Organizational Dynamics (2015) 44, 226—235

Available online at www.sciencedirect.com

ScienceDirect

journal homepage: www.elsevier.com/locate/orgdyn

Racing to the bottom: The negative consequences of organizational speed

Matilde Morales-Raya [a,1], Pratima Bansal [b,*]

[a] School of Economics and Management, University of Granada, Campus Cartuja, 18071 Granada, Spain
[b] Ivey Business School, Western University, London, ON, Canada N6A 2X2

In February 2004, Coca-Cola Co. entered the U.K. water market by launching Dasani Water. Given the rapid growth of the U.K. bottled water market and their success in the U.S. market, the company assumed it would be successful in the U.K. However, Coca-Cola was prematurely optimistic. Two weeks after the launch, newspaper headlines reported troubles. A March 2004 *New York Times* headline read "Coke Recalls Bottled Water Newly Introduced to Britain."

Two things went wrong. First, Coca-Cola was producing Dasani water by filtering ordinary municipal tap water for chlorine and other mineral particles. The company then added a mineral mix for perceived fresh taste. Whereas this process seemed acceptable in the U.S., Europeans typically drank mineral and spring waters and felt duped by Coca-Cola's claims that Dasani was "pure." Second, the water exhibited excessive levels of bromate, which poses a cancer risk over the long term. Even though Coca-Cola tested its water regularly and was the first to notice that the U.K. legal standards had been exceeded, the water had already been placed on store shelves.

Although for Coca-Cola, the U.K. represented less than five per cent of its global market, the Dasani mishap had important corporate-wide consequences. The company estimated £25 million lost through the cancellation of productions contracts and advertising deals. Some analysts estimated the damage to the company's reputation to be 20 times that figure. Furthermore, the company decided to delay its launch of Dasani in Europe because of the negative publicity surrounding its failed launch of Dasani in the U.K. The corporation also appeared to be socially irresponsible, potentially putting its customers at risk.

The Dasani mishap led *The Guardian* newspaper to argue that Coca-Cola is "a giant that is so desperate for growth that it appears things are being overlooked." As well, Coca-Cola was lauded in 2007 for the speed with which it acts, when Coca-Cola India was ranked second by *Businessworld* for the Most Respected Fast Moving Consumer Goods Companies. We argue that Coca-Cola's pursuit of rapid growth may have, ironically, undermined its long-term value potential, because it keeps making mistakes. In other words, there are real costs to companies from moving too fast.

Fast food, fast cars, and even speed dating are the trend. Microwaves are often preferred to electric cook-tops and texting messages are often preferred to penning letters. The popular press and scholarly research is rife with examples of the need for companies to become more agile and move more quickly in response to hyper-competition and turbulent markets. Corporations rush to adopt new technologies, launch new products, and enter new markets faster than their competitors. The received wisdom is that organizations must change quickly in order to grab first mover advantages.

There is, however, a dark side to speed. Corporations that move too fast are likely to experience a larger number of organizational mishaps, contributing to corporate social irresponsibility and ultimately lower long-term value.

To explore the connection between organizational speed and mishaps, we analyzed archival data related to two very similar companies: Coca-Cola and PepsiCo. We dived deep

* Corresponding author. Tel.: +01 519 661 3864.
E-mail addresses: matmor@ugr.es (M. Morales-Raya), tbansal@ivey.uwo.ca (P. Bansal).
[1] Tel: +34 958 249 595.

http://dx.doi.org/10.1016/j.orgdyn.2015.05.010
0090-2616/Crown Copyright © 2015 Published by Elsevier Inc. All rights reserved.

into indicators of organizational speed, including mergers and acquisitions, strategic alliances, and CEO (chief executive officer) and equity turnover. We also analyzed the reported mishaps of both companies. We found significant evidence that Coca-Cola experienced more change, which Coca-Cola experienced substantially more mishaps, and that Coca-Cola is seen as more socially irresponsible and has lower accumulated market capitalization than its closer rival, PepsiCo. We argue that these issues are related.

