plan B	%	100	70	91	82	100	87.3%
Total	%	100	100	100	100	100	100
N		19	20	35	29	7	110

$$(\chi^2_{4df} = 10.24, p=0.037)$$

Table 36: Business Risk according to Prospect Theory: Personal Preference, by Gross Salary.

It may be that willingness to take creative risks in advertising follows a pattern during the course of the creative's career (Fig. 30), with younger, less well-paid staff and senior, highly paid staff, being the most prepared to take risks. As creatives progress from trainees and are confirmed in their jobs, they learn to be more cautious. This is followed by a period where confidence is regained, as they experience achievement and recognition, thereby progressing to the next income bracket, where, in risk terms, they stagnate or decline. Finally, the select few[19] reach the pinnacle of their profession, by which time they have regained the confidence of their earliest years, this time backed up by experience.

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[19] Only seven respondents (6.1%), earned more than £150,000 p.a.

Willingness to take creative risk, %

(Bar chart with y-axis "Willingness to take creative risk, %" ranging 0 to 100, and x-axis categories: < £25, £25 to 44,9, £45 to 79,9, £80 to 149,9, £150 +; x-axis label "Gross Salary, x 1,000")
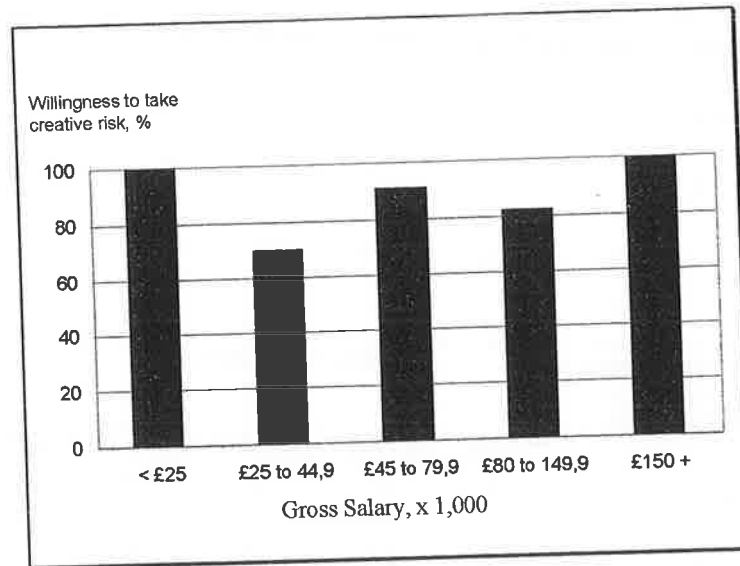
Fig. 30: Possible relationship between willingness to take creative risk and gross salary.

However, this is too small a sample to reach any such conclusions firmly. Furthermore, chi squared is unreliable where the expected count in any cell is fewer than five, as were all five expected counts for Plan A, so, like the result for 'age', it is unsafe to rely on this finding.

Respondents' own preferences contrasted sharply with their views of the preferences of their senior managers, and of their clients. Only 47% thought their managers would prefer Plan B (Fig. 31), and only 19.1% thought this of their clients (Fig. 32).

Management Risk Preference
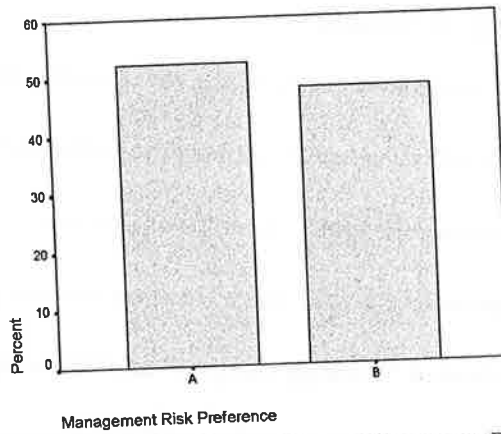
Fig. 31: Business Risk under Prospect Theory: Management Preference.

Client Risk Preference
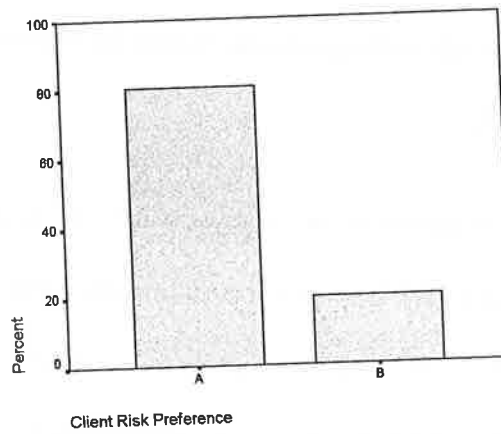
Fig. 32: Business Risk under Prospect Theory: Client Preference.

Creatives clearly believe themselves to be more risk seeking than their managers and their clients, and they themselves prefer to take a more risky course if there is a reasonable chance that it will give a superior result. Having examined the results for personal risk propensity, individual risk attitude under prospect theory, advertising risk attitude under prospect theory, and differences between personal preference and managers' and clients' preferences towards risk, we will now consider Advertising Risk Attitude.

5   Advertising Risk Attitude

Advertising Risk Attitude was measured by means of a battery of ten statements, each designed to capture the individual's attitude to risk in a business context relevant to advertising. As with personal risk propensity, respondents were asked to score these on a seven point Likert-type scale, where 1 indicated "Strongly disagree" and 7 "Strongly Agree". As with personal risk propensity, a number of these statements were reverse-coded to minimise automatically generated responses. Once recoded, high scores indicate a risk-seeking attitude. Scores for these statements give the variable BUSRISK.

The mean for this measure was 47.12, with SD 6.74. The lowest score was 30 and the highest 64, from a possible range of 10 to 70. The distribution (Fig. 33) was skewed very slightly to the right (-0.138) indicating a slight overall tendency towards a risk-taking attitude. However, the measure is relative, to enable comparisons to be made between groups of individuals, and is not intended to give an absolute measure of Advertising Risk Attitude. Moreover, since the standard error for skewness was 0.226, z, at 0.611, is less than the critical 1.96 and skewness is not statistically significant, and is probably the result of sampling fluctuations (Field, 2000, p. 41). Quartiles 1 and 4 had almost identical means: 46.75 and 46.76 with SD 7.40 and 5.89, and no significant difference [t_{55} = -0.005, p = 0.996]. The distribution appears to be multi-modal, with peaks at 35, 40, 45 and 50. It is not clear why this should be the case.
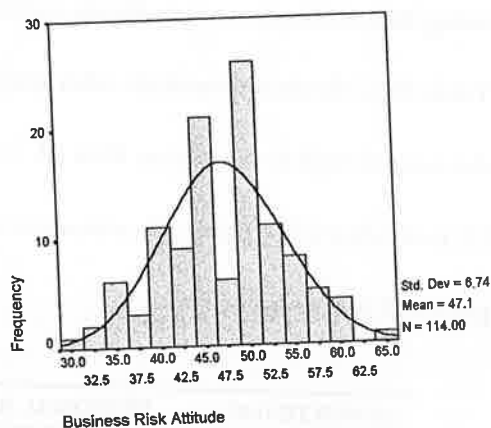
Fig. 33: Advertising Risk Attitude.

Advertising Risk Attitude did not vary significantly with age, sex, number of dependants, or age of youngest dependant. It did vary significantly with gross salary (Table 37), following a similar pattern to business risk under Prospect Theory, with a higher proportion of those on the lowest salaries having a higher risk profile than those on the middle salaries, while the highest proportion of risk seekers was found to be among those on the highest salaries. At the top end, this supports H2C: individual advertising risk attitude is a function, *inter alia*, of the individual's relationship with the employing agency, salary being one indicator of this relationship.

ADVERTISING RISK ATTITUDE	GROSS SALARY		
	Less than £45 %	£45-£79.9 %	£80+ %
Low Risk	50	59	39
High Risk	50	41	61
Total	100	100	100
N	38	37	36

$(\chi^2_{2df} = 8.028, p=0.018)$

Table 37: Advertising Risk Attitude and Gross Salary

Advertising Risk Attitude was positively correlated with Personal Risk Propensity (Table 38) – those respondents who scored high for Personal Risk Propensity also scored high for Business Risk (R = 0.268, p = 0.004). This supports H2A: individual advertising risk attitude is a function, *inter alia*, of the individual's personal risk propensity.

ADVERTISING RISK ATTITUDE	PERSONAL RISK PROPENSITY		
	Low	Medium	High
Low Risk	21	24	10
High Risk	14	15	27
Total	35	39	37

$$(\chi^2_{2df} = 11.28, p=0.004)$$

Table 38: Advertising Risk Attitude and Personal Risk Propensity

There was no relationship between "advertising risk attitude" and the length of relationship with the client for whom the respondent had most recently won a top creative award. H5A, which stated that: "*Advertising agencies will produce less risky advertising for clients with whom they have been associated longer*", was unsupported by this measure.

6   Agency Risk Environment

Creatives were asked to score, on a seven-point Likert-type scale, six statements about factors likely to affect the risk environment of their agencies. These included questions on the agency's financial performance relative to targets, since the literature (e.g. Kahneman and Tversky, 1979; Levinthal and March, 1981; Fiegenbaum and Thomas, 1988; Lee, 1991) suggests that below-target performance leads to risk-taking. Summated, these

scales give a score for Agency Risk Environment that can range from six, to 42. The mean score for this sample was 22.47, with SD 4.74 and lower and upper scores of 12, and 36. The distribution (Fig. 34) was non-significantly skewed to the left (0.404, $\chi = 1.61$, NS). Participating agencies are operating at, or slightly above, their reference points. According to Prospect Theory, this suggests an environment that is non-conducive to risk seeking behaviour, in spite of the fact that creative staff themselves had a general tendency towards risk seeking.
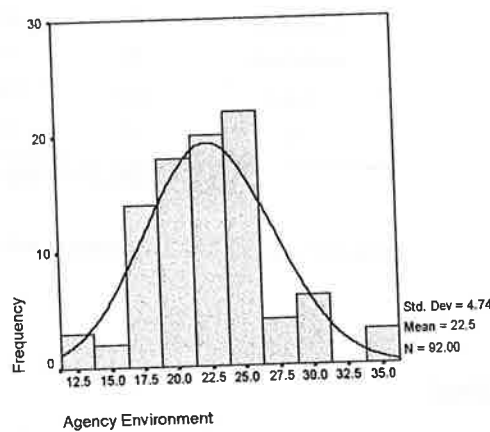
Fig. 34: Agency Risk Environment.

However, those respondents who scored high for Advertising Risk Attitude also gave high scores for their agencies' risk environment (Table 39a).

ADVERTISING RISK ATTITUDE	AGENCY RISK ENVIRONMENT	
	Low %	High %
Low Risk	57	43
High Risk	43	57
Total	100	100
N	56	35

$(\chi^2{}_{1df} = 3.92, p = 0.048)$

Table 39a: Agency Risk Environment and Advertising Risk Attitude

This relationship is even stronger ($\chi^2_{1df} = 9.684$, p= 0.002) if the historical items are excluded from the agency environment scale (Table 39b). Correlation is positive, and significant (R = 0.221, p = 0.031). The relationship between these two measures supports H2B: advertising risk attitude is a function, *inter alia*, of the risk environment of the agency, as expected.

ADVERTISING RISK ATTITUDE	AGENCY RISK ENVIRONMENT (2)		TOTAL
	Low Risk %	High Risk %	
Low Risk	62	40	51%
High Risk	38	60	49%
Total	100	100	
N	47	48	95

($\chi^2_{1df} = 9.684$, p= 0.002)

Table 39b: Agency Risk Environment and Advertising Risk Attitude

7 Size of Client

Respondents were asked how much risk was taken in their most recently finished campaign for their biggest client, how much risk they would have liked, and how much risk they thought their client felt was being taken. They were then asked the same three questions with regard to their most recently finished campaign for their smallest client. The analysis starts by examining the amount of risk taken for the biggest client.

7.1   Risk Taken for Biggest Client
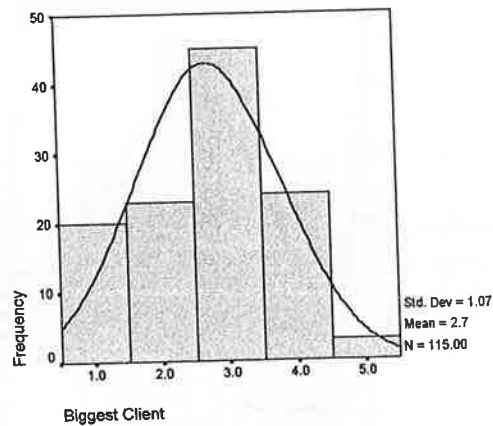
Fig. 35: Creative Risk Taken for Biggest Client.

The modal response (39.1% of all respondents) to this question was "Some Risk" with considerably fewer saying either "Slight Risk" (20%) or "Significant Risk" (20.9%), the next value on each side of the distribution (Fig. 35). Although kurtosis (-0.743) is not significant ($z = -1.66$), the popularity of the central value does suggest that "Some Risk", the mid-point between "No Risk" and "Total Risk", was seen as the easiest or "safest" response. With hindsight it may be that the labels for the categories on the left and in the centre of the itemised rating scale used for this question (see Appendix 4) should have been labelled in a different way, with say "Totally Safe" and "Quite Safe" in place of "No risk", and "Slight Risk". This phenomenon was not identified when the questionnaire was piloted. In any event, this does not affect the research outcome, as the purpose of the scale was to compare the level of risk taken for clients of different sizes. The scale is valid for this comparative purpose.

7.2   <u>Risk Taken for Smallest Client</u>
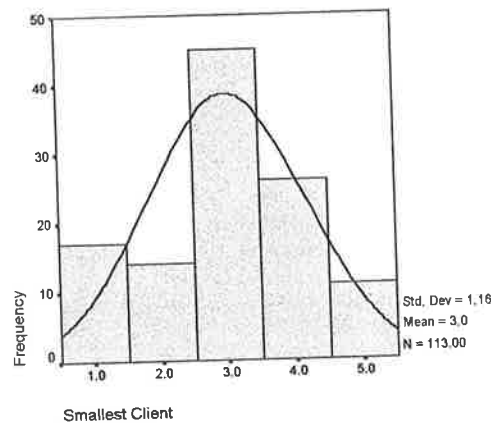
Fig. 36: Creative Risk Taken for Smallest Client.

