

# **MIT**Sloan Management Review

**Josh Bernoff and Charlene Li**

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## Harnessing the Power of the Oh-So-Social Web

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People are connecting with one another in increasing numbers, thanks to blogs, social networking sites like MySpace and countless communities across the Web. Some companies are learning to turn this growing groundswell to their advantage.

**Josh Bernoff  
and Charlene Li**

Companies are used to being in control. They typically design products, services and marketing messages based on their own particular view of what people want. Keeping up with customers has meant conducting research on their needs and test marketing new products and services. Because the balance of power has favored large corporations with a lock on manufacturing, advertising, distribution and other operations, the term “customercentric” was mostly just a buzzword.

Now, though, many customers are no longer cooperating. Empowered by online social technologies such as blogs, social networking sites like MySpace, user-generated content sites like YouTube and countless communities across the Web, customers are now connecting with and drawing power from one another. They’re defining their own perspective on companies and brands, a view that’s often at odds with the image a company wants to project. This groundswell of people using technologies to get the things they need from one another, rather than from companies, is now tilting the balance of power from company to customer.

To understand the dramatic implications of this shift, consider what happened in 2006 when Brian Finkelstein, a law student, was having trouble with the cable modem in his home. A repairman from Comcast Cable Communications Inc. arrived to fix the problem, but when the technician had to call the home office for a key piece of information, he was put on hold for so long that he fell asleep on Finkelstein’s couch. Outraged and frustrated, Finkelstein made a video of the sleeping technician and posted it on YouTube. The clip became a hit, with more than one million viewings, and to this day the image continues to undermine Comcast’s attempts to improve its reputation for customer service.

Comcast is not alone. Another popular YouTube clip contains dialogue between a customer trying to cancel his subscription and America Online. What should have been a simple conversation becomes a battle as the AOL service representative stubbornly persists in trying to retain the customer, sorely trying his patience. Finally, the customer says, “I don’t know how to make this any clearer for you: Cancel the account. When I say ‘cancel the account,’ I don’t mean help me figure out how to keep it. I mean cancel the account.” Apparently, the clip struck a nerve as hundreds of people posted comments on the YouTube page, many of them bashing AOL and relaying similar experiences with the company. CNBC even devoted a report to the whole flap.

And the groundswell phenomenon is hardly limited to the United States. (See “Participation in Online Social Activities Around the World,” p. 38.) In April of 2007, a blogger in South Korea posted a description, accompanied with photos, of what he described as

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*Josh Bernoff and Charlene Li are vice presidents and principal analysts with Forrester Research, a technology and market research company based in Cambridge, Massachusetts. They are also the coauthors of *Groundswell: Winning in a World Transformed by Social Technologies* (Harvard Business School Press, 2008). Comment on this article or contact the authors through [smrfeedback@mit.edu](mailto:smrfeedback@mit.edu).*

unsanitary conditions at a supplier of Dunkin' Donuts. Other Korean blogs spread the word, and the story was eventually covered by *The Korea Times* with an article titled "Dunkin's Production Faces Sanitation Criticism."

### **Working With the Groundswell**

When we talk with executives about the growing groundswell of customer power, their reactions are mixed. Many are fascinated with the phenomenon but terrified that their companies might become the next Comcast, AOL or Dunkin' Donuts. Some recognize the powerful potential of the groundswell but have no idea how that force can be turned to their advantage. Behind all of this is a significant cultural issue: Engaging with the groundswell means admitting that consumers are taking power and that corporations are not in control. It's a scary and difficult first step to take.

Consider, for example, the CBS television series *Jericho*. Based on life in a fictional town after a nuclear explosion occurs nearby, the show developed a moderate-sized but intensely loyal following after its debut in 2006. But in the spring of 2007, after a two-month hiatus, *Jericho* resumed airing in a new time slot — directly opposite Fox's hit *American Idol*. Not surprisingly, ratings dropped, resulting in the show's cancellation.