ORGANIZATIONAL SPEED AND ADVERSE ORGANIZATIONAL OUTCOMES

Organizational speed refers to *the frequency of different activities in a unit of social time*. Research on the consequences of organizational speed has assumed that organizational speed is beneficial to companies. That is why researchers have primarily focused on the positive impact of decision speed, innovation speed, and the speed of strategic responses on firm's performance.

A few contemporary studies, however, have challenged this perspective, illustrating the dark side of speed. For example, Perlow, Okhuysen and Repenning showed how Notes.com, an Internet start-up, became caught in a "speed trap"—a pathology created by the firm's past focus on speed. Managers' speed in decision making helped the organization reach its initial market goals. But as managers' aspirations and expectations increased, so did their commitments under time and attention constraints, and their inability to achieve goals. Speed became self-fulfilling or endogenous, so that more speed contributed to bad decisions, which encouraged the firm to seek greater speed to compensate for the mistakes. Eventually, the company became bankrupt.

In another study in 2005, *Forbes* explored the implications of decision speed on organizational survival. With a sample of 98 small Internet startups in "Silicon Alley" (a community of Internet-related new ventures in the New York City metropolitan area), he found that bankruptcies were more common among companies with high decision speed. Specifically, companies that made faster decisions were likely to have shut down within four years.

Forbes pointed out that the average of decision speed in "Silicon Alley" was quite a bit shorter (4.6 months) than the decision speed in other academic studies undertaken in dynamic environments (e.g. the average speed was 7.7 months in Eisenhardt's study of microcomputers, and it was 18.7 months in Judge and Miller's study of biotechnology firms). Forbes suggested that the Internet firms in "Silicon Alley" pushed their decision-making practices to such a high speed that the potential positive performance effects of speed (e.g. the first to adopt a new technology) were suppressed because managers were not able to address issues such as technology implementation snags or irreconcilable alliance conflicts. Much as in Notes.com, the problems accumulated and aggravated one another. These studies show that there are limits to the value of making decisions too quickly regardless of how intense the environmental imperatives may be perceived.

Slawinski and Bansal's (2010) study of companies in Canada's oil sands found that organizational speed influenced firms' approach to complex issues such as climate change. Firms that moved too fast took a fragmented approach to climate change, rather than seeking holistic solutions. Such fragmented approaches exposed the company to reprimands by stakeholders.

Although the merits of speed are discussed widely, too little attention is paid to the costs. In this article, we argue that too much speed can increase the risk of organizational mishaps, which we define as *organizationally induced events that can threaten the viability of organizations*. Not only do mishaps cost the organization money, they can damage its reputation. They can also have wider implications on society, contributing to the firm's social irresponsibility as witnessed by the bromate in Coca-Cola bottles.

We were motivated to conduct this analysis and write this paper after reflecting on the many major mishaps that have occurred within firms that have experienced considerable CEO turnover, such as Merck, Hewlett-Packard, and Coca-Cola. These organizations were once heralded as bastions of corporate social responsibility with strong, visionary leadership. However, over time, the reputations of these corporations have eroded.

Such firms stand in stark contrast to others such as General Electric that supported their CEOs, in this case Jeffrey Immelt, even in the face of poor earnings. Prior research and managerial publications often tout the merits of CEO turnover, as it improves organizational responsiveness, prevents companies from organizational inertia and in turn, from experiencing organizational crises. We hope to balance this prior work by arguing that too much speed has its downside.

THE CONTRAST BETWEEN COCA-COLA AND PEPSICO

THE CORPORATE CONTEXT

Coca-Cola is the world's largest producer of soft drink concentrates and syrups and juice-related products. The company was founded in 1886 and is presently headquartered in Atlanta. PepsiCo is a leader in beverages and global snacks. The company was founded in 1898 and is headquartered in Purchase, New York. There are few companies that are more similar than are Coca-Cola and PepsiCo. Table 1 shows some firm-level data for comparison.