Exactly the same percentage of respondents also favoured the middle value for Risk Taken for Smallest Client (39.1%), but kurtosis was less (-0.586, with z = -1.29, NS). A greater proportion (22.6%) chose the next more risky category, and a smaller proportion (12.2%) the next less risky category than had for Biggest Client. The distribution (Fig. 36) is more skewed to the right than for Biggest Client (-0.207 versus -0.153), but neither is significant with z = -0.911, and -0.677, respectively. The mean is higher (3.00, versus 2.71, out of 5.00) than for Biggest Client, suggesting that respondents do take bigger risks for smaller clients. This is verified using chi squared (Table 40), which is χ^2_{4df} = 25.47, p <0.005: we can be 99.5% confident that there is a relationship between the size of the client and the degree of risk taken, with creatives prepared to take bigger advertising risks for smaller clients. This supports the finding of West (1998), and H3A. Since this question concerns advertising campaigns, it further shows that advertising managers too are more willing to take risks for smaller clients, and that these smaller clients accept these risks.

	BIGGEST CLIENT (E)	SMALLEST CLIENT (O)	O-E	(O-E)²	(O-E)²/E
No Risk	20	17	-3	9	0.45
Slight Risk	23	14	-9	81	3.52
Some Risk	45	45	0	0	0.00
Significant Risk	24	26	2	4	0.17
Total Risk	3	11	8	64	21.33
Σ	115	113			25.47

$$(\chi^2 4\text{d.f.} = 25.47, p < 0.005)$$

Table 40: Risk taken for Biggest and Smallest Client

7.3 Preferred Amount of Risk

Responses to questions 7i and 8i show that creatives would have liked to take more risk than they did on their most recently finished campaign. 67% would have liked to take more risk for their largest clients, compared with 53% for their smallest. In general, respondents were happier with the (greater) amount of risk taken for their smallest clients than they were with the lesser amount taken for their largest clients. Only 33% were satisfied with the amount of risk taken for their largest client, compared with 44% for the smallest. This further supports H3A: *Creative staff and account management will be more risk seeking for their smaller, less important clients.*

7.4 Amount of Risk thought to have been felt by Client

Creatives thought that both their biggest (Fig. 37) and their smallest (Fig. 38) clients felt significant risk was being taken. The distributions were both skewed to the right, with that for the smallest client more so (-0.465, -

0.532 respectively). The degree of skew was significant, since z was greater than 2.0: 2.05, for biggest client, and 2.34 for smallest client.
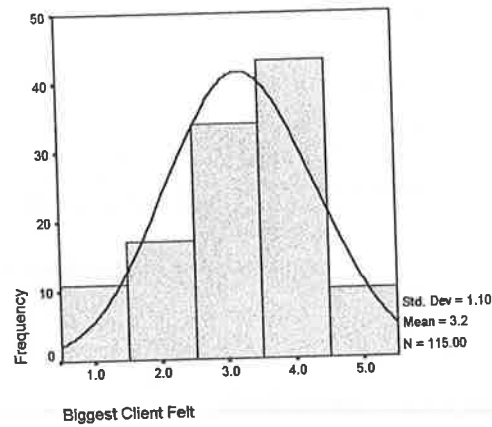
Fig. 37: Level of Risk Thought to have been felt by Biggest Client.

In both cases, the modal value was four, "Significant Risk", although a greater proportion of respondents (40%) thought this about their smallest clients than did about their biggest clients (37.4%). In both cases, the next highest score was for the middle value, "Some Risk". The mean for smallest clients, however, was 3.09, compared with 3.21 for biggest clients.
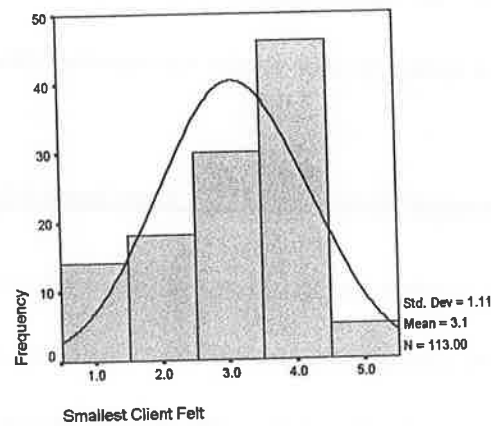
Fig. 38: Level of Risk Thought to have been felt by Smallest Client.

This suggests that creatives believed that their biggest clients felt more risk was being taken than did their smallest clients, even though the reverse was the case. This would support the hypothesis of relative risk aversion for larger clients. However, the differences in the two distributions of responses for this question were not statistically significant: χ^2 4 d.f., $= 3.579$, NS, $p>0.05$, so the suggestion is not supported.

8 Amount of Risk Taken in most recent Award-Winning Campaign

Std. Dev = 1.38
Mean = 5.3
N = 82.00

Creative Risk in most recent award winning campaign
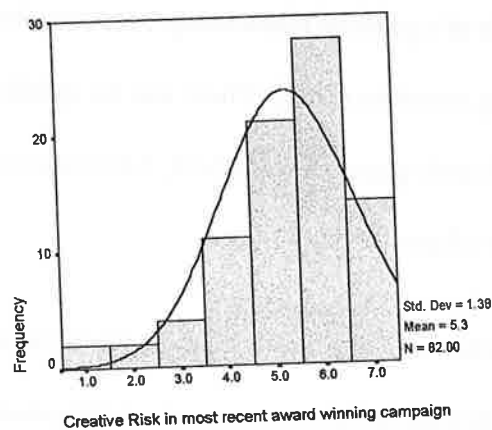
Fig. 39: Amount of Risk Taken in most recent Award-Winning Campaign.

There was a 71% response to this question: 33 respondents did not answer it at all. From the responses to Question 11, we know that 13 had never won a major award for creativity. Three had recently returned to the UK from working abroad, and had no recent relevant UK awards. Nine were award winners, but still chose not to answer Question 9. We can only speculate as to the reasons for non-response: perhaps for some it had been too long ago for them to recall the amount of creative risk involved, perhaps the question was too long and complicated (see Appendix 4).

For those that did respond, the mean was 5.28, well to the right of the neutral mid-point (4) of the range, but to the left of the median, 6.00, which was also the mode (28 people, or 24.4% of sample). The distribution was heavily skewed to the right (-1.041, z = -3.91). Fourteen creatives (12.2%) selected the extreme right-hand box, giving a maximum score of seven. For the majority of the 71% who responded, the most recent award-winning campaign involved much more creative risk than those campaigns on which they had worked that had not won awards. This is clear support for the hypothesis of a positive relationship between advertising risk attitude and advertising creativity (H6B). There was no significant difference between the first and fourth quartile means 5.74, 5.42 respectively (p = 0.386), so less likelihood of non-response bias.

There was a significant relationship between the amount of risk reported for the most recent award winning campaign and the length of the agency's relationship with the client (Table 41). The high-risk respondents were evenly distributed between those in relationships of fewer than five years (50%), and those in relationships of five years and over (50%), in spite of the fact that the former constituted only 41% of all relationships. A greater proportion of the low risk takers (68%) were in a relationship of 5 years or more than in those of fewer than five years (32%). Put another way (Table 42), a higher proportion (63%) of respondents in agency/client relationships of fewer than five years were in the high risk group, and a greater proportion (55%) of those where the relationship was five years or older were in the low

risk group. This is a clear indication of a relationship between advertising risk attitude and the length of the agency's relationship with the client, with a greater propensity towards risk the younger the relationship, and increasing risk aversion as the relationship matures. This supports H5A.

LENGTH OF RELATIONSHIP WITH CLIENT	RISK TAKEN IN MOST RECENT AWARD WINNING CAMPAIGN		
	Low Risk %	High Risk %	Total
0-4 years	32	50	41
5 years +	68	50	59
Total	100	100	100
N	31	34	

$$(\chi^2_{1df} = 6.697, p=0.01)$$

Table 41: Risk and Length of Relationship with Client

LENGTH OF RELATIONSHIP WITH CLIENT	RISK TAKEN IN MOST RECENT AWARD WINNING CAMPAIGN		
	Low Risk	High Risk	N
0-4 years, %	37	63	27
5 years +, %	55	44	38
N	31	34	

$$(\chi^2_{1df} = 6.522, p=0.011)$$

Table 42: Risk and Length of Relationship with Client

There was no significant difference according to length of career in advertising, or gross salary. Fewer than expected males reported the highest category of risk (9 versus 12.6); more than expected females did so (5 versus 1.4), but these differences were not statistically significant (χ^2 1d.f. = 3.12,

NS, p>0.05). There appears to be no direct link between sex and advertising risk attitude, as previously reported (section 5.0, this chapter).

9   Summary and Conclusion

This chapter has presented a detailed analysis of the results from the risk indicators used in the study. Comparisons have been drawn for subgroups of the sample population, and risk data have been compared with classification data, viz. age, sex, income, and family life-cycle stage, to provide an indication of the validity of assumptions commonly made about the attitude of different groups to risk in general, and to different types of risk. Relationships between different types of risk, and different risk measures, have been explored.

It has been shown that Personal Risk Propensity is a function of age (H1A)[20], sex (H1B), income (H1C), and family life cycle stage (H1D). In general, younger respondents were more willing to take risks, primarily those of a financial and physical nature, than were their elders. Men were more willing to take risks than women were, particularly physical and social risks. We saw In Chapter 6 that advertising agencies tended to employ disproportionate numbers of young male staff, and fewer staff who were either female, or over the age of forty. Since young males are relatively risk seeking, and if risk-seeking is found to be correlated to creativity, this would

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[20] For the convenience of the reader, Fig. 10, "Personal risk propensity, advertising risk attitude, advertising creativity and their antecedents", is reproduced overleaf as Fig. 40, with the hypotheses supported in this chapter so marked.

vindicate agencies' implicit recruitment and retention policies. The

relationship between income and risk was rather more complex. Those

respondents on lower salaries were less averse to physical risk than were their

more affluent colleagues, with £45,000 being the watershed salary. They were

also more willing to take financial risks, consistent with Prospect Theory,

which predicts risk-seeking behaviour below the reference point and risk

aversion above it (Tversky and Kahneman, 1986; Fiegenbaum & Thomas,

1988).
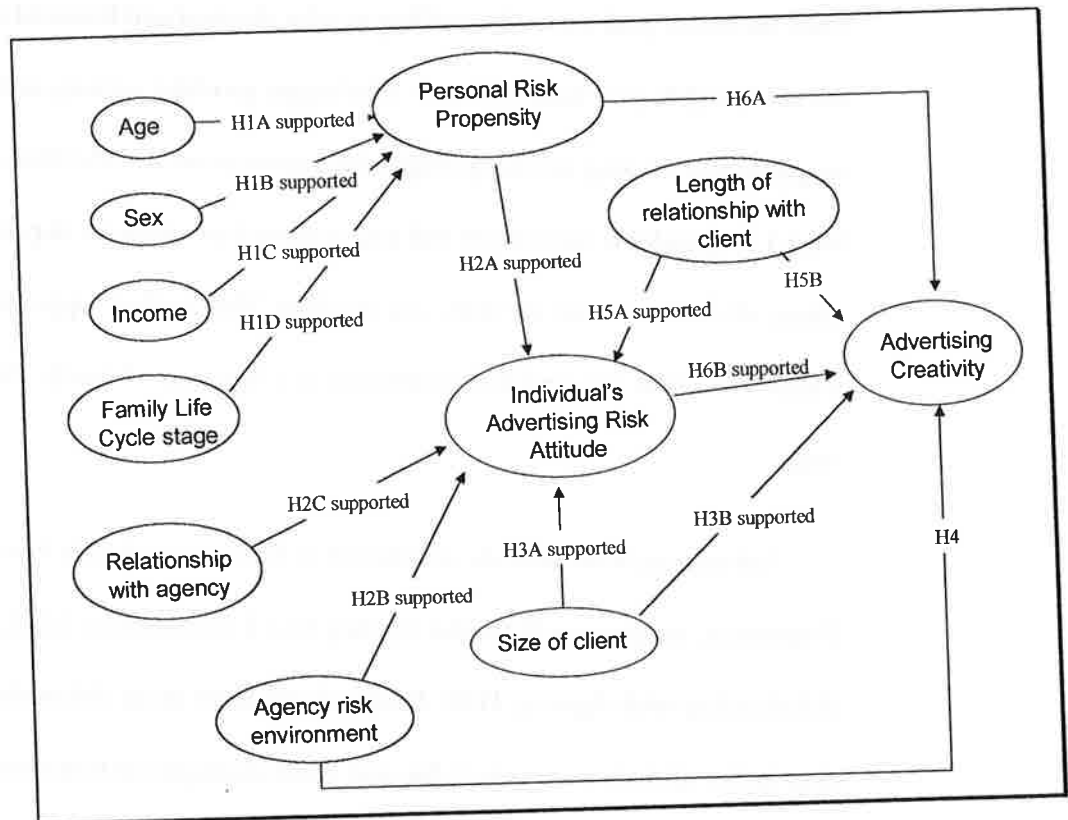
Fig. 40: Personal risk propensity, advertising risk attitude, advertising creativity, and their antecedents.

However, under the Prospect Theory measure, by contrast, creatives on

higher salaries were found to be more willing to take personal financial risks

(i.e. bets) of a given size than were their lower-earning colleagues, though only when facing the prospect of gains. Faced with potential losses, higher earners were risk averse, which appears to contradict one of the principal findings of PT. This apparent paradox was explained by the nature of the prospect theory questions, which, in keeping with Kahneman and Tversky (1979) are framed as a series of (hypothetical) gambles. Since the amount of gain or loss does not vary according to the income of the respondent, the gain (loss), and consequently the risk (Mitchell, 1995) is less significant the higher the salary. Thus the lower paid were more willing to take physical and financial risks, but the most highly paid were willing to take bigger gambles, so long as there was no prospect of losing anything. High-risk scorers were also childless, and Full Nest 1 respondents were more risk averse than those with no dependants or where all children were six years old, or older. This further supported H1D, which states that personal risk propensity is a function of family life cycle stage.

Advertising Risk Attitude was found to be associated with Personal Risk Propensity, supporting H2A, the Agency Risk Environment, H2B, and Relationship with Agency, H2C. Respondents were more risk-seeking than they believed their managers to be, and these managers in turn were thought to be more risk-seeking than clients, as was predicted. Respondents were also more willing to take risks with smaller clients, supporting the findings of West (1998), and H3A, which stated *"Creative staff and account management will be more risk seeking for their smaller, less important clients."* For their most recent award

winning campaigns, respondents reported that more risk was taken in younger than in older agency/client relationships, supporting H5A: *Advertising agencies will produce less risky advertising for clients with whom they have been associated longer.* Finally, respondents stated that they had taken significantly more risk in their most recent award-winning campaigns than on other, non-award-winning campaigns, supporting the hypothesis of a positive correlation between risk and creativity, and H6B, which states that: *"The advertising risk attitude of advertising creatives and their advertising creativity are positively related."*

In Chapter 7 an analysis of the findings with regard to the risk measures used in the survey has been provided. Where appropriate, these results were compared to or cross-tabulated with each other, and with classification information. Several of the research hypotheses have been tested, and supported. Having examined the results from the risk measures in Chapter 7, Chapter 8 will proceed to consider the results from the creativity measures.