But CBS and the producers of *Jericho* had created a forum on the network's Web site where followers of the series could interact with each other, and in the wake of the show's cancellation those fans decided that something had to be done. Led by Shaun Daily, a San Diego online radio talk show host, people began to organize and devise ways to get CBS' attention. Taking their cue from a *Jericho* character whose favorite expletive is "Nuts!" they settled on a plan to send packages of peanuts to the person responsible for canceling the show: Nina Tassler, president of CBS Entertainment. Soon Tassler's office had received more than 20 tons of nuts.

Although this story of a consumer uprising might sound similar to what happened to Comcast, AOL and Dunkin' Donuts, the ending is starkly different. Tassler and the rest of the management at CBS wisely recognized that the explosion of online support represented not a problem but an opportunity for relaunching the series. Culturally, television network executives have long dealt with their viewers at arm's length, through research and ratings. The easy thing for Tassler would have been to ignore the groundswell and reinforce her own ultimate power over programming decisions. But she instead engaged with *Jericho*'s online fans, requesting on their own message board that they rally their friends to watch the relaunched show in 2008 to help boost its ratings. Nina Tassler thus avoided the potentially costly mistake of canceling a TV program with an active,

loyal fan base. And as a result, CBS has strengthened its connection with viewers, which will prove advantageous for future research and programming decisions.

### Moving Beyond Dabbling

But tapping into the full power of the groundswell requires more than just a willingness to relinquish control to customers. To be truly effective, companies need a strategic framework for developing and implementing the right applications. (See “Using Social Applications in Different Departments,” p. 41.) A focus on objectives (and their corresponding metrics) is the best predictor of success. We identify these groundswell objectives with terms such as “listening” and “energizing” instead of “research” and “sales” to reflect how they differ from traditional organizational functions.

In the past, executives at most dabbled with social applications; their efforts were rarely strategic. But with the increase in social participation among consumers and the growing sophistication of the underlying technologies, it’s now possible to put social applications on an equal footing with other business projects. That is, they can deliver measurable progress toward significant, strategic business goals. The following examples help illustrate how companies can harness the power of the groundswell for a variety of objectives with direct links to different departments.

**Research and Development Applications (“Listening”)** CBS was fortunate that *Jericho* fans took it upon themselves to voice their objections loudly after their show had been canceled. Otherwise, the network might have missed some crucial feedback. Other companies have made more systematic, concerted efforts to listen to their customers. Consider Salesforce.com Inc., a maker of online applications for customer relationship management. As with most software companies, Salesforce.com has tried to stay competitive by regularly issuing upgrades to its products, but by 2005, the process of determining what to include in future releases had become a daunting task. With 10,000 requests from customers, Salesforce.com’s development and marketing staff often disagreed about which features to add and which to table.

Then, in 2006, the company hit on a solution: IdeaExchange, a groundswell application that enables customers not only to suggest feature ideas but to vote on them, with the most popular ideas eventually floating to the top of the list, while the less popular ones drift away. The application has been a huge success. Thanks to it, Salesforce.com was able to ship four new

### Participation in Online Social Activities Around the World

The percentages indicate the proportion of online consumers who participate in the indicated activity at least once per month.

	U.S.	U.K.	France	Germany	Japan	South Korea
Read blogs	25%	10%	21%	10%	52%	31%
Write blogs	11%	3%	7%	2%	12%	18%
Watch user-generated video	29%	17%	15%	16%	20%	5%
Visit social network sites (for example, Facebook)	25%	21%	3%	10%	20%	35%
Participate in discussion forums	18%	12%	12%	15%	22%	7%
Read ratings/reviews	25%	20%	12%	28%	38%	16%
Post ratings/reviews	11%	5%	3%	8%	11%	11%
Use Really Simple Syndication (RSS)	8%	3%	5%	4%	0%	1%

Source: Forrester Research Technographics consumer surveys from 2007

releases in 2007, in contrast to only two the year before. And recent releases now contain three times as many new features as in previous years.

Moreover, Salesforce.com has greater confidence in what it ships. Half the new features in each release now come from IdeaExchange suggestions that have been vetted by customers. Instead of holding big meetings to wrangle over features, developers can move forward knowing what the market truly wants. This makes for less wasted effort and a more efficient process. “We can help diminish the political pushing and make [development about] the quality of the ideas,” says Steve Fisher, vice president in charge of the Salesforce.com platform. IdeaExchange, according to Fisher, “gave us back our velocity.” That’s a powerful statement in an industry where faster product development is a key competitive edge.