Recent changes in consumer preferences in the food and beverage industry offer an appropriate context in which to illustrate organizational speed. Consumers not only continue expecting products to taste good, but now they also expect some type of additional health characteristics, such as low-calorie, added vitamins and minerals, or energy providing. In

Table 1 Comparison of firm-level characteristics for 2010.

	Company name	
	Coca-Cola	PepsiCo
Number of employees (thousands)	139.6	294
Total assets (millions)	72,921	68,153
Total revenues (millions)	35,119	57,838
Pre-tax return on assets (%)	13.15	14.47
Total value of common shares outstanding (millions)	150,745	103,287
Debt/equity ratio	0.76	1.18

Table 2 Organizational speed and mishaps for 2000—2010.

	Company name	
	Coca-Cola	PepsiCo
Indicators of speed		
Yearly average tenure of the last 4 CEOs	3.3	6.3
Number of M&As	53	27
Number of strategic alliances	30	10
Yearly average of shares turnover	1.2	0.9
Organizational mishaps		
Number of mishaps reported by the WSJ	26	9
Concerns reported by KLD	110	59

order to respond to this demand, beverage companies are focusing on responding quickly by offering higher value healthier products.

ORGANIZATIONAL SPEED AT COCA-COLA AND PEPSICO

We assessed Coca-Cola's and PepsiCo's organizational speed by the number of mergers and acquisitions (M&As), the number of strategic alliances, CEO tenure, and volume of corporate shares traded yearly from 2000 to 2010. We chose this specific time frame because organizational processes had accelerated over this period. All speed related data were drawn from a number of publicly available databases. We summarize these findings in Table 2.

We observed a marked difference in the number of **mergers and acquisitions** between Coca-Cola and PepsiCo. From 2000 to 2010, Coca-Cola acquired 53 companies, whereas PepsiCo acquired only 26.

There is a similar pattern with **strategic alliances**. Over the same period, Coca-Cola engaged in 30 strategic alliances, whereas PepsiCo only engaged in 10. Coca-Cola has chosen a rapid growth strategy through alliances and acquisitions, and PepsiCo has favored more deliberate, slower organic growth.

Adding complexity to Coca-Cola's growth activities was the number of **CEO changes** the company endured. Since Roberto Goizueta left the company in 1997, the average CEO tenure for the last 4 CEOs at Coca-Cola was only 3.3 years, whereas it was 6.3 years for PepsiCo.

An indicator of such rapid changes in organizational activities is the **volume of common shares traded.** The shares traded over the total number of free-floating shares were 1.2 for Coca-Cola and 0.9 for PepsiCo for the period of 2002 to 2010 (data prior to 2002 are not available).

MISHAPS AND CORPORATE SOCIAL IRRESPONSIBILITY AT COCA-COLA AND PEPSICO

Organizational mishaps impact stakeholders negatively, which is a form of corporate social irresponsibility. Organizational mishaps include recalls, boycotts, lawsuits, protests, and other corporate irregularities that result in loss of profits, loss of life, loss of reputation, or injuries and damage. We identified all unique actual mishaps by retrieving news related to Coca-Cola and PepsiCo from the *Wall Street Journal (WSJ)* from 2000 to 2010. Over this period organizational mishaps were abundant in both firms. We did not include the following: mere allegations, investigations, or lawsuits without resolution; acts that could be considered as deliberate individual or organizational malfeasance; and, mishaps unrelated to firm actions, such as disasters caused by earthquakes, floods, hurricanes and other natural disasters.

Coca-Cola experienced 26 mishaps and PepsiCo experienced 9 reported by the *WSJ*. We found six major categories of mishaps: (1) finance, (2) products, (3) marketing, (4) contracts, (5) environment, and (6) society. Table 3 shows an overview of Coca-Cola's mishaps from 2000 to 2010 and Table 4 shows an overview of PepsiCo's mishaps for the same period. These results were consistent with KLD's report of the company's "concerns," which are often deemed as corporate social irresponsibility in areas that are related to our categories. KLD assigned 110 concerns to Coca-Cola and 59 to PepsiCo.