Chapter 8: CREATIVITY MEASURES

Chapter 8: CREATIVITY MEASURES

1 Introduction

Chapter 8 presents an analysis of the results from the creativity measures. There were three main measures: the first of these concerned the respondent's most recent award for creativity (Question 10), and asked for factual data about the award itself, and about conditions in the agency where the respondent was employed. The next measure concerned the number of personal awards won (Question 11), and the number of awards won by the respondent's agency (Question 12). Responses to these three questions will be summarised and analysed in this chapter. Whilst the analysis of responses to Question 10 will lead to conclusions about some of the remaining research hypotheses, others will be left to the following chapter, which deals with bivariate analysis between creativity and risk measures. The chapter commences with a discussion of results for the most recent creative award.

2 Most Recent Award

Respondents were asked, in question 10, for information about their *most recent* award-winning campaign. This was primarily classification information, for comparison with the results from the risk questions analysed in the previous chapter. Information sought included the year of the award, its name, and class; the product category for which the award was won, the number of people in the creative team, the value of the account, the length of

the agency's relationship with the client, and the approximate number of campaigns for that client.

2.1   Year of Most Recent Award

Given the fact that not all respondents would have won an award, it was not surprising that only 77 people from the sample of 115 answered this question (Table 43). Twenty-eight of the 77 had received their most recent award in the year 2000, 24 in 1999, 15 in 1998, two in 1997, 4 in 1996, two in 1995, one in 1985 and one in 1980. The two winners from the 1980s and the two from 1995 had been working in advertising for over twenty years, whilst those who had last won in subsequent years, including 2000, had been in advertising for an average of ten to fifteen years.

YEAR OF MOST RECENT AWARD	FREQUENCY	%	AVERAGE YEARS IN ADVERTISING
2000	28	36	10
1999	24	31	13
1998	15	19	11
1997	2	3	15
1996	4	5	12
1995	2	3	25
1985	1	1	31
1980	1	1	36
Total	77	99	12

Table 43: Year of Most Recent Award

2.2   Most Recent Award: Award Won, and Class of Award

Thirty-six people did not provide the name of a most recent award. Several of those that did gave multiple responses, implying that they had

misunderstood, or that the campaign had been successfully submitted to several award shows. In these cases, only the first stated award has been used for analysis, on the assumption that this was the first award recalled and therefore likely to be the most recent. In the case of a campaign that had won multiple awards, it was assumed that the first stated award was the one of which the recipient was the most proud, and, presumably, therefore the most important[21]. In order of frequency, the awards won were Cannes Lions (22), D&AD (19), Campaign (15), Creative Circle (10), British TV (9), and Others (4), 79 in total. Of these 27 were "gold" or the equivalent highest class, 28 "silver", and 23 "bronze", total 78. One award-winner did not specify the class of award.

2.3   Most Recent Award: Product Category

Unfortunately, several respondents gave 'award' category (e.g. posters, press) instead of 'product' category. This did not occur during pre-testing. However, 'product category' was not central to the research and did not feature in any of the research hypotheses, so this was not a major problem. All such responses were recorded as missing values. In all, there were only 59 valid responses. Awards were won across a broad mix of product categories, including Grocery (13), Not-for-Profit (9), Drinks (6), Financial (5), Automotive (5), Clothing/Fashion (4), Computers/ Games/ IT (4), Medicines/ Toiletries/ Cosmetics (3), and Other (10).

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21 A respondent may value a lower class of a more prestigious award more highly than a gold from a lesser award. This would only be so if the former combination was "better", i.e. more creative.

2.4   Most Recent Award: Number of People in Creative Team

The overwhelming majority (87%) of respondents worked in teams of two, although three award-winning respondents worked on their own, and a few worked in larger teams (see Table 44).

NUMBER IN TEAM	FREQUENCY
1	3
2	68
3	3
5	2
6	1
8	1
Total	78

Table 44: Number of People in Creative Team

The three one-person "teams" were all highly experienced and/or senior agency staff, with high salaries and lengthy careers in advertising: an Art Director (20 years), a Head of Copywriting (20 years), and an agency Vice-Chairman (33 years). The respondent in the team of eight had been in advertising for three years, and was earning less than £25,000. The respondent from the team of six, however, was a Creative Group Head, with 13 years' experience, so it would be unsafe to conclude that larger teams consist solely of less experienced staff, and/or that such staff are placed in larger teams. The normal practice is to place new creative staff in teams of two: an art director and a copy-writer (Rayfield, 1998; Hirschman, 1989), a practice established by Bernbach, in the 1960s (Rothenberg, 1998). Perhaps the large-team approach is a way of disseminating the experience of more senior personnel to a greater number of younger staff.

2.5   Most Recent Award: Value of Account

The modal size of accounts was £1m or less (14), although there was a wide spread of values from this amount up to £100m per year (Table 45). Twelve were between £2m and £5m; thirteen between £5m and £10m; twelve between £10m and £20m; and ten were more than £20m.

VALUE OF ACCOUNT, £M	FREQUENCY	CUM	CUM %
Up to 1	14	14	23
2-5	12	26	43
5-10	13	39	63
10-20	12	51	84
>20	10	61	100
Total	61		

Table 45: Value of Account for which most recent award was won

However, intervals were graded, rather than equal. With three equally spaced categories, 63% of most recent awards were for the smaller accounts, i.e. those worth less than £10m, with 20% for accounts worth between £10m and £20m, and 17% for those worth more than £20m. This offers further support for H3B: creative staff and account management will win more awards for their smaller, less important clients.

2.6   Most Recent Award: Length of Agency's Relationship with Client

This varied from less than one year to over 30 years, with 15 different intervals. To test H5B it is convenient to group these into categories, and to test for correspondence with the agency-client life cycle theory of Wackman, Salmon and Salmon (1986). Wackman et al identified four stages in the agency-client relationship: "Pre-Relationship", "Development",

"Maintenance", and "Termination". The first of these is the stage when the client is actively searching for and evaluating alternative agencies, and when agency staff are trying to convince the client to appoint them. Whilst it would be useful to evaluate the risk attitude and creativity of agency staff during this stage it is not possible with the present study, restricted as it is to already existing relationships. Similarly, it is not possible from this research to know whether a particular relationship is in the Termination stage. Doyle, Corstjens and Michell (1980) found that the main reason for termination was client dissatisfaction with aspects of the agency's performance. It is not possible to solicit this information with a self-completion, postal questionnaire addressed only to advertising creatives. Wackman et al (op. cit.) identified other factors that tended to lead to termination (e.g. a change in the top management of the client; a feeling that the client had somehow outgrown the agency; a change in marketing philosophy or strategy; a change in the agency management). Even so, it would have been difficult to incorporate questions on these issues in the current study whilst keeping the questionnaire short enough to be acceptable. In the absence of this information it would not be safe to assume that a relationship would necessarily be in or approaching Termination simply because it had endured beyond a certain number of years.

The Development phase of the model proposed by Wackman et al (op. cit.) is the period when the first advertisements are being produced and the first campaigns run, and lasts *"a year or more"*. It would have been useful if the upper limit could have been more specific. Lynn, Wesson and Gaguard (1984)

found that 25% of clients surveyed in Milwaukee terminated their agency before the end of the second year, which suggests two years as a reasonable length for this stage. The Maintenance phase may last several years, and is similar to the maturity phase of the product life cycle, when managers' efforts are designed to develop and implement strategies to prolong it, and delay its passage into decline. Lynn et al (op. cit.), however, found that only 44% of the clients studied had used the same agency for five years or more, which suggests that the maintenance phase lasts between two to five years. This is rather less than the figure from the current study, but this latter is confined to recent award winners. It is conceivable, indeed likely, that agency turnover is higher in agencies that are less successful at winning creative awards. Over 58% of recent award winners in this study were in relationships of greater than five years duration.

This research is likely to include only the second and third of Wackman's stages: Development and Maintenance. It would make sense, then, to group responses to this question, using length of relationship as a proxy for life-cycle stage. Sixteen respondents were in agency-client relationships of up to two years (Table 46), the "development" stage according to Lynn et al (op. cit.). The rest can be considered to have been in the "maintenance" phase, but can be divided into sub-groups: three to four years, or early maintenance (14); five to nine years, or "middle maintenance" (23); and ten years and over, or "late maintenance" (19). It would be interesting to see if there is a difference between the 10-year relationships and

the much older ones, so this last category can be further sub-divided into ten

to nineteen (9), and over twenty years, which we might call "permanent" (10).

RELATIONSHIP STAGE	YEARS	FREQUENCY	PERCENT
Development	0-2	16	22
Early Maintenance	3-4	14	19
Middle Maintenance	5-9	23	32
Late Maintenance	10-19	9	13
Permanent	More than 20	10	13
Total		72	99

Table 46: Most Recent Award-Winning Campaign and Stage of Relationship with Client

2.7 Most Recent Award: Approximate Number of Campaigns for this Client

Wackman et al (op. cit.) suggested that the Development period lasted

for a year or more, and research by Lynn et al (op. cit.) suggested two years as

a cut-off point. It is possible that the duration of these stages is more related

to the number of campaigns or projects on which the agency and client have

worked together, rather than to the number of years, and that it should be

measured in this way. Interestingly, the most frequently cited number of

campaigns in response to this question was two (14 respondents), closely

followed by one (12 respondents), and three (9 respondents). Over 50% of

most recent award winning campaigns were for clients for whom this was

only the first, second or third campaign.

This contrasts sharply with the 22% reported for agencies in the

"Development" phase (zero to two years). The frequency decays further

before reviving momentarily at five, ten and fifty campaigns, then approaches

the horizontal axis (Fig. 40). This supports the notion that the most creative work is done during the development stage, and that less "Maintenance" work is as creative.
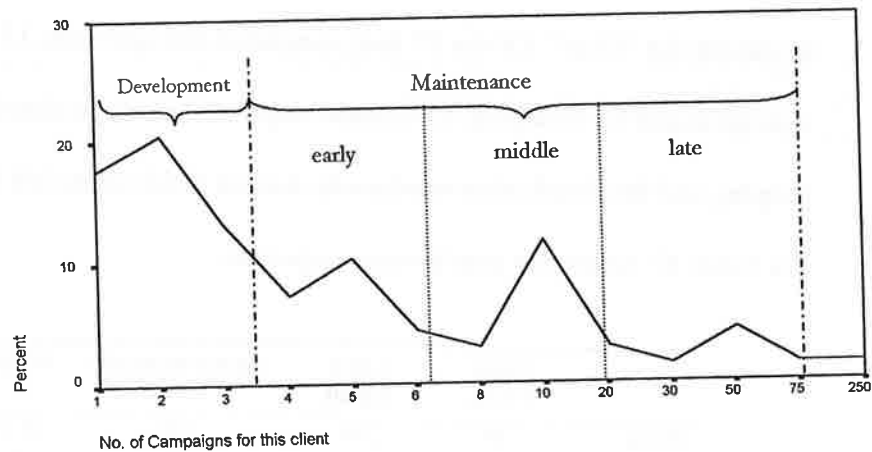
Fig. 41: Number of Campaigns Ever for most recent Award-winning Client, as an indicator of Agency-Client Life-Cycle Stage.

The award-winning peaks at five, ten and fifty campaigns suggest that these may be critical milestones in the agency-client relationship, when a burst of creativity may be needed to reposition or reinvigorate the brand, or to reinvigorate the relationship itself, analogous to the "rejuvenation" strategy of *product* life-cycle theory (Kotler, 1997, p. 364). The data support the view that long-established relationships can still produce creative awards, but these are clearly the minority. If the number of campaigns, rather than time, is taken as the measure of relationship length, it is clear that the latter is negatively correlated to recent creativity. This supports H5B: *Advertising agencies will produce less creative advertising (as evidenced by creative awards) for clients with whom they have been associated longer.*

3   Number of Awards Won Personally

Respondents were asked, in Question 10, to give the number of awards they had won personally this year, last year, the year before last, and ever. Responses ranged from zero "This Year" to 300 for "Ever", with a mean of 22 awards for "Ever". Of the 97 that completed this question, 13 had never won an award for creativity. The modal response was three awards (10 people), and the distribution was heavily skewed (3.63) to the left ($z = 14.82$). See Table 47, below for year-by-year responses.

	THIS YEAR	LAST YEAR	YEAR BEFORE LAST	EVER
Mean	2.08	3.41	2.91	21.71
Min	0	0	0	0
Max	25	70	50	300
SD	4.19	9.92	6.75	45.6
Missing	25	24	26	18

Table 47: Number of Awards Won Personally

Personal awards this year
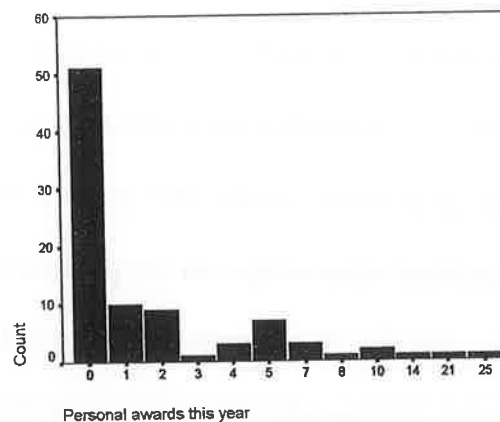
Seventy-eight percent of female respondents, compared with fifty-five percent of males, won no awards this year (Table 48). It was shown in Chapter 7 that men were more inclined towards risk than were women. Since

men are also more likely to win awards, this tends to support agencies' staffing policies, as suggested in Chapter 7.

SEX	PERSONAL AWARDS WON THIS YEAR		TOTAL
	None	1 or More	
Male, %	55	45	100
Female, %	78	22	100
N =	51	38	112

$(\chi^2 \text{ 1df} = 11.873, p = 0.001)$

Table 48: Sex, and Awards Won this Year

Differences were not significant for age, or age of youngest child for this measure, although those who had children won significantly fewer awards than those who had none $(\chi^2 \text{ 1df} = 4.537, p < 0.05)$.