**Marketing Applications (“Talking”)** Marketers are used to crafting messages and interrupting customers with them in the form of television ads or online banners. When tapping into the groundswell, the key is to spur the interest of customers and let *them* carry the messages. In 2006, for example, Chevrolet wanted to increase awareness of the new Chevy Aveo among college students, a group notably difficult to reach with advertising. So the company and its PR agency, Weber Shandwick Worldwide, conceived the “Chevy Aveo Livin’ Large Campus Challenge.” In the challenge, Chevrolet recruited pairs of students on seven college campuses to spend an

entire week living inside a Chevy Aveo, with breaks only for classes and occasional trips to the bathroom.

The campaign was a success mainly because Chevrolet had encouraged the students to use the groundswell to publicize their experiences. The students wrote blogs, created and posted YouTube videos, and mobilized their friends by the thousands in groups on Facebook and MySpace. Weber Shandwick estimates that in the five days of the contest the students generated 217 million impressions and got more than one million college students connected to the contest through Facebook, MySpace, and other media. Not only was Chevrolet's challenge far less expensive than a traditional advertising campaign, it also helped establish a more powerful connection with the brand.

**Sales Applications ("Energizing")** Other companies have gone beyond using the groundswell for just marketing, tapping into sales applications as well. Consider the crafts division of Fiskars Corp., a 350-year-old company best known for its high-quality scissors. Fiskars, which produces a wide variety of paper and crafting supplies and tools, wanted to grow its market among a predominantly female group of customers who identified themselves as crafters or "scrapbookers." But research revealed that the company's brand image within this market segment was bland — respondents said that if the company were a color, it would be "beige;" if it were a food, it would be "saltines." As Suzanne Fanning, head of public relations for Fiskars' craft division, explained, "Even though scrapbooking is an emotional craft, they were lacking that emotional connection to any of our tools."

So Fanning worked with Brains on Fire Inc., a brand consultancy, to address that deficiency by building an online program. First, Fiskars conducted a nationwide search and identified four enthusiastic crafters who were hired as part-time "lead ambassadors." These individuals would recruit others into an exclusive online brand community called "Fiskateers." All members of the community would receive a welcome kit that included a unique two-tone pair of scissors. In exchange, the company asked for their active online participation and social connection with as many other crafters as possible.

Fiskars launched Fiskateers in December 2006 with two specific goals: increase overall online discussion about the Fiskars brand by 10% and recruit 200 additional unpaid "brand ambassadors." But the company underestimated the enthusiasm of crafters, many of whom were already highly active social participants in an online groundswell. As one crafter put it, "Crafting isn't a matter of life and death; it's much more important than that." Indeed, just five months later, the online discussion of Fiskars products had surged by over 400%, and the number of ambassadors was more than 1,400. (It now exceeds 3,000.)

The seemingly boundless energy of those ambassadors has been a welcome boon for the company. Take, for example, Fiska-

teer number 99: Wendy Jo Avey, a 40-year-old woman who contributes to blogs on the Fiskateers site and helps to organize crafting events. At one such event, Avey gave hundreds of the attendees a gift that she had made: Using Fiskars products she had created magnets in unique shapes, each decorated with stamps and the Web address of the Fiskateers community. Such groundswell activities tie directly to sales increases. When one of the lead ambassadors visits a craft store — an event typically promoted within the Fiskateers community — the spike in sales at that location is substantial: typically triple the growth compared with other stores within the same time period.

**Customer Support Applications ("Supporting")** Perhaps the best example of a company that has embraced social applications is Dell Inc. In many ways Dell was well prepared to embrace its customers in the groundswell. The company's original business model of allowing buyers to specify and customize their own PCs had already created a culture that was centered on customers (and not on engineers or marketers). And in the 1990s, Dell was an e-commerce pioneer, using its Web site

to generate millions of orders long before its competitors had installed that capability. Furthermore, the company's online support forums had been in operation since the era of online bulletin boards, thus predating even the Web itself.