WHY ORGANIZATIONAL SPEED CREATES MISHAPS

We argue that organizational speed contributes to organizational mishaps for three reasons: they cause temporal myopia, they obscure the obvious, and they stymie organizational learning. We discuss each in turn.

CAUSES TEMPORAL MYOPIA

Too much change focuses managers' attention on the present. Since managers' attention is limited, an excessive focus on the present can limit their attention on the future, contributing to temporal myopia and resulting in organizational mishaps.

Processes such as M&As, strategic alliances and the CEO succession are complex and in turn, include many interdependent and complex sub-processes. For example, engaging in M&As requires firms to select potential targets, exercise due diligence and research the target firm, negotiate the agreement, identify sources of finances and eventually integrate the two companies. All of these processes take time, so the greater the frequency of M&As, the more time is spent in meetings, managing and analyzing information, and meeting deadlines.

As managerial attention turns to these tasks, there is less attention for non-urgent issues. Meetings, negotiations, data analysis, and many other tasks related to managing M&As, strategic alliances, and working with a new CEO take precedence over more strategic issues that build long-term value. Managers bracket their activities, focusing only on short term, immediate issues. They will be unable to make connections between the past, present and future, and often fail to assess the long-term consequences of their actions. If managers cannot foresee the future, they risk overvaluing the present and undervaluing the long-term.

A heavy focus on the short term, particularly short-term financial results, can instigate corruption. A study conducted by Salter found that such a short-term focus provoked the gaming of Security Exchange Commission (SEC) rules by

Table 3 Overview of Coca-Cola's mishaps from 2000 to 2010.

Category	Subcategory	Brief description of Coca-Cola's mishaps
Finance	Misleading investors	• Shareholder lawsuit alleging that Coca-Cola misled investors by artificially inflating its stock price
Products	Product recall	• Withdrawal of 700,000 bottles of Fanta Pomelo marketed in Belgium because exposure to light had affected the soda's color and taste • Recall of two drinks in Japan because a product ingredient was not approved for use in that country • Recall of all Dasani bottled water in the U.K. because of excessive levels of bromate • Recall of about 570,000 bottles of soft drinks sold in Japan because some drinks contained a small amount of iron powder • Suspension of production of Coke Zero and withdrawal of the beverages from its retails because government officials in Venezuela concluded health risks to consumers
	Pesticides in soft drinks	• A Delhi-based NGO found high levels of pesticides and insecticide in some Coca-Cola soft drinks • Ban (later overturned) on the production and sale of Coca-Cola in Kerala because of high levels of pesticides alleged by a New Delhi-based private research group
Marketing	Marketing and sales practices that violate antitrust laws	• Coca-Cola was found guilty of violating state antitrust laws by a Texas state-court jury • Mexico's Antitrust Commission found Coca-Cola guilty of abusing of its dominant position • The European Union Commission settled a six-year antitrust dispute with Coca-Cola putting strict limits on the soft drink maker's sales tactics
	Use of image in advertising	• Lawsuit against Coca-Cola's China subsidiary because of using the image of a basketball sensation without his permission
	Misleading claims advertising	• Coca-Cola was sued by PepsiCo because of false claim between Powerade Option and Gatorade • Coca-Cola and Nestle SA paid $650,000 as part of a pact with 27 states to resolve a marketing dispute over claims about Enviga • The Food and Drug Administration (FDA) called on Coca-Cola to revise the label on a version of its Diet Coke brand because of inappropriate nutritional claims
Contracts	Distribution contracts	• 55 independent bottlers filed two lawsuits against Coca-Cola. Later the bottlers agreed to drop the lawsuits
	Patent infringement	• Coca-Cola settled two patent-infringement lawsuits by P&G
Environment	Ozone depletion	• Coca-Cola broke "Green Games" environmental guidelines at Olympic sites in Australia by including bans on hydrofluorocarbons (HFC) in refrigeration
	Water-management practices	• Protest of local residents outside a Coca-Cola bottling plant in Kerala accusing Coca-Cola of extracting so much water that their wells dried up or yielded brackish undrinkable water • Shut down of a Coca-Cola bottling plant because of claims by local residents and Indian activists that the company drained and polluted local water suppliers • Students' complaints at University of Michigan arguing that company's water-management practices violated the university's code of conduct for vendors
	Pollution and waste disposal	• A local water official blames a Coca-Cola plant for polluting groundwater by releasing wastewater into surrounding land in Varsani (India)
	Environmental behavior	• Half-dozen colleges decided not to renew contracts with Coca-Cola or boycott it because of pressure from student protesters about the company's environmental behavior
Society	Human rights abuses	• Ban on the sale of products on the Union Theological Seminary campus (NY) because of considerable evidence of human rights violations and environmental damage abroad
	Disparities in payments	• More than 2000 current and former employees were underpaid
	Lack of diversity	• An independent task force says executive-level promotions at Coca-Cola reflected an absence of diversity