4 Number of Awards Won by Employing Agency

Respondents were asked, in Question 11, to give the number of awards their agency had won this year, last year, the year before last, and ever. This question seemed to cause difficulty to some respondents. Many did not know, and said so or left the box blank. Others made estimates or guesses, and said so. In some cases, an equal or even lower figure was given for awards won by the agency than by the individual creative. Still others said "lots", "loads", "hundreds" or "thousands" in place of precise figures. It would seem that creatives are more interested in their own work than in that of the rest of the organisation. Many seem to have little knowledge of their employing agency. Eighteen respondents had no idea what their agency's annual billings were, and were unable therefore even to guess an answer to Question 17, even

though broad turnover bands were provided. However, sufficient good quality responses were provided to enable their tabulation and use in further analysis.

	THIS YEAR	LAST YEAR	YEAR BEFORE LAST	EVER
Mean	50.6	86.1	91.2	748
Min	0	0	0	0
Max	500	500	500	3000
SD	101	133	138	739
Missing	43	44	49	36

Table 49: Number of Awards Won by Employing Agency

5 Summary & Conclusions

This chapter has presented an analysis of the results of the three main creativity measures: details about the most recent creative award won by the respondent, the number of awards he or she had won personally, and the number of creative awards his or her agency had won.

The question about the most recent award for creativity provided a wealth of information. For only 36% of respondents the most recent award was won in 2000. Awards cited were well known and prestigious, with an even spread of golds, silvers and bronzes. Eighty-seven percent of respondents worked in teams of two, although there were three one-person teams, and seven larger teams. Sixty-three percent of award-winning accounts were worth less than £10m p.a. This supports H3B: *Creative staff and account management will win more awards for their smaller, less important clients.* Twenty-two percent of recent award winning campaigns were won by agency-client combinations that had been together for no more than two years, the

development period according to Lynn et al (1984), whilst the remaining 78% were spread over relationships spanning from three, to more than twenty years. However, with the number of campaigns rather than time as the measure of relationship length, over 50% of awards went to agencies for whom this was only the first, second or third campaign for their clients, supporting H5B: *Advertising agencies will produce less creative advertising (as evidenced by creative awards) for clients with whom they have been associated longer.*

A greater proportion of men than women won awards in the most recent period. Since men also have a greater risk propensity, this suggests a relationship between risk and creativity, further supporting H6A. *The personal risk propensity of advertising creatives and their advertising creativity are positively related.* Having examined the results of the creativity measures, we proceed, in the following chapter, with bi-variate analysis to examine further the relationships between risk and creativity.

Chapter 9: RISK and CREATIVITY: BIVARIATE RELATIONSHIPS

Chapter 9: RISK and CREATIVITY:
BIVARIATE RELATIONSHIPS

1 <u>Introduction</u>

Preceding chapters have separately examined the nature of the sample (Chapter 6), basic propensity towards risk taking (Chapter 7), and levels of creativity (Chapter 8). Several of the research hypotheses concerning the nature of risk propensity and advertising risk attitude were thereby upheld, and some preliminary support has already been given to the main research question, concerning the relationship between risk and creativity in advertising. In Chapter 9, bivariate relationships between risk and creativity measures are analysed in order to address the remaining research hypotheses.

2 <u>Advertising Creativity and Personal Risk Propensity</u>

As discussed earlier (Chapter 5, 3.2.1; Chapter 7, 2.5), personal risk propensity was measured using fifteen statements to which respondents were asked to indicate the extent of their agreement, by scoring a seven-point Likert-type scale. In order to improve the alpha coefficient, one of the statements was omitted, as suggested by analysis using SPSS for Windows Version 9.0. Thus, the minimum possible score was 14, and the maximum possible 98. To avoid confusion with the original fifteen-item measure (PARTOT) the altered variable was named PARTOT2, for which there were 112 valid cases. For analytical purposes, these were grouped into three

broadly equal sized bands[22] according to the overall risk score, to enable testing for relationships with other variables. Those cases with a score of less than 50, of whom there were 36, were designated Low-risk-takers; those scoring 60 or more, of whom there were 38, were designated High-risk-takers. Those with a score between 50 and 59, of whom there were 38, can be described as the Medium-risk group. It should be kept in mind that these terms are used relatively: "Low" ("high") risk here means "low" ("high") only relative to the rest of the sample. In some cases, and for comparison, PARTOT2 was also analysed in only two groups – those below the median score, of whom there were 52 (46%), and all those above it, of whom there were 60 (54%). This was in order to produce contingency tables with no cell showing an expected count less than five, since analysis with chi square is unreliable in such cases. These groups were then cross-tabulated with the various creativity indicators. The analysis follows.

2.1   Personal Risk Propensity and Year of Most Recent Award

The most recent award for creativity was used as a measure of current creativity. Seventy-seven respondents gave the year of their most recent award, 74 of these were valid for cross-tabulation. As can be seen in Table 50(a), below, 44% of high scorers, and only 24% of low scorers had received awards in the year 2000, the most recent award period. A greater percentage of low-risk scorers had last won an award at least two years previously.

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[22] This was originally done manually. The process was later repeated with identical results using the "Categorize variable" (sic) function of SPSS V.10, to produce "NTILES of PARTOT2", where "N" equalled three.

LAST AWARD WON:	PERSONAL RISK PROPENSITY		
	Low Risk	Medium Risk	High Risk
	%	%	%
Pre 1999	36	29	36
1999	40	33	20
2000	24	38	44
Total	100	100	100
N=	25	24	25

$(\chi^2, 4df = 13.578, p = 0.009)$

Table 50(a): Personal Risk Propensity and Year of Most Recent Award

Looked at another way (see Table 50b, Appendix 9), a significantly higher percentage of those who had not won an award for at least two years were low-risk takers, and a significantly higher percentage of those who had won awards in 2000 were high-risk takers. This difference is more clear in the two risk-group comparison: 69% of awards received in 2000 were made to creatives in the high-risk group, who were themselves only 54% of the sample, compared with 31% for the low risk group, who were 46% of the sample $(\chi^2, 1df = 4.751, p = 0.029)$. This is a clear indication of a positive relationship between personal risk propensity, and advertising creativity, and thus supports H6A: *"The personal risk propensity of advertising creatives and their advertising creativity are positively related."* The large value for chi-square and correspondingly high significance level mean we can be highly confident that these results are due to a relationship between the variables, and not to sample fluctuation (Bryman and Cramer, 1999).

2.2   Personal Risk Propensity and Number of Personal Awards This Year

Another way of studying the relationship between personal risk propensity and creativity is to compare the former with the number of personal awards for creativity received "this" year. The positive relationship described above is further supported by this comparison.

A significantly higher proportion of the high-risk group (21%) than of the low risk group won three or more awards (Table 51a) "this year". The expected proportion was 21%. A significantly lower proportion of the high-risk group (54%) than of any other group won no awards.

PERSONAL AWARDS THIS YEAR:	PERSONAL RISK PROPENSITY		
	Low Risk	Medium Risk	High Risk
	%	%	%
None	54	64	57
1 or 2	31	12	21
3 or more	15	24	21
Total	100	100	99
N=	26	33	28

$$\chi^2, 4df = 11.428, p = 0.022$$

Table 51(a): Personal Risk Propensity and Number of Personal Awards this year

A higher proportion of those who won three or more awards were from this group (Table 51b, Appendix 9), and this proportion was higher than expected (61% vs. 48%). Fewer of those who won no awards were from the high-risk group than from any other group. Between-group differences are significant: $\chi^2_{2df} = 20.06$, p <0.005. This is further support for H6A.

2.3   Personal Risk Propensity and Number of Agency Awards This Year

The number of awards won by an agency is an indicator of that *agency's* creative abilities. The creativity of an agency is, however, a function of the creativity of the individuals who work there. It is reasonable to assume that agencies seek to attract and retain staff whose creative profiles and abilities match their own standards. The converse, that individual creatives are attracted to agencies whose creative reputations match their own abilities and aspirations, is also a reasonable assumption (Polonsky and Waller, 1995). It is therefore useful, for the purposes of this research, to examine the relationship between personal risk propensity and the number of creative awards won by the respondent's employing agency. This relationship was also found to be positive.

There were 69 valid cases for this analysis. Looking first at the high-risk group in Table 52a, we can see a greater than expected number of respondents from agencies that won more than ten awards, and fewer than expected from agencies that won fewer than ten awards.

AGENCY AWARDS THIS YEAR		PERSONAL RISK PROPENSITY			
		Low Risk	Medium Risk	High Risk	Total
0 - 9	Actual	8	15	6	29
	Expected	8.4	10.1	10.5	29
10-49	Actual	6	5	8	19
	Expected	5.5	6.6	6.9	19
50 +	Actual	6	4	11	21
	Expected	6.1	7.3	7.6	21
Total	Actual	20	24	25	69
	Expected	20	24	25	69

Table 52(a): Personal Risk Propensity and Agency Awards This Year

The medium-risk group shows one third fewer cases with more than 10 awards than would be expected (9 versus 13.9), and 50% more cases with fewer than 10 awards than would be expected (15 versus 10.1).

AGENCY AWARDS THIS YEAR:	PERSONAL RISK PROPENSITY			
	Low Risk %	Medium Risk %	High Risk %	Total:
0-19	50	75	36	54
20+	50	25	64	46
Total	100	100	100	100

$(\chi^2{}_{2df} = 31.4, p < 0.001)$

Table 52(b): Personal Risk Propensity and Agency Awards This Year

Nearly two-thirds of the high-risk group (Table 52b) were employed by agencies that had won more than 20 awards this year – a significantly higher proportion than for any other risk group. Of those respondents working in agencies that had won twenty or more awards, 50% were in the high-risk group (see Table 52c, Appendix 9). The remaining 50% were distributed between the other two risk groups. Similarly, of those respondents working in agencies that had won fewer than twenty awards, only 24% were in the high-risk group. These results further support H6A: *The personal risk propensity of advertising creatives and their advertising creativity are positively related.*.

3   Advertising Creativity and Advertising Risk Attitude

The mean for Advertising Risk Attitude was 47.12, with SD 6.74. The lowest score was 30 and the highest 64, from a possible range of 10 to 70. For analytical purposes, cases were divided into two groups: those scoring

between 30 and 46 – the low-risk group, and those scoring between 47 and 64
– the high-risk group.

3.1   Advertising Risk Attitude and Recent Campaign Class

A significantly higher proportion of the high-risk group (50%) and a
significantly lower proportion of the low-risk group (17%) won gold awards
in their most recent award-winning campaigns. Higher proportions of the
low-risk group won more of the other two classes of awards than did the
high-risk group (see Table 53a).

LAST AWARD CLASS	ADVERTISING RISK ATTITUDE:	
	Low Risk	High Risk
	%	%
Bronze	31	29
Silver	53	21
Gold	17	50
Total	101	100
	N = 36	N = 42

$$\chi^2_{2df} = 30.154, p < 0.001$$

Table 53(a): Advertising Risk Attitude and Recent Campaign Class

The differences are even more apparent when comparing actual with
expected results (Table 53b). Fifty percent more than expected of the high-
risk group, and fifty-three percent fewer than expected of the low risk group
won gold awards. The differences are significant: $\chi^2_{2df} = 11.555, p = 0.003$.
Although not high, correlation was positive ($r = 0.22$). These findings support
H6B: *The advertising risk attitude of advertising creatives and their advertising creativity
are positively related.*

LAST AWARD CLASS:		ADVERTISING RISK ATTITUDE:	
		Low Risk	High Risk
Bronze	Actual	11	12
	Expected	10	13
Silver	Actual	19	9
	Expected	13	15
Gold	Actual	6	21
	Expected	13	14
Total		36	42

$$\chi^2_{2df} = 11.555, p = 0.003$$

Table 53(b): BUSRISK and Recent Campaign Class

3.2   Advertising Risk Attitude and Number of Personal Awards This Year

PERSONAL AWARDS THIS YEAR:		ADVERTISING RISK ATTITUDE:	
		Low Risk	High Risk
None	Actual	27	23
	Expected	25	25
1+	Actual	18	21
	Expected	20	19
Total		45	44

Table 54: Advertising Risk Attitude and Number of Personal Awards This Year

Although marginally more than expected of the high-risk group and marginally fewer than expected of the low risk group won at least one award this year, and vice versa for "None" (Table 54), there was no significant relationship between Advertising Risk Attitude and "Number of Personal Awards This Year", with $\chi^2_{1df} = 0.54$, NS, p > 0.05. Correlation was positive, but very low ($r = 0.078$). This measure did not support the research hypotheses.

3.3 Advertising Risk Attitude and Number of Agency Awards This Year

Twenty-five percent more of the high-risk group, and 23% fewer of the low-risk group, than expected were from agencies that had won ten or more awards this year. Thirty-six percent fewer of the high-risk group, and 33% more of the low-risk group, than expected were from agencies that had won fewer than 10 awards this year. These differences are highly significant: χ^2_{1df} = 5.579, p = 0.018. Although low (r = 0.28), correlation between Advertising Risk Attitude and Agency Awards this Year is positive, supporting H6B.

AGENCY AWARDS THIS YEAR:	ADVERTISING RISK ATTITUDE:	
	Low Risk	High Risk
	%	%
0 to 9	54	26
10 or more	46	74
Total	100	100
	N = 37	N = 34

$$(\chi^2_{1df} = 5.579, p = 0.018)$$

Table 55: Advertising Risk Attitude and Agency Awards this Year

4 Advertising Creativity, and Advertising Risk Attitude According to Prospect Theory

As discussed in Chapter 7, 86% of respondents favoured the more risky Plan B, with the remaining 14% of cases preferring the safer Plan A, when asked to choose between the two hypothetical advertising strategies (see Appendix 4, Question 4). The scores for "Advertising Risk Attitude According to Prospect Theory" were cross-tabulated with creativity indicators

to identify the relationship between risk propensity under this measure, and creativity.

4.1 Advertising Risk Attitude According to Prospect Theory and Year of Most Recent Award

There was a significant relationship between Advertising Risk Attitude According to Prospect Theory and Year of Most Recent Award. The most significant difference was between those who had last won an award before 1996, and all other award winners. Whereas 20% of the low-risk group had not won an award since before 1996, this applied to only 3% of the high-risk group. This was highly significant, with $\chi^2_{1df} = 14.198$, p < 0.001. This further supports H6B: *The advertising risk attitude of advertising creatives and their advertising creativity are positively related.*

LAST AWARD WON:	ADVERTISING RISK ATTITUDE ACCORDING TO PROSPECT THEORY	
	A	B
	%	%
Pre 1996	20	3
1996 and later	80	97
Total	100	100
	N = 10	N = 65

$$\chi^2_{1df} = 14.198, p < 0.001$$

Table 56: Advertising Risk Attitude According to Prospect Theory, and Year of Most Recent Award

4.2 Advertising Risk Attitude According to Prospect Theory and Number of Personal Awards this Year

The "Number of Personal Awards this Year" ranged from 0 to 25, with a mean of two. None of the low-risk group had won more than two awards, whilst 26% of the high-risk group had done so, 14% more than expected (Table 57). This is further support for H6B. Although low, correlation is positive, with $r = 0.202$.