Even so, it took a crisis to get Dell better in touch with its customers. In the summer of 2005, Jeff Jarvis, a journalism professor and noted blogger, wrote a scathing entry in his blog. In a post titled "Dell lies. Dell sucks," Jarvis claimed the company sent him a defective machine and reneged on its promise of on-site service, telling him that he needed to send the machine back to Dell. As Jarvis' problems continued, he began to refer to the ongoing saga in additional posts as "Dell Hell," and his travails began to get covered not just by other blogs but also by the mainstream media.

Over at Dell, Jarvis' blog had gotten the attention of the top brass, and company founder Michael Dell called on Bob Pearson,

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the company's vice president of corporate group communications, to find a way to handle future problems before they fester. The result: a cross-departmental "blog resolution" team that is trained to offer both customer service and technical support. The team actively tracks blog posts, and when it finds a disgruntled customer it reaches out to the individual, offering help to deal with the problem from start to finish, thus avoiding the painful "Please hold while I connect you with another department" experiences that have become all too common with telephone support.

Moreover, to communicate proactively with customers (whether they were content or not), Dell created its own blog, "Direct2Dell," which came in handy when the company had to recall millions of laptop batteries. Rather than hide behind a public relations wall, Dell acknowledged the issue in a straightforward post called "Flaming Laptop" even before the extent of the trouble was known. As soon as Dell had figured out the scope of the problem and had designed a solution, the blog became a useful channel for disseminating news of the company's battery replacement program. Dell thus minimized the impact of the problem, which by then was causing similar headaches for other computer manufacturers.

The blog-resolution team and Direct2Dell were designed to help Dell connect with its customers, but the company has learned through the years that consumers are often more than willing to help each other fix their problems — provided they have the means to do so. In fact, Dell's support forum has grown to four million posts, about a quarter of which are answers to questions about the company's products. In online surveys, 20% to 50% of visitors to the site say they found the answers to their problems on the support forum — which saves Dell the cost of customer support calls.

**Operations Applications ("Managing")** Although groundswell applications with customers get much of the press, many businesses have found it much easier to start closer to home, with their employees. Best Buy Co. Inc., the huge electronics retailer, is a case in point. The groundswell within Best Buy began in August

Employees often spontaneously help each other solve retail problems that in the past would have taken weeks to work their way up and down the management ladder.

of 2006 when Steve Bendt and Gary Koelling, two corporate marketers, wanted to tap into customer insights from the front lines. Using open-source software and parts salvaged from other projects, they started Blue Shirt Nation, a community and social network that focuses on the blue-shirted sales associates who work on the retail floor. Instead of making Blue Shirt Nation a top-down initiative, Bendt and Koelling hit the road, visiting stores to build enthusiasm for the project from the ground up. By October, the online site had grown to 14,000 members, mostly blue-shirt staffers, representing 10% of all full-time Best Buy employees.

As with so many other groundswell projects, Blue Shirt Nation evolved in directions beyond its original intent. Associates on the sales floor used the site to lobby for (and eventually receive) their own e-mail addresses, partly by proving how useful such contact channels could be in selling to customers. More importantly, Blue Shirt Nation has now become a useful support forum that helps improve the operational efficiency of the company. Through the site, employees often spontaneously help each other solve retail problems — for instance, a new store display that isn't working as designed — that in the past would have taken weeks to work their way up and down the management ladder.

### Making Social Applications Work

In our research, we have interviewed managers and employees at more than a hundred companies that were rolling out social applications. These organizations ranged from media to health care, from financial services to consumer packaged goods. Some sold to consumers; others to businesses. They operated not just in the United States but in places as diverse as South Africa, Korea, France and Canada. Regardless of the type of organization, the result of embracing the groundswell was the same: a cultural shift in a customercentric direction.

But anything that changes culture tends to face resistance. This is especially true of groundswell applications because they require managers to embrace an unknown communications channel, one that responds poorly to attempts to control it. Based on an analysis of how companies succeeded or failed in deploying social applications, we derived these key managerial recommendations for any organization attempting to harness the power of the groundswell.