Table 4 Overview of PepsiCo's mishaps from 2000 to 2010.

Category	Subcategory	Brief description of PepsiCo's mishaps
Products	Product recall	• Recall of some Aunt Jemima pancake and waffle mix products because of potential salmonella contamination • Ban (later overturned) on the production and sale of PepsiCo in Kerala because of high levels of pesticides alleged by a New Delhi-based private research group
	Pesticides in soft drinks	• A Delhi-based NGO found high levels of pesticides and insecticide in some PepsiCo's soft drinks. The Court of Rajasthan (India) ordered to indicate those pesticide residues on the soft drinks labels
	Product labeling	• A woman became ill after eating Ruffles Light chips because they were made with olestra (a fat substitute). The Center for Science in the Public Interest threatened to sue Frito-Lay unless it better disclosed the presence of olestra in the package
Marketing	Claims in advertisement	• PepsiCo agreed to change the look of its SoBe Life Water drink to settle a lawsuit by a campaign that promotes itself as pioneering nutrient-enhanced water maker
	Criticism	• Criticism of the biodegradable Sun Chips potato bags (Frito-Lay) in blogs and Facebook because of its enormous noise
Environment	Water pollution	• PepsiCo's bottling plant in Changchun, a part of Jilin Province, was listed as discharging illegal amounts of polluted water on the local environmental-protection bureau's web site
Society	Boycott because of cultural disrespect	• The Hip-Hop Summit Action Network called for a boycott of PepsiCo over what the group called the company's "cultural disrespect" of hip-hop culture
	Controversy with the Catholic Church in Rio de Janeiro	• Brazil's Catholic Church was mad because PepsiCo unit used the statue's image of Cristo Redentor (Rio de Janeiro's famous mountaintop statute with the outstretched arms) in beer and soda-pop ads alleging that the church has held legal rights to images of Cristo Redentor since 1931

Citigroup in 2007. Citigroup marketed a high-risk mortgage fund, which did not clearly and fully disclose to clients that the company would benefit if these assets declined in value. When the U.S. housing market declined, Citigroup benefited from the losses of their investors. Salter suggested that monetary interest in the success of a transaction and executive payoffs based on short-term performance measures could have motivated executives to game the SEC financial reporting rules.

Salter also argued that shorter CEO tenures cause myopia, because managers over-emphasize impacts from their activities during their tenure, compared with those that happen after they leave. CEOs with a shorter expected tenure often prefer to take actions with near-term outcomes, even though such actions can have negative long-term consequences.

We believe that such myopia contributed to a propensity for Coca-Cola to experience more mishaps. For example, the residents of India's Kerala province claimed in 2002 that Coca-Cola was drawing too much drinking water for its products, resulting in the wells drying up. Even though Coca-Cola may have heard the claims, they may not have fully assessed the long-term consequences of continuing with their water management practices.