PERSONAL AWARDS THIS YEAR:	ADVERTISING RISK ATTITUDE ACCORDING TO PROSPECT THEORY	
	A	B
	%	%
0 to 2	100	74
3 or more	0	26
Total	100	100
	N = 11	N = 78

$$\chi^2_{1df} = 29.885, p < 0.001$$

Table 57: Advertising Risk Attitude According to Prospect Theory and Personal Awards This Year

5 Advertising Creativity, and Agency Risk Environment

The mean score for Agency Risk Environment was 22.47, with SD 4.74 and lower and upper scores of 12 and 36 from a possible score ranging from 6 to 42. For analytical purposes, it is convenient to group results into two, around the mid-point of the range. Scores from 6 to 23 are the low-risk group; those from 24 to 42 are the high-risk group.

5.1 Agency Environment and Year of Most Recent Award

Although a greater proportion of the low-risk group (40% vs. 29%) had never won an award (Table 58), and a greater proportion of the high-risk than of the low-risk group had last won awards in and before 1999, a greater percentage of the low-risk than of the high-risk group had last won in 2000. The results are not conclusive, and the data for year of most recent award do not support the hypothesis that advertising creativity is a function of agency risk environment (H4).

YEAR OF MOST RECENT AWARD:	AGENCY ENVIRONMENT:	
	Low Risk	High Risk
	%	%
None	40	29
Pre-1999	16	20
1999	16	26
2000	28	26
Total	100	101
	N = 57	N = 35

$$\chi^2_{3df} = 4.648, \text{NS}, p > 0.05$$

Table 58: Agency Environment and Year of Most Recent Award

5.2 Agency Environment and Recent Campaign Class

Curiously, the data (Table 59) support a *negative* correlation between agency environment and class of award. It is unclear why this should be the case.

LAST AWARD CLASS:	AGENCY ENVIRONMENT:	
	Low Risk	High Risk
	%	%
Bronze	19	48
Silver	47	24
Gold	33	28
Total	99	100
	N = 36	N = 25

Table 59: Agency Environment and Class of Most Recent Award

The results for Agency Risk Environment and Class of Most Recent Award do not support the research hypothesis.

5.3   Agency Environment and Number of Personal Awards This Year

There was a significant relationship between Agency Risk Environment and the number of personal awards won this year (Table 60). This was most noticeable between those who had won two or more awards this year, and those who had won fewer. Fifty-four percent more of the high-risk group, and thirty percent fewer of the low-risk group than expected had won two or more awards. Correlation was low, but positive $(r = 0.276)$. This finding supports the research hypothesis that a more risk-seeking agency environment leads to more creativity (H4): *Advertising agencies with a more positive risk environment will win more creative awards.*

PERSONAL AWARDS THIS YEAR:	AGENCY ENVIRONMENT:	
	Low Risk	High Risk
	%	%
Fewer than 2	77	50
2 or more	23	50
Total	100	100
	N = 48	N = 26

$$\chi^2_{1df} = 15.726, p < 0.005$$

Table 60: Agency Environment and Number of Personal Awards This Year

5.4 Agency Environment and Number of Agency Awards This Year

Marginally more of the high-risk group and marginally fewer of the low-risk group than expected were from agencies that had won 10 or more awards this year, with the reverse true for those that had won fewer than 10 awards, in support of the hypothesis. This was not significant, however, and the data do not support H4.

AGENCY AWARDS THIS YEAR:	AGENCY ENVIRONMENT:	
	Low Risk	High Risk
	%	%
0 to 9	44	43
10 or more	56	57
Total	100	100
	N = 39	N = 21

$$\chi^2_{1df} = 0.02, NS, p > 0.05$$

Table 61: Agency Environment and Number of Agency Awards This Year

6 Summary and Conclusion

In Chapter 9, bivariate relationships between Advertising Creativity and Personal Risk Propensity, Advertising Risk Attitude, Advertising Risk

Attitude under Prospect Theory, and Agency Risk Environment have been examined with a view to testing the main research hypotheses about the relationship between risk and creativity. H6A, which stated that: *The personal risk propensity of advertising creatives and their advertising creativity are positively related*, was supported. The year of most recent reward, the number of personal awards, and the number of agency awards were all significantly related to personal risk propensity. H6B stated that: *The advertising risk attitude of advertising creatives and their advertising creativity are positively related.* This too was supported by the data: there was a significant connection between advertising risk attitude and class of most recent award, and between advertising risk attitude and the number of awards won by the agency. There was also a significant relationship between advertising risk as measured by prospect theory and the year of most recent award, and the number of personal awards won. H4 concerned the effect of agency risk environment and advertising creativity, stating: *Advertising agencies with a more positive risk environment will win more creative awards.* There was a significant relationship between agency risk environment and personal awards for creativity. In conclusion, all the remaining research hypotheses were supported by the data. The following chapter will summarise the research, draw conclusions, and make a number of recommendations for advertising agencies and their clients in the light of the research findings.

Chapter 10: SUMMARY, CONCLUSIONS & RECOMMENDATIONS

Introduction

Conclusions about the Research Hypotheses

Recommendations
      — *for advertising agencies*
      — *for advertisers*

Chapter 10: SUMMARY, CONCLUSIONS, & RECOMMENDATIONS

1 Introduction

This chapter commences with a brief, chapter by chapter summary of the whole research project. This is followed by a summary of the findings with regard to the research hypotheses, and conclusions that can be reached about them from the data collected. Finally, recommendations deriving from the research are offered for advertising agencies and advertisers.

2 Summary

This study set out to examine the nature of the relationship between risk and creativity, specifically between advertising risk attitude, and creativity in advertising. The common man, the literary and the military figure all seem to believe intuitively that risk and return are positively correlated. A great deal of research has been carried out in the field of business and management with the express purpose of examining this relationship, both from the point of view of the enterprise, and from that of the individual executive, with varied and contradictory results. Risk research in the general field of business and management has concentrated, in the main, on financial risks and returns, with a few exceptions that have studied some of the ways that individuals and organisations respond to risk, for example by increasing advertising budgets. Creativity researchers, on the other hand, acknowledge that creativity involves a certain amount of risk, and encourage would-be creators to have the

courage to defy convention, to be different, to withstand criticism and discouragement. Yet, they too have not specifically researched the relationship between risk and creativity.

Advertising practitioners in general seem to share the belief that risk and creativity are strongly positively correlated, in spite of the lack of supporting research. Yet, vast amounts of money are spent each year on advertising, even though industry experts agree that between half and ninety percent of this is wasted. The general background to the research was set out in Chapter 1, where the industry and financial context were explained. The considerable importance to advertising of creativity was discussed, and an introduction to the major works on risk was provided.

Neither 'risk' nor 'creativity' are simple concepts, and it was essential to establish a clear understanding of the meaning of these terms, in the 'general' sense, in the context of the advertising industry, and as they would be used in this research. The literature on risk, its definition, and the different ways in which it might be measured were, therefore, covered in greater depth in Chapter 2, whilst a similar study of the literature on creativity was provided in Chapter 3. The research objectives were explained in detail in Chapter 4, and developed into a number of hypotheses for subsequent testing. The methodology for achieving the research objectives was discussed in Chapter 5. This methodology involved both a qualitative and a quantitative stage. The purpose of the former was to explore what advertising people understood by risk and creativity, and their attitude towards them, and to validate or inform

key concepts to be used in the subsequent quantitative stage. These were primarily the definitions of risk and creativity that had been identified or developed during the review of the literature. Also detailed in Chapter 5 were the development of the main research instrument, which was a self-completion postally administered questionnaire, and the development of the sample frame and the database from which it was drawn. Chapters 6 to 9 were concerned with the analysis of the results. Chapter 6 presented a description of the constitution and key characteristics of the sample, testing for representativeness. The sample was tested for non-response bias at all stages, by comparing the first and final quartiles of responses, with the fourth quartile taken as proxy for non-responders (after Armstrong and Overton, 1977). The sample was found to be representative of the population from which it was drawn, with a preponderance of younger and mainly male respondents. The absence of a significant difference between first and fourth quartiles of respondents for all research and classification data indicated that there was less likelihood of non-response error.

An analysis of the data from the risk measures was presented in Chapter 7, and several of the research hypotheses were supported by this analysis. Chapter 8 consisted of an analysis of the creativity data, and Chapter 9 provided an analysis of bivariate relationships between risk and creativity measures, to test the validity of the remaining research hypotheses. Chapter 10 presents this summary and the conclusions of the research, with recommendations for agencies and clients. Finally, Chapter 11 discusses the

limitations of the project and presents some suggestions for future research. Having briefly summarised the chapter-by- chapter content of this dissertation, we will now discuss the outcome of the research hypotheses.

3   Conclusions about the Research Hypotheses

3.1   Personal Risk Propensity

The probable relationship between advertising risk attitude and advertising creativity, and possible contributory factors, were presented in Fig. 9 and discussed in Chapter 4. It was suggested that risk propensity might be a function of personality, that certain types of people might have a predisposition towards risk behaviour, and towards different types of risk. A fifteen-item multivariate scale was developed to measure risk in general, while subsets of the instrument were designed to assess risk preference for four different types of risk. Personal risk attitude was also measured using Prospect Theory, as the literature review had indicated that risk should be assessed using multiple measures. The first hypotheses were concerned with the relationship between personal risk propensity and age, sex, income, and family life cycle stage. Conclusions about these hypotheses were presented in Chapter 7, but will be summarised briefly below for the convenience of the reader.

H1A was that: *Personal Risk Propensity is a function of age.* Younger respondents were indeed found to be more willing to take risks, primarily those of a financial and physical nature, than were their elders. H1B

concerned sex, and stated that: *Personal Risk Propensity is a function of sex.* This too was supported by the data: men were more willing to take risks than women were, particularly physical and social risks. H1C stated that: *Personal Risk Propensity is a function of income.* Those respondents on lower incomes were less averse to physical risk than were their more affluent colleagues. They were also more willing to take financial risks. However, under the Prospect Theory measure, by contrast, creatives on higher salaries were found to be more willing to take personal financial risks (i.e. bets) of a given size than were their lower-earning colleagues, though only when facing the prospect of gains (faced with potential losses, higher earners were risk averse). This apparent discrepancy is a feature of the Prospect Theory measure, which does not take into consideration the wealth of respondents. Further analysis revealed that respondents scoring highly for risk in the domain of gains were also high-income individuals: relative to their income, the risk was lower than for respondents on lower salaries.

Finally, in this section, H1D concerned the effect of family life-cycle stage on risk propensity, and stated that: *Personal Risk Propensity is a function of family life cycle stage.* This too was supported by the data, which showed that high risk scorers tended to be childless, whilst Full Nest 1 respondents were more risk averse than those who either had no dependants, or whose children were all six years old or older. The young age profile of the sample is reflected in the preponderance of single and childless respondents.

These results tend to mirror the implicit recruitment and retention policies of advertising agencies, where, for UK based firms, no more than 20% of creatives are women (see Chapter 6), and agency executives in Europe are predominantly in their 20s and 30s (Miller, 1998; Treguer, 1998). Whether by chance, or by deliberate policy, UK advertising agencies seem, in general, to recruit and to retain those groups that have a higher predisposition toward risk.

3.2   Individual Advertising Risk Attitude

Individual advertising risk attitude was measured in three ways. The first of these used a Prospect Theory measure (Question 4), which asked respondents to choose between a no-risk advertising strategy, and a risky alternative that had a 50% chance of a better rate of return, and a 50% chance of a worse rate of return. The second measure consisted of ten statements, each designed to capture the individual's attitude to risk in a business context relevant to advertising. Respondents were asked to score these on a seven-point Likert-type scale. Advertising risk attitude was further measured by asking respondents how much risk had been taken on their most recent award-winning campaign, compared to campaigns for which they had not won awards.

As with Personal Risk Propensity, the factors that were believed to influence individual advertising risk attitude were set out in Fig. 9 and discussed in Chapter 4. Contrary to the suggestion in Fig. 9, there was no

direct relationship between advertising risk attitude and age, sex or family life cycle stage, although these had featured strongly in Personal Risk Propensity. It was suggested that the amount of risk that advertising creatives were prepared to take was influenced by their attitude towards risk in general, that a preference or predisposition towards risk taking would translate in the workplace into a similar pattern with regard to advertising risk. H2A, therefore, stated that: *Individual Advertising Risk Attitude is a function of Personal Risk Propensity*. The data revealed a significant positive correlation between Personal Risk Propensity and Advertising Risk Attitude, and H2A was supported.

Advertising risk attitude was in turn believed to be affected by the degree to which the general agency environment was conducive to risk taking behaviour: if conditions at the agency favoured risk, creatives would be more comfortable taking risks. H2B stated that: *Individual Advertising Risk Attitude is a function of the risk environment of the agency*. Respondents who scored high for Advertising Risk Attitude also gave high scores for their agencies' risk environment. Correlation was positive, and significant, and H2B was supported.

The third factor posited to influence advertising risk attitude was the 'power' relationship between the individual creative and his or her employing agency. This argument is something of a paradox. It was shown, with regard to H1A, that younger creatives had a higher personal risk propensity. Yet younger creatives are less established in their careers, are likely to be on lower

salaries, and, it would seem, have less 'power'. However, age and advertising

risk attitude (in contrast to personal risk propensity) were not correlated. H2C

was that: *Individual Advertising Risk Attitude is a function of the individual's*

relationship with the employing agency. A higher proportion (50%) of respondents

on the lowest salaries had a higher advertising risk profile than those on the

mid-range salaries (41%), while the highest proportion of risk seekers was

found to be among those on the highest salaries (61%). H2C is supported:

individual advertising risk attitude is a function of, *inter alia*, the individual's

relationship with the employing agency, salary being one indicator of this

relationship, but, on the basis of salary alone the function does not appear to

be linear. It is noted, however, that salary is only one indication of this

relationship, and that there may well be other aspects of 'seniority' that make

the relationship with the agency more conducive towards risk taking. It seems

that there is a conflict between the Prospect effect on risk and the security

effect. According to Prospect Theory, operating below the reference point, as

would be the case for ambitious young executives, whose personal reference

points are their salaries and status within the organisation, encourages risk

taking. Promotion, and the salary and status that come with performance

above the reference point, seem to discourage this, which accords with

Prospect Theory. Promotion to the highest levels (as indicated by salary),

however, brings security, and with it the freedom, once again, to take risks.