*Accept the loss of control.* Because they involve people banding together, social applications often move in unexpected directions. Consequently, in addition to careful planning (as for any advertising campaign or IT project rollout), social applications also require flexibility and nimbleness on the part of their creators. Within these newly formed communities, popular movements can arise that might make some executives uneasy (such as the uprising of Best Buy employees demanding e-mail). But managers should recognize that, if the desire and need are present, people will tend

to find ways to connect in the broader Internet anyway. Companies are better off figuring out ways to manage that communication channel in-house so that the organization can reap its benefits.

*Expect pushback from managers.* Connecting with the groundswell tends to challenge internal boundaries. In fact, groundswell initiatives can easily reach across departments, including product development, marketing, customer support and public relations. As such, they frequently elicit resistance from senior managers. Many groundswell projects have flopped not because of a lack of support from front-line employees, but because they were blocked by executives in traditional roles, including brand managers, chief marketing officers, CIOs and corporate attorneys.

*Line up executive backing.* To avoid such departmental turf wars, groundswell initiatives require the support of a senior executive with clout. At Dell Inc. it was Michael Dell, company founder and CEO, who helped ensure that managers were on board. “The tendency is to get wrapped up in the organization itself,” Dell explains. “I didn’t really tolerate a lot of resistance, to tell you the truth.” Much of the change at Dell came from the hard work of Bob Pearson in corporate communications; Manish Mehta, who ran the support communities; and Lionel Menchaca, who was responsible for writing the company’s blog. Michael Dell empowered those individuals and backed them up. At Best Buy, it was Barry Judge, chief marketing officer, who provided Steven

Bendt and Gary Koelling with the resources and political cover to grow Blue Shirt Nation unencumbered. Without such sponsors, social applications face long odds of succeeding.

*Start small and focus on measurable objectives.* Groundswell projects that start small will seem less threatening to the powerful status quo within a company, and their limited budgetary impact will keep them under the radar until they have proven themselves. A focus on well-defined objectives will enable social applications to spread through the organization based on measurable successes that can be duplicated or extended. If a company is dead set against projects that tap into a customer groundswell, then the organization might consider commencing with an initiative that instead focuses on employees (such as the Blue Shirt Nation project at Best Buy).

*Expand beyond projects.* Savvy managers know that any success with social applications will only strengthen their position for extending their work through the organization, and the learning and cultural change from such initiatives can spread from department to department *if* senior executives give the managers in charge of the groundswell effort the opportunity and resources to build on their success. With support from its president, for example, Fiskars was able to

<b>Using Social Applications in Different Departments</b>			
Companies can deploy social applications in different departments to accomplish a variety of objectives.			
<b>Manager's role or department</b>	<b>Typical groundswell objective</b>	<b>Appropriate social applications</b>	<b>Success metrics</b>
<b>Research and Development</b>	Listening: Gaining insights from customers and using that input in the innovation process	<ul style="list-style-type: none"> <li>• Brand monitoring</li> <li>• Research communities</li> <li>• Innovation communities</li> </ul>	<ul style="list-style-type: none"> <li>• Insights gained</li> <li>• Usable product ideas</li> <li>• Increased speed of development</li> </ul>
<b>Marketing</b>	Talking: Using conversations with customers to promote products or services	<ul style="list-style-type: none"> <li>• Blogs</li> <li>• Communities</li> <li>• Video on user-generated sites</li> </ul>	<ul style="list-style-type: none"> <li>• Better market awareness</li> <li>• Online “buzz”</li> <li>• Time spent on sites</li> <li>• Increased sales</li> </ul>
<b>Sales</b>	Energizing: Identifying enthusiastic customers and using them to influence others	<ul style="list-style-type: none"> <li>• Social networking sites</li> <li>• Brand ambassador programs</li> <li>• Communities</li> <li>• Embeddable “widgets”</li> </ul>	<ul style="list-style-type: none"> <li>• Community membership</li> <li>• Online “buzz”</li> <li>• Increased sales</li> </ul>
<b>Customer Support</b>	Supporting: Enabling customers to help one another solve problems	<ul style="list-style-type: none"> <li>• Support forums</li> <li>• Wikis</li> </ul>	<ul style="list-style-type: none"> <li>• Number of members participating</li> <li>• Volume of questions answered online</li> <li>• Decreased volume of support calls</li> </ul>
<b>Operations</b>	Managing: Providing employees with tools so that they can assist one another in finding more effective ways of doing business	<ul style="list-style-type: none"> <li>• Internal social networks</li> <li>• Wikis</li> </ul>	<ul style="list-style-type: none"> <li>• Number of members participating</li> <li>• Increased operational efficiency</li> <li>• Decreased volume of e-mail</li> </ul>

extend its online network by adding regular videos and a blog for crafters. Best Buy's internal social network now includes many of its senior executives.