Reconciliation with Prospect Theory could be achieved by positing an upward

shift in the reference point for these high earners: for example, for senior

creatives, the relevant reference point may not be a particular level of income,

but, instead, the recognition of their industry peers. This view is supported by the fact that marital status[23], number of dependants[24], family life cycle stage[25], and age[26], all factors that would normally indicate relative risk aversion, are all positively correlated with salary. In other words, more couples, more parents, more Full Nest 1 households, and more creatives over the age of 35 were in the high-income group, whilst a greater proportion of the high-income group than of any other were high scorers for advertising risk. This relationship between family status, income, and risk strongly suggests that risk in advertising is rewarded. For the winners, the reward provides job security, or sufficient financial security to overcome the effect on risk behaviour of being above reference-point.

The fourth factor posited to influence individual advertising risk attitude was the size of the client, with agencies taking bigger risks for smaller clients. H3A thus stated that: *Creative staff and account management will be more risk seeking for their smaller, less important clients.* This was supported by the data. Finally, H5A stated that: *Advertising agencies will produce less risky advertising for clients with whom they have been associated longer.* This too was supported by the data: for their most recent award winning campaigns, respondents in younger agency/client relationships reported more risk taken than did those in older agency/client relationships. This is a clear indication of a relationship between advertising risk attitude and the length of the agency's relationship with the

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[23] See Table 62, Appendix 9
[24] See Table 63, Appendix 9
[25] See Table 64, Appendix 9
[26] See Table 65, Appendix 9

client, with a greater propensity towards risk the younger the relationship, and increasing risk aversion as the relationship matures. This too may be consistent with prospect theory: it is conceivable that agency management have a mental image of a reasonable duration for agency-client relationships. This 'reasonable duration', then, will serve as a reference point. Until this point is reached, creatives may be posited to be risk seeking: beyond this point they will, according to Prospect Theory, be risk averse.

3.3 Risk and creativity

Finally, the central proposition underlying this research was that risk and creativity are positively related, that it is necessary to take risks in order to produce truly creative work. This hypothesis was expressed in two ways. H6A concerned personal risk propensity, and stated that: *The personal risk propensity of advertising creatives and their advertising creativity are positively related.* There was clear indication of a positive association between personal risk propensity and advertising creativity, with significantly more recent creative awards being made to high scorers for personal risk than to low scorers. Additionally, more high scorers than low scorers won creative awards in the most recent period under consideration, and the agencies that employed high risk scoring respondents won more creative awards. H6A was thus supported: the personal risk propensity of advertising creatives and their advertising creativity are positively related.

H6B specifically concerned advertising risk attitude, and stated that: *The advertising risk attitude of advertising creatives and their advertising creativity are positively related.* H6B was supported by several measures. Significantly higher levels of advertising risk were reported for recent award winning campaigns, and risk was positively correlated with the class of award won, and with the number of awards won. Twenty-five percent more of the high-risk group, and 23% fewer of the low-risk group, than expected were from agencies that had won ten or more awards this year. H6B was supported by the fact that, for the majority of respondents, the most recent award-winning campaign involved significantly more creative risk than those campaigns on which they had worked that had not won awards. Fifty percent more than expected of the high-risk group, and fifty-three percent fewer than expected of the low risk group, won gold awards. Significantly more respondents choosing the risky advertising option in answer to Question 4 won more awards more recently than those who chose the safe option.

Further, subsidiary, hypotheses concerned the relationship between creativity and size of client (H3B), agency risk environment (H4), and length of the agency-client relationship (H5B). H3B was supported by the fact that 63% of most recent awards were for smaller accounts. H4 was supported by the significant relationship between Agency Risk Environment and the number of personal awards won this year. Fifty-four percent more of the high-risk group than expected, and thirty percent fewer of the low-risk group than expected had won two or more awards. A more risk-taking agency

environment correlated with more creativity: the hypothesis that advertising creativity is a function of agency risk environment (H4) was supported.

4   Recommendations

4.1   Recommendations for Advertising Agencies

4.1.1   Recruitment and Retention

This research has shown a association between age, sex, and family life cycle stage on the one hand, and personal risk propensity on the other, with young childless males showing the highest propensity towards risk. It has also shown that personal risk propensity is positively associated with advertising risk attitude, and that both are positively associated with advertising creativity. These results would seem to vindicate the implicit employment policies of advertising agencies, whereby disproportionate numbers of young childless males are employed, compared with all other demographic categories. However, it is clear that a great many creative awards are also won by older creatives, by women, and by parents of young children. It is questionable whether it is wise to staff a communications organisation in a way that is so far from reflecting the make-up of the target, and agencies should consider the merits of employing a more representative staffing base. Moreover, in order to maintain current staffing profiles, high staff turnover is essential – a reported source of dissatisfaction for clients (Wackman et al, 1987). It would be preferable, whilst recognising the greater risk preference of young male creatives, to devise ways of encouraging older and female staff to be less risk-

averse. This could include training, in the form of creativity workshops, where the need to take risks is stressed, and where risk-taking is rewarded (following the advice, for example, of Sternberg, 2000).

4.1.2   Remuneration and Promotion

Both measures of advertising risk showed that this varied with gross salary. Creatives on the lowest salaries generally exhibited higher risk levels. However, 'promotion' to higher salaries had the effect of reducing these, whilst the highest earners displayed the highest advertising risk propensity. This suggests a potential management problem with mid-ranking creatives, in that the security that comes with promotion results in risk-aversion. This is not, of course, to suggest that managers should not promote creatives, and reward superior work with an increase in salary. Managers should be aware that increased risk aversion is a natural result of security, or, in the language of Prospect Theory, performance above the reference point. Increases in salary should always be accompanied by exhortation and encouragement to continue to take risks in the search for creative excellence.

4.1.3   Working Environment

The review of literature on creativity showed that the best way to manage creatives is to give them clearly defined objectives and boundaries, and then to allow them the maximum possible creative freedom (see, for example, Nickerson, 1999; Cummings & Oldham, 1997; Fletcher, 1990). The present research confirmed the impact of the agency's risk environment on

individual advertising risk attitude: creatives will be more inclined to take creative risks if the environment of the agency is conducive to this. Creatives with higher scores for advertising risk won more gold awards than did those on lower scores, and were from agencies that won more awards. It is clear that agencies will be more successful in winning awards for creativity if they provide a working environment where risk is encouraged. This will involve agency management becoming less risk averse, in the sense that, once they have set clear guidelines, they should allow creatives the broadest possible freedom to act, to take creative risks, to make decisions on their own: in short, to have a great deal of personal responsibility.

4.1.4   Agency/Client Life Cycles

This research noted an inverse relationship between creativity and the length of the agency-client relationship, as defined by the number of campaigns on which agency and client have worked together: the greater the number of campaigns, the fewer the recent awards for creativity. Why this is so, is not known, but it is a reasonable explanation for the high turnover of these relationships. Those relationships of more than 20 years (dubbed "permanent" in Chapter 8) that nevertheless maintain high quality creative output are the exceptions: only one respondent from such an agency won an award in 2000, two last did so in 1999, and one last did so in 1998. Agency management should be aware of this relationship, and put in place measures designed to ensure that complacency, perhaps caused by a feeling that the agency has some sort of 'natural right' to the account, and 'staleness', which

may be caused by the creatives becoming bored with the account, are avoided. High levels of staff turnover are one of the main reasons for client dissatisfaction (Wackman et al, op. cit.). Nevertheless, it may be essential periodically to inject new blood into older account teams, in order to provide a fresh outlook on the advertising task and the creative problem. If this is skilfully managed over time, a flow of good creative ideas could be maintained without the client feeling that there has been a discontinuity in key account personnel.

4.2   Recommendations for Advertisers

4.2.1   *Working Relationship*

The argument proffered above, that agencies will get better creative the more conducive the environment and working relationship are to risk-taking, also applies to the advertiser/client relationship. Clients should give agencies clear instructions, then trust the agency to produce creative solutions and recommendations. They should be aware that agencies tend to hide their more risky and thus more creative work, because they believe that clients are risk averse, and will therefore reject it. Clients that want truly creative advertising should encourage their agencies to push the boundaries of risky work, and to show them their more creative ideas.

4.2.2   *Agency-Client Life Cycles*

Advertisers should be aware of the inverse relationship between creativity and the length of the agency-client relationship noted in this research. There were examples of well-established relationships, whether measured by duration or by number of campaigns, which continue to win creative awards. There were, however, far more examples of award winning relationships that were much younger. It is not suggested that advertisers should indulge in frequent costly and disruptive terminations, rather that they should monitor carefully the creative performance of their agencies over time, and over successive campaigns, to ensure that the desired balance between continuity and creativity is achieved. They should be willing to accept, or indeed should request, occasional changes of creative staff on their accounts, as this will ensure a fresh perspective and a flow of new creative ideas.

5   Conclusion

The study has made a number of contributions both to theory and to professional practice. It is the first to examine the relationship between risk attitude and advertising creativity, and as such is a major contribution to academic research in *Advertising*, in an area where "instinct" and "conventional wisdom" have hitherto prevailed. Creatives intuitively feel that risk and creativity are related, but hitherto have had little evidence to support this view. The research has provided recommendations for agencies and advertisers that, if pursued, should lead to enhanced creative output, and better working relationships both within agencies and between agencies and

clients. Key areas for management attention are policies that relate to recruitment, retention, remuneration and promotion, to the day-to-day management of staff, and to the agency/client life cycle. The research also adds to the *Risk/Return* literature, which has, in the main, been general in nature and compiled from aggregate statistical or financial data rather than measures of individuals' attitudes, and largely limited to financial risks and returns. The present research is based on individuals' attitudes towards risk, and a personal risk propensity measure has been developed for this purpose. Here the risks and the returns have an important financial consequence, but the "return" measured is not financial: it is in the new dimension of "creativity". The study, therefore, also contributes to *Creativity* research, by exploring the link between creativity and risk, building on such work from Crutchfield (1962), Freeman (1983), and Nickerson (1999), amongst others.

Furthermore, the study tests the applicability of *Prospect Theory* (Kahneman and Tversky, op. cit.), which was developed with university students as subjects, in laboratory conditions, to a practical business environment. Other researchers, such as Fiegenbaum (1990), have shown that prospect theory can explain the relationship between risk and return, but have used the traditional measures of earlier researchers, whereby return was average return on assets for the period under study, whilst risk was ROA variance for the same time period. No attempt was made to operationalise the measures of prospect theory, and Fiegenbaum's (1990) study more properly belongs to the *Means/Variance* literature than to *Prospect*. The present study

used actual and adapted prospect questions in an attempt to measure the risk propensity of individual advertising creatives. It should be noted, however, that there was some difficulty with this, because the wide range of incomes resulted in different levels of perceived risk for the same size of gamble. This would not have been an issue for Kahneman and Tversky, whose respondents, as university students, are likely to have had more uniform income and wealth profiles. Researchers wishing to operationalise prospect theory questions are advised to develop ways to compensate for the effect of respondents' differing levels of income or wealth on their perception of the risk and return involved in these gambles.

Prospect Theory was also tested in a hypothetical business context, replicating West (1998). Instead of asking respondents to evaluate and choose between hypothetical monetary gambles which, particularly for university students, may well be "outside of the run of their normal experience" (Lee, 1991, P. 76), the present study asked advertising agency employees to respond to choices that were framed as recognisable work situations. As in West's study (op. cit.) the majority of creatives favoured the more risky alternative. Linked to traditional Prospect questions (Kahneman and Tversky, op. cit.), this study provides an indication of the applicability of Prospect to a business sample and population.

In summary, the current research represents a contribution to the risk/return literature, the literature on advertising, the literature on creativity, the literature on prospect theory, and to professional practice. The main

contribution, however, is that it is the first specifically to examine the relationship between risk and creativity in advertising using widely accepted and validated measures of creative performance. It is the first study to demonstrate empirically that there is indeed a positive association between risk and creativity. This is a highly important issue because of the large sums of money firms spend on advertising[27] (and possibly waste on ineffective advertising), and because of the damage that can be done by advertising that may be inferior (or contradictory) to the existing brand equity of the product being advertised, because of its lack of creativity.

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[27] US$233 billion for the United States, and a further US$230 billion for the rest of the world during the year 2000 (Belch and Belch, 2001).

Chapter 11: LIMITATIONS & RECOMMENDATIONS FOR FUTURE RESEARCH

Introduction

Limitations

Recommendations for Future Research

Summary

Chapter 11: LIMITATIONS & RECOMMENDATIONS FOR FURTHER RESEARCH

1 Introduction

As with most research, this study is not without limitations. It has also indicated interesting areas for future and further research. These limitations and suggestions for further research are discussed below.

2 Limitations

2.1 Size of Final Sample

The original intention of the second, quantitative stage of the primary research was to invite participation (through the postal questionnaire) from at least one thousand creatives working in and around London. However, response to the first flight of questionnaires, mailed to half of the database, was unacceptably low. Efforts were made to improve the response rate, to reduce the likelihood of non-response error, rather than to extend the sample frame, which could have had the effect of *reducing* the response rate and hence the increasing the possibility of non-response bias. The final response rate was 28%, which is acceptable, and comparable with other postal surveys of advertising agency creative staff, and the final number of responses was 115, which is also acceptable for most purposes. Non-response bias was tested using the widely accepted method adopted by Armstrong and Overton (1977), namely the comparison of first and last quartile responses for key

variables, with quartile four respondents serving as proxy for non-responders. Similarity between quartile one and four responses suggested that there was little likelihood of non-response error. It is noted, however, that researchers are not unanimous in their support for this technique.

2.2   Length of Questionnaire

The questionnaire was eight pages long, excluding the cover sheet, and incorporated over 50 questions. Although not excessive (many research instruments have far more questions), it is possible that a questionnaire of this length could cause some respondents to fail to complete all of the questions. To compensate for this possibility of questionnaire fatigue it is generally advisable to have a larger sample than statistically required, so that sufficient responses are received for each research variable. Other strategies to cope with fatigue include careful design and clarity of layout, which was employed, and question rotation, which was not used because it was considered preferable to present all respondents with identical questionnaires, for reasons of validity and reliability. It should be noted that not all of the data gathered are used for the current research, but were collected for possible future use. Furthermore, although there were only 115 completed questionnaires, the response rate was 28%, which is well above the industry norm of 12 to 16% for self-completion postal questionnaires. This suggests that fatigue was not an issue.