*Stay focused on culture, not technology.* What's really changing at companies like Fiskars, Best Buy and Dell? The applications might vary widely, as do the technologies used to implement them. But this is not about "embracing Web 2.0," as the technology-focused cognoscenti have put it. It's about embracing customers and their ideas. Although Michael Dell played a key role in providing the necessary support and political cover, the groundswell effort at Dell was hardly a top-down initiative — embracing a social application never is. The crucial thing to remember here is that Dell always kept focused on the company's culture of engaging with customers and valuing their input. The technologies deployed were merely the means to achieve that goal.

**Worth the Effort?**

Groundswell customer applications can generate research insights, extend the reach of marketing, energize sales efforts, cut support costs and stoke the innovation process. (And for companies like Best Buy that tap into employee groundswells, the result can be increased opportunities for collaboration across departments and geographical locations, as well as greater productivity and decreased inefficiencies.) But the greatest benefit might be cultural. At Salesforce.com, the product development and marketing departments fight far less about priorities, because both are now focused on the customers' needs, as defined by information from the IdeaExchange social application. That result is typical: As companies adopt social applications, political boundaries tend to weaken. Groundswell applications can change the culture of a company because they help weave two-way customer communications into the fabric of an organization.

This new way of thinking tends to spread. At Dell, the customer support forum, blog resolution team and "Direct2Dell" blog were only the beginning. The company now has a blog for investors, where people can read and comment on the latest financial announcements. In addition, Dell has built on the success of its support forum by cre-

**The kind of direct, two-way contact that social applications create is infectious, and the benefits build as companies become more adept.**

ating an idea community (much like that of Salesforce.com) that has already led to the rapid development of a line of Linux PCs. And Dell has given Bob Pearson a new title — vice president, communities and conversations — with a staff of 40 people dedicated to all of the various community programs. Pearson's charter is straightforward: expand how customers are involved in all of Dell's activities.

As a result of such groundswell efforts, Dell now has multiple social applications that provide a series of touch points with customers. By its own estimate, Dell now annually logs 100 million customer touches, or interactions, through all of its online initiatives. Managers in companies like Dell are becoming used to the practice of checking in with their customer communities to test new ideas, and for those that resonate, they're able to proceed with implementation more quickly. "I think being more closely connected with customers gives you deeper and better insights ... and speeds reaction time," asserts Michael Dell. "I think it's had a very positive effect on the way our teams think about the customer."

Because of the newness of the technologies involved, few businesses have progressed far along the process of transforming themselves into becoming truly customercentric, but more and more organizations are heading in that direction. The kind of direct, two-way contact that social applications create is infectious, and the benefits build as companies become more adept with these new ways of doing business.

But like all powerful forces, the groundswell has its share of risks. When Wal-Mart Stores Inc. created a social application for college students on Facebook, the application became a magnet for anti-Wal-Mart comments and discussion. When Chevy hosted a site where customers could edit clips to create their own commercials, environmentalists used that technology to post ads that dramatized how SUVs contribute to global warming. Managers should be aware of such risks, but perhaps the greater danger is to ignore the groundswell or to place too many restrictions on social applications, thus slowing down their adoption and possibly rendering them useless in the end.

The potential benefits of direct and intimate customer relationships that social applications can provide are just too compelling for companies to deny. Nevertheless, embracing the groundswell is certainly no panacea for whatever deficiencies a business might have. But as consumers around the world increasingly turn to social technologies, organizations can't pretend the phenomenon isn't occurring. Long-term, engaging with the groundswell is the best possible way to promote customercentric thinking within companies, because it confronts managers with very direct evidence of how customers think. There is no hiding from the groundswell.

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77 Massachusetts Ave., E60-100

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e-mail: [smrorders@mit.edu](mailto:smrorders@mit.edu)

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