2.3   <u>Choice of Statistical Tool/Analytical Method</u>

The three multivariate items on the questionnaire were designed to be scored on seven-point Likert-type scales. Seven-point scales were deliberately chosen in preference to the normal five-point scales, as they enable the assimilation of a richer data set and improve the reliability of the measure (Churchill, 1999, p. 408). However, analysis of this data, particularly for association with other primarily categorical (e.g. sex, marital status) and ordinal items (e.g. gross salary) was mainly carried out after this multivariate data was aggregated into three, and sometimes two categories or 'dummy variables'. Whilst this is an approach commonly adopted by other researchers, it must be recognised that it is not without shortcomings, not least of which is that the original richness of the dataset is no longer available.

2.4   <u>Measurement of Current Creativity</u>

As discussed in Chapter 9, Personal Risk Propensity is a measure of the individual respondent's current state of mind. Ideally, this should be compared with current creativity. As creative awards are made some time after the creation of the advertisement or campaign, they are a measure of past (albeit often recent past), not current, creativity. Whilst it may be possible to devise a way of measuring current, as opposed to recent, advertising creativity, this was beyond the scope of this research, for which *recent* creativity is taken as a proxy for current creativity. To compensate for this, respondents were asked to indicate in retrospect, on a seven-point Likert-type scale, the amount of risk taken for their most recent award-winning campaign.

Recollection of the level of perceived recent risk taken is clearly not the same as current risk attitude, but is believed to be an acceptable proxy.

However, many respondents failed to complete this section, some no doubt because they had not won any awards. Others attempted to complete it, but clearly misunderstood the instructions. One respondent listed all the main awards he or she had won, saying that it would take "impossibly long" to fill out the section requesting details of these. This was a lengthy question, on the eighth page of a nine-page questionnaire (see Appendix 4), so it is possible that fatigue had set in. This illustrates the dilemma facing researchers, who must reach a compromise between the amount of data they need to collect and the effect of the length of the questionnaire on respondents' willingness and ability to cooperate (Churchill, 1999, p. 363).

3   Recommendations for Future Research

This study suggests a number of research opportunities. The first of these are prompted by the limitations encountered during the course of the present study. The remainder arise from observations made during the analysis of data collected for this research, which, though not central to the study, are nevertheless of more than passing interest.

3.1   Further Refinement of Risk Measures

Whilst the Personal Risk Propensity scale developed for this study has provided some valuable insights, there is nevertheless scope for further

development, to arrive at a widely acceptable scale that may be used across studies. As a first step towards this goal, the current scale could be tested on a significantly larger sample. Alternatively, a smaller-scale study could be cross-referenced with psychometric methods. The prospect theory questions used were vulnerable to the income effect of the participants. A method should be devised to allow for this in future studies.

3.2　Development of New Risk Scale

This study has provided an exhaustive review of the literature pertaining to the definition and measurement of risk attitude and of creativity, and has refined earlier, validated definitions of creative risk using qualitative research carried out among advertising creatives. Subsequent researchers may elect to operationalise these new definitions rather than to borrow or adapt scales from other studies, as was the case in the present research.

3.3　More Effective Ways of Capturing Award-Winning Data

The method used to obtain this information for this study was self-reporting. However, respondents were not consistent in the way in which they reported their own, or their employing agencies' creative awards. One alternative, that of capturing the names of creative individuals through published lists of awards, was attempted. The difficulty with that approach was the high staff turnover in the advertising industry. By the time that awards are won and results published, many of the creatives responsible for the winning advertising had moved on to other agencies. It would be a

lengthy process to track them all down, but not impossible. A third approach
would be to ask agencies to provide their own lists of creative awards.
Unfortunately, agencies are not alike in their ability or willingness to do this
(with winners of large numbers of awards more willing to do so) and they are
not consistent in their reporting format. The larger, global agencies provide
figures for awards won globally, and it is not easy to isolate the relevant
awards.

3.4   Alternative Ways of Measuring Creativity

Future studies may wish to measure advertising creativity in a more
direct and immediate way. This might be done by employing or adapting the
psychometric, experimental or biographic methodologies used in the
creativity literature. One technique that could provide a fruitful line of
research could be the observation method.

Direct measurement both of risk and of creativity could be attempted
using psychometric methods. Interviews would be lengthy, and would need to
be supervised, but an appropriate sample size would enable robust statistical
interpretation.

3.5   Equal Opportunities in the Advertising Industry

It appears to be a truism that creative roles in advertising are primarily
the domain of the young (see, for example, Miller, 1998; Treguer, 1998); this
research supports that view. Yet, researchers agree that associative ability is of

significant, if not paramount, importance to creativity (e.g. Martindale, 1999; Reid and Rotfeld, 1976; Mednick, 1962). Associative ability depends on two factors – intellectual abilities (Sternberg, 1985), which are not related to age, and the possession of ideas, concepts, insights, previous solutions, etc., with which to associate (Martindale, op. cit.). Possession of these is likely to increase with experience. As experience can only be accumulated over time, it would seem that older people are more likely to make better, not worse, creatives. Yet there are no "old" copywriters, and very few over the age of 35 (Rayfield, 1998). This survey found that 78% of agency creative staff were below the age of 40. Researchers may wish to examine the extent of ageism in the UK advertising industry and explore reasons for its apparent pervasiveness.

Alvesson (1998) found that creative roles in the advertising industry were dominated by men, whilst assisting roles were largely carried out by women. The study was done in Sweden, a country not noted for sexist or patriarchal attitudes (Hofstede, 1980). Indeed Sweden had the lowest score for "Masculinity" of the 53 countries studied by Hofstede (1983). Alvesson's finding was supported by the present (UK) research, where only 15% of creative respondents and as many as 91% of support staff were women. There was no evidence that men are more creative than women are. Given the increasing global emphasis on equal opportunities, it would be valuable to explore this phenomenon further, perhaps with qualitative research to determine reasons for this employment pattern.

Since there seems to be some evidence of sexism and ageism in the advertising industry it would be worth investigating to what extent other groups or minorities are advantaged or disadvantaged. In their study of US advertising agencies, Reid et al (1998) observed that 98% of respondents were white, 1% native American, and only 1% African American. It would be interesting to investigate the situation in the UK advertising industry. With hindsight, it would have been relatively simple to add a question about race to the present study, but the questionnaire was already lengthy and, although interesting, this aspect was only peripheral to the main objective of the research.

3.6   The Agency-Client Relationship Life Cycle

Wackman et al (op. cit.) proposed a life cycle for the agency-client relationship in terms of chronological duration. It is possible that it is more closely related to the number of campaigns that the agency has produced for the client, with performance in the earlier campaigns critical to the continuance of the relationship. This study found the highest number of most recent creative awards in relationships where this was only the first or second campaign, suggesting that this may be the true measure of the development phase. Although much reduced in frequency compared to those in the early years, award-winning peaks occurred at five, ten and fifty campaigns. These may be critical milestones in the agency-client relationship, when a burst of creativity is needed to reposition or reinvigorate the brand – or indeed the relationship, analogous to the rejuvenation strategy of *product* life-cycle theory

(Kotler, 1997, p. 364). It would be interesting to investigate this phenomenon further and specifically. Researchers may find it of interest to study the agency-client relationship in terms of its intensity as indicated by the number of campaigns rather than simply looking at its length in years.

Lynn et al (op. cit.) found that only 44% of the clients they studied had used the same agency for five years or more. This was quite different to the picture suggested by the current study, where the corresponding figure was 58%. Researchers may wish to examine the relative stability and longevity of US and UK agency-client relationships.

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APPENDICES

Appendix 1: List of questions used in qualitative study

A larger study on which I am working concerns the relationship between risk and creativity in advertising. As a first step I need to establish what people working in advertising feel about creativity and risk in general, and in the context of their work.

1.   WHAT DOES THE WORD "RISK" MEAN TO YOU?

_____

_____

_____

_____

_____

_____

2.   WHAT DOES THE PHRASE "ADVERTISING RISK" MEAN TO YOU?

_____

_____

_____

_____

_____

_____

3.   WHAT DOES THE WORD "CREATIVITY" MEAN TO YOU?

_____

_____

_____

_____

_____

_____

4.   WHAT DOES THE PHRASE "CREATIVE ADVERTISING" MEAN TO YOU?

_____

_____

_____

_____

_____

_____

5.   WHAT DOES THE PHRASE " CREATIVE RISK" MEAN TO YOU?

_____

_____

_____

_____

_____

_____

6. (SHOW CARD) WRITERS RESEARCHING THIS AREA HAVE SUGGESTED THE FOLLOWING DEFINITION OF ADVERTISING RISK:

> *"Advertising risk is uncertainty about whether potentially significant outcomes will be realised from an advertising campaign's creativity, media choice and/or utilisation, positioning or strategy."*

Please comment on this definition.

_____

_____

_____

_____

_____

_____

_____

On a 7-point scale, where 1 means totally disagree and 7 means totally agree, to what extent do you agree with this definition?

1	2	3	4	5	6	7

If you agree less than totally, please explain what you feel is wrong with the definition (to some extent this may have been answered in Q2, and above).

_____

_____

_____

_____

_____

_____

7. (SHOW CARD) WRITERS RESEARCHING THIS AREA HAVE SUGGESTED THE
    FOLLOWING DEFINITION OF CREATIVE RISK:

> *"Creative risk is the degree of uncertainty as to the effects
> of words, images, symbols, or music used in an
> advertisement."*

Please comment on this definition.

_____

_____

_____

_____

_____

_____

_____

_____

On a 7-point scale, where 1 means totally disagree and 7 means totally agree, to what extent
do you agree with this definition?

1	2	3	4	5	6	7

If you agree less than totally, please explain what you feel is wrong with the definition (to
some extent this may have been answered in Q5 and above).

_____

_____

_____

_____

_____

_____

8. RISK AND WORDS:

    What are the risks associated with words used in advertising?

    _____

    _____

    _____

    _____

9. RISK AND IMAGES

    What are the risks associated with images used in advertising?

    _____

    _____

    _____

    _____

10. RISK AND SYMBOLS

    What are the risks associated with symbols used in advertising?

    _____

    _____

    _____

    _____

11. RISK AND MUSIC

    What are the risks associated with music used in advertising?

    _____

    _____

    _____

    _____

12. How significant is risk when considering the following aspects of words used in an advertisement?

	Not at all significant					Extremely significant	
The amount of copy	1	2	3	4	5	6	7
The language register	1	2	3	4	5	6	7
The effect of the tone on the target audience	1	2	3	4	5	6	7
The effect of the tone on the those NOT in the target audience	1	2	3	4	5	6	7
The effect of the content on the target audience	1	2	3	4	5	6	7
Offending the target audience	1	2	3	4	5	6	7
Offending those NOT in the target audience	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7

13. HOW SIGNIFICANT IS RISK WHEN CONSIDERING THE FOLLOWING ASPECTS OF IMAGES USED IN AN ADVERTISEMENT?

	Not at all significant					Extremely significant	
Too provocative/offensive for the target audience	1	2	3	4	5	6	7
Too provocative/offensive for those NOT in the target audience	1	2	3	4	5	6	7
Too bland to be noticed by the target audience	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7

14. HOW SIGNIFICANT IS RISK WHEN CONSIDERING THE FOLLOWING ASPECTS OF SYMBOLS USED IN AN ADVERTISEMENT?

	Not at all significant					Extremely significant	
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7

15. HOW SIGNIFICANT IS RISK WHEN CONSIDERING THE FOLLOWING ASPECTS OF MUSIC USED IN AN ADVERTISEMENT?

	Not at all significant					Extremely significant	
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7
	1	2	3	4	5	6	7

Appendix 2: Prompt card (A) used in qualitative study

Definition 1: Advertising Risk

"Advertising risk is uncertainty about whether potentially significant outcomes will be realised from an advertising campaign's creativity, media choice and/or utilisation, positioning or strategy."

Appendix 3: Prompt card (B) used in qualitative study

<div style="border:3px double black; padding:2em;">

<u>Definition 2: Creative Risk</u>

"Creative risk is the degree of uncertainty as to the effects of words, images, symbols, or music used in an advertisement."

</div>

Appendix 4: Questionnaire used in quantitative study

Advertising Agency Survey

UNIVERSITY OF WESTMINSTER

HENLEY *Management College*

Dear Reader,

this questionnaire is part of a study looking into some attitudes of individuals responsible for the production of creative advertising.

You have been identified as such an individual, and I would be very grateful if you would spare a few moments to complete the questionnaire. It should take no more than about 15 minutes. By taking part in the survey you may gain a valuable insight into the views held by your peers at other top agencies, besides contributing towards creative assessment and training.

All responses are <u>anonymous</u> and <u>confidential</u> and will be used for academic purposes only.

If you would like a copy of the survey results please add your details to the enclosed card and return it under separate cover to preserve your anonymity.

Please (circle) or tick ☑ the boxes unless otherwise directed, and feel free to make any additional comments wherever you like.

Please return the completed questionnaire in the envelope provided to the address below. I am sorry that there is no stamp – the budget for academic research does not run to this.

Thank you for taking part in this survey – your participation is greatly appreciated and highly valued.

Sincerely,

Jaafar El-Murad

Chair, Dept of Marketing & Business Strategy
Westminster Business School
University of Westminster
309 Regent Street
London W1R 8AL

Tel: 0171-911-5000 Ext. 2049
Email: muradj@wmin.ac.uk

Section 1: Personal Attitude to Risk

1. The following statements refer to various aspects or examples of individual risk-taking. Please indicate the extent to which you agree or disagree with each statement using a scale of 1 to 7, where 1 means "Strongly Disagree," and 7 means "Strongly Agree," by circling the appropriate number in the box on the right.

   For example, if you would not like to try parachute jumping, circle 2, or 3. If you definitely would not like to, or, in other words if you strongly disagree that you would like to try parachute jumping, circle 1.

Statement	Strongly Disagree						Strongly Agree
I almost always accept a dare	1	2	3	4	5	6	7
I like to be with people who are unpredictable	1	2	3	4	5	6	7
Rarely, if ever, do I do anything reckless	1	2	3	4	5	6	7
I would never pass up something that sounded like fun just because it sounded a bit hazardous	1	2	3	4	5	6	7
I like to take a chance on something that isn't sure, such as gambling	1	2	3	4	5	6	7
A good painting should shock or jolt the senses	1	2	3	4	5	6	7
I like the idea of riding a motorcycle to work	1	2	3	4	5	6	7
I would like to have the experience of being hypnotised	1	2	3	4	5	6	7
I would like to try parachute jumping	1	2	3	4	5	6	7
I would like to dive or jump right into a cold pool	1	2	3	4	5	6	7
Life insurance coverage is essential	1	2	3	4	5	6	7
I save voluntarily on a systematic basis	1	2	3	4	5	6	7
I hold my personal wealth in secure assets	1	2	3	4	5	6	7
I often take bets	1	2	3	4	5	6	7
I normally purchase travel insurance before flights	1	2	3	4	5	6	7

2. This question has five parts. In each part, please imagine that you are actually faced with the choice described.

Please indicate your choice by (circling) either A , or B .

Would you prefer:

i.　A: A 50% chance of winning £1,000 **and** a 50% chance of winning nothing at all,

OR:

B: Winning £500 for sure

ii.　A: A 50% chance of winning £1,000 **and** a 50% chance of winning nothing at all,

OR:

B: Winning £400 for sure

iii.　A: A 50% chance of winning £1,000 **and** a 50% chance of winning nothing at all,

OR:

B: Winning £300 for sure

iv.　A: A 50% chance of winning £1,000 **and** a 50% chance of winning nothing at all,

OR:

B: Winning £200 for sure

v.　A: A 50% chance of winning £1,000 **and** a 50% chance of winning nothing at all,

OR:

B: Winning £100 for sure

3. This question also has five parts. In each part, please imagine that you are actually faced with the choice described.

Please indicate your choice by ⟨circling⟩ either ☐A☐, or ☐B☐ .

Would you prefer:

i. ☐A:☐ A 50% chance of losing £1,000 **and** a 50% chance of losing nothing at all,

OR:

☐B:☐ Losing £500 for sure

---

ii. ☐A:☐ A 50% chance of losing £1,000 **and** a 50% chance of losing nothing at all,

OR:

☐B:☐ Losing £400 for sure

---

iii. ☐A:☐ A 50% chance of losing £1,000 **and** a 50% chance of losing nothing at all,

OR:

☐B:☐ Losing £300 for sure

---

iv. ☐A:☐ A 50% chance of losing £1,000 **and** a 50% chance of losing nothing at all,

OR:

☐B:☐ Losing £200 for sure

---

v. ☐A:☐ A 50% chance of losing £1,000 **and** a 50% chance of losing nothing at all,

OR:

☐B:☐ Losing £100 for sure

Section 2: Business Risk

4   For this question please consider the following hypothetical example, then answer each sub-question below:

Your agency is launching a new product for a client and only one of the two following advertising options can be chosen:

Plan A   is a standard one, which means you will end up with the average rate of return on objectives forecast by the client.

Plan B   is uncertain, which means you have a 50% chance of ending up with a better rate of return on objectives than your client's highest forecast AND a 50% chance of ending up with a lower rate of return than your client's worst forecast.

i.   **Personal preference:**

Considering the advertising options described above, which one would **you** favour? Please circle A or B below:

A	B

ii.   **Preference of Agency Management:**

Considering the advertising options described above, which one do you think **your agency** would favour? Please circle A or B below:

A	B

iii.   **Client preference:**

Considering the advertising options described above, which one do you think **your last client** would favour? Please circle A or B below:

A	B

5   Please now indicate the extent to which you agree or disagree with each of the following statements by circling the appropriate number in the box on the right.

Statement	Strongly Disagree						Strongly Agree
Given sufficient funds and time, I would always prefer to do pre-testing research	1	2	3	4	5	6	7
I am very conscious of the importance of my future security	1	2	3	4	5	6	7
I like to argue with people who disagree with my ideas	1	2	3	4	5	6	7
I like to make decisions on my own	1	2	3	4	5	6	7
Given sufficient funds and time, I would always prefer to do post-testing research	1	2	3	4	5	6	7
It is important to me to have a great deal of personal responsibility	1	2	3	4	5	6	7
When I have taken creative risks, it has worked out OK	1	2	3	4	5	6	7
It is very important to me to work for a solid company	1	2	3	4	5	6	7
The stability of my income is very important	1	2	3	4	5	6	7
It is important to have the broadest possible freedom to act	1	2	3	4	5	6	7

6   The following statements concern the general environment within the agency in which you work. Please circle the appropriate number to indicate the extent to which you agree or disagree that the statement applies to your agency.

Statement	Strongly Disagree						Strongly Agree
Rival agency competition for accounts is intense	1	2	3	4	5	6	7
When planning campaigns it is important to consider the level of creative risk	1	2	3	4	5	6	7
Our billings are in line with targets this year	1	2	3	4	5	6	7
Our billings are higher than expected this year	1	2	3	4	5	6	7
Our billings were higher than expected last year	1	2	3	4	5	6	7
Our billings were higher than expected the year before last	1	2	3	4	5	6	7

Section 3: Creative Risk

For this section, creative risk is defined as "the degree of uncertainty as to the effects of the concept, the words, the images, the symbols or the music used in an advertisement."

7   Considering your most recently finished campaign for your ***biggest*** client, how much creative risk do you think was taken? Please tick the appropriate box:

☐No Risk   ☐Slight Risk   ☐Some Risk   ☐Significant Risk   ☐Total Risk

i.   On reflection, would you have liked:

☐Less Risk?   ☐About The Same Risk?   ☐More Risk?

ii.   How much risk do you think your client felt was being taken?

☐No Risk   ☐Slight Risk   ☐Some Risk   ☐Significant Risk   ☐Total Risk

8   Considering your most recently finished campaign for your ***smallest*** client, how much creative risk do you think was taken? Please tick the appropriate box:

☐No Risk   ☐Slight Risk   ☐Some Risk   ☐Significant Risk   ☐Total Risk

i.   On reflection, would you have liked:

☐Less Risk?   ☐About The Same Risk?   ☐More Risk?

ii.   How much risk do you think your client felt was being taken?

☐No Risk   ☐Slight Risk   ☐Some Risk   ☐Significant Risk   ☐Total Risk

Section 4: Creative Awards

In this section Creative Awards refers to major UK awards for creativity such as D&AD, Campaign, London International, Creative Circle, or Cannes Lions. It does NOT refer to awards for advertising effectiveness.

A reminder: creative risk is defined as "the degree of uncertainty as to the effects of the concept, the words, the images, the symbols or the music used in an advertisement."

9   Please consider the most recent campaign for which you won a top creative award. How much creative risk do you think was taken in relation to other campaigns on which you were working or on which you have worked, which did not win creative awards? Please circle the appropriate number:

Much Less | 1 | | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | Much more

10   For the most recent campaign for which you won a top creative award, please give the following information:

Year of Award	
Award (e.g. Campaign, D&AD, etc)	
Class (e.g. Gold, Silver, Bronze)	
Product Category	
Number of people in creative team	
Value of Account (annual billings, £m)	
Length of agency's relationship with client in years	
Approx. number of campaigns for this client	

11   Please indicate the number of major awards for advertising **creativity** that **you have personally** received:

This year to date:	Last year:	The year before last:	Ever:

12   Roughly how many major awards for advertising **creativity** has **your agency** won?

This year to date:	Last year:	The year before last:	Ever:

Section 5: Classification Information

13 Is your background (please tick appropriate box):

☐ Account management?   ☐ Art/design/layout?   ☐ Copywriting?   ☐ Other (pls specify)?

_____

14 How many years have you worked in advertising? _____ years.

15 How many agencies have you worked for? _____ agencies.

16 Approximately how old is your agency? _____ years.

17 Approximate UK annual billings (please tick appropriate box):

☐ less than £1m   ☐ £1m to £19m   ☐ £20m to £39m   ☐ £40m to £59m

☐ £60m to £99m   ☐ £100m to £149m   ☐ £150m to £249m   ☐ £250m or more

18 Your position: _____

19 Your age (please tick appropriate box):

☐ 20-29   ☐ 30-39   ☐ 40-49   ☐ 50-59   ☐ 60 +

20 Your sex: ☐ Female   ☐ Male

21 Your marital status: ☐ Single   ☐ Divorced/widowed   ☐ Married/long term relationship

22 Number of dependants _____

23 Age of youngest dependant _____

24 Your gross salary (please tick appropriate box):

☐ less than £25,000   ☐ £25-44,999   ☐ £45-79,999   ☐ £80-149,999   ☐ £150,000 +

End of Questionnaire

Thank you for helping me in this academic research. Please return the completed questionnaire in the envelope provided to:

Jaafar El-Murad, Chair, Dept of Marketing & Business Strategy, Westminster Business School, University of Westminster, 309 Regent Street, London W1R 8AL.

If you would like a copy of the results please complete the enclosed card, and mail it under separate cover to preserve your anonymity.

Appendix 5: Original covering letter used in quantitative study

UNIVERSITY OF WESTMINSTER

HENLEY
Management College

Yyyy Yyyyyyy
Bartle Bogle Hegarty
60 Kingly Street
London, W1R 6DS

Wednesday, 12 April 2000

Dear John,

In association with Henley Management College, I am conducting academic research into the risk attitude of people responsible for creative advertising. It would be of enormous help to me if you would take the time to complete the enclosed questionnaire, which should take no more than about 15 minutes.

Please return the completed questionnaire in the envelope provided. I am sorry that there is no stamp – the budget for academic research does not run to this.

Yours sincerely,

Jaafar El-Murad
Chair, Dept of Marketing & Business Strategy.

Appendix 6: Second covering letter used in quantitative study

UNIVERSITY OF WESTMINSTER

HENLEY *Management College*

Zzzz Zzzzz
Lowe Lintas
Bowater House
114 Knightsbridge
London
SW1X 7LT

29/08/00

Dear Zzzz,

You may remember receiving a letter from me in April, with a questionnaire about your attitudes to risk and creativity. Unfortunately for me I received a very low response – only about 11% of people to whom I mailed the questionnaire found time to reply.

This low rate more or less totally invalidates my research (months of work), so I would be grateful if you would please – please – **please**! spare 15 minutes of your valuable time to fill in the enclosed and mail it back to me.

As the questionnaire is anonymous I have no way of knowing whether or not you were one of the 11%. If you were, thank you – I'm sorry for bothering you further and unnecessarily with this letter. If you requested a copy of the results this will be mailed as soon as I have received a reasonable number of replies, and collated and tabulated the responses.

Many thanks in advance,

Jaafar El-Murad
Dept of Marketing & Business Strategy.

Finance & Business Law, Human Resource Management **WESTMINSTER BUSINESS SCHOOL**
Economics & Quantitative Methods Head of School Professor JR Shackleton
Marketing & Business Strategy **Marylebone Campus** 35 Marylebone Road London NW1 5LS
Business Information Management & Operations Telephone 020 7911 5000 Fax 020 7911 5839
http://www.wmin.ac.uk Email shackll@wmin.ac.uk

Appendix 7: Database used for Sampling Frame

For reasons of confidentiality, this is not reproduced here. The database

can be made available for inspection upon request.

Appendix 8: List of Agencies to whom quantitative questionnaire was mailed

This list contains the names of all those agencies to whose staff members the self-completion research questionnaire (see Appendix 4) was sent. Inclusion in the list does not necessarily indicate that a response was received from that agency (the final response rate was 28%). Participation in the survey by any particular agency on the list may not therefore be assumed, since replies were anonymous and anonymity was guaranteed.

Abbott Mead Vickers BBDO
Bartle Bogle Hegarty
Bates Dorland
BMP DDB
CDP
CIA Medianetwork
Delaney Fletcher Bozell
Duckworth Finn Grubb Waters
Euro RSCG Wnek Gosper
Faulds Advertising
FCA!
GGT
Grey
Harari Page
J. Walter Thompson
Leagas Delaney
Leo Burnett
Limbo
Lowe Lintas
M&C Saatchi
Maher Bird Associates
Manning Gottlieb Media
Masius
McCann Erickson
Mother
Mountain View
Ogilvy & Mather

Partners BDDH
Publicis
Rainey Kelly Campbell Roalfe
Robson Brown
Saatchi & Saatchi
St Lukes
TBWA Simons Palmer
The Leith Agency
Travis Sully Harari
WCRS
Wieden and Kennedy

Appendix 9: Tables not included in text

LAST AWARD WON:	PERSONAL RISK PROPENSITY				
	Low Risk %	Medium Risk %	High Risk %	N	Total
Pre 1999	48	20	32	25	100
1999	39	35	26	23	100
2000	27	31	42	26	100

$$\chi^2, 4df = 14.65, p<0.005$$

Table 50(b): Personal Risk Propensity and Year of Most Recent Award

PERSONAL AWARDS THIS YEAR:	PERSONAL RISK PROPENSITY				
	Low Risk %	Medium Risk %	High Risk %	N	Total
None	33	38	29	51	100
1 or 2	44	28	28	18	100
3 or more	22	33	44	18	100
				87	

$$\chi^2_{4df} = 13.637, p = 0.009$$

Table 51(b): Personal Risk Propensity and Number of Personal Awards this year

AGENCY AWARDS THIS YEAR:	PERSONAL RISK PROPENSITY			
	Low Risk %	Medium Risk %	High Risk %	Total:
0-19	27	49	24	100
20+	31	19	50	100
Total	29	35	36	100

$$\chi^2_{4df} = 22.638, p = 0.000$$

Table 52(c): Personal Risk Propensity and Agency Awards This Year

MARITAL STATUS	GROSS SALARY			
	Less than £45,000	£45 to 79,999	More than £80,000	Total
Single	28	15	2	45
Divorced/Widowed	0	1	2	3
Married/Long term relationship	11	21	32	64
TOTAL	39	37	36	112

χ^2, 4df = 34.667, p<0.005, R = 0.534, p<0.005

Table 62: Salary and Marital Status

NUMBER OF DEPENDANTS	GROSS SALARY			
	Less than £45,000	£45 to 79,999	More than £80,000	Total
None	36	22	7	65
1 or more	3	14	29	46
Total	39	36	36	111

χ^2, 2df = 41.097, p= 0.000, R=0.606, p=0.000

Table 63: Gross Salary and Number of Dependants

AGE OF YOUNGEST DEPENDANT	GROSS SALARY			
Years	Less than £45,000	£45 to 79,999	More than £80,000	Total
None under 6	36	28	20	84
Under 6	3	8	16	27
Total	39	36	36	111

χ^2, 2df = 13.864, p= 0.001, R=0.351, p=0.000

Table 64: Gross Salary and Life-Cycle Stage

AGE	GROSS SALARY			
	Less than £45,000	£45 to 79,999	More than £80,000	Total
Under 30s	30	4	1	35
All Others	9	33	35	77
Total	39	37	36	112

χ^2, 2df = 58.646, p= 0.000, R=0.661, p=0.000

Table 65: Gross Salary and Age