The impacts of maintaining their water-management practices became quite salient in the following years. A Coca-Cola bottling plant was forced to shut down in 2004. In 2005, concerns about the use of water escalated in students' complaints, so that six colleges in the U.S. did not renew contracts with Coca-Cola. The company was also blamed for polluting groundwater and disposing waste irresponsibly.

OBSCURES THE OBVIOUS

People have cognitive limits to what they can perceive in the environment. When confronting many cues, managers often choose those that are predictable, accessible, and certain, sometimes missing what is important. If the range of cues is incomplete, then so will be the managers' interpretation of the environment. This incomplete picture can have adverse organizational consequences and result in mishaps.

By focusing attention on one task, managers are better able to perceive task-related signals and act on them, but, at the same time, such disciplined attention can block out other relevant information, especially visual information—a phenomena called "inattentional blindness". Inattentional blindness has been illustrated through a video in which one group of people wearing white shirts and another group wearing dark shirts passed balls with their teammates. Viewers are asked to count the number of passes within groups. In the middle of the video, a woman carrying an open umbrella walks across the screen. Only 21 percent of viewers reported even seeing the woman.

When Novo Nordisk's management focused attention on a merger, they failed to comply with U.S. Food and Drug Administration (FDA) manufacturing standards. Managers and employees in manufacturing and quality knew that they

should document and verify the Novo Nordisk manufacturing processes and even asked for more staff to help comply with the standards. However, middle managers rejected the request because they were trying to build the marketing capabilities for the merger. Ultimately, Novo Nordisk lost its license to sell insulin in the United States for six months, during which time its major competitor, Eli Lilly, took over most of its U.S. customers.

Coca-Cola seemed to be missing some very important and visible signals about the European market. For example, the importance of spring water to Europeans, over tap water, should have been evident by observing consumers' behavior. It should not have been much of a surprise that Dasani's introduction to Britain in 2004, with mineral-enhanced tap water, would receive strong negative reactions from consumers. The company also failed to notice the excess of bromate in its Dasani product before it was on store shelves. Inattentional blindness from organizational speed may have contributed to these failures.

STYMIES LEARNING

Unexpected mishaps often trigger learning. For example, studies showed that organizations that learned from their direct experience with coal mining accidents were able to prevent future disasters and that prior accident experience among large U.S. airlines also reduced the rate of future accidents.

However, organizations need time to learn from such mishaps. They need to understand the underlying causes of the issues to avoid repeating them. Mishaps are often novel, so it take time to build a shared understanding of what occurred and why. These shared understandings are often developed through dialogue, in which staff can talk about their opinions and intuitions, ask questions, explore alternatives, and exchange views about a mishap. This exchange of views helps staff to look for connections to other events and underlying causes to build a common interpretation of the mishap, and to determine joint action. Such efforts take even longer when staff comes from different units and different backgrounds.

Research has shown that one of the reasons why staff in hospitals failed to learn from failure was time pressure. Nurses did not have the time to identify the core causes of failures such as missing or broken equipment and supplies or incorrect information that arose in day-to-day activities. They worked under an efficiency model and could not keep up with their responsibilities.

Coca-Cola has made several mistakes, including creating racial imbalances and pay inequities. For example, The Labor Department discovered salary discrepancies for 2000 employees in a review of the company's pay practices over 2000 and the previous year. In 2000, the company also settled a highly publicized class-action discrimination lawsuit from its African American employees because of wide disparities in pay and promotions. After the discrimination lawsuit, the company stressed publicly: "We've *learned* a great deal about our human resources practices, and we're acting on what we've *learned*" and "We will continue to listen to and *learn from the task force*, other outside experts and you" [italics added]. Despite this public emphasis on having learned, the Labor Department task force announced in 2003 that the company failed to make sufficient efforts to foster diversity, which raises legitimate questions about the company's ability to learn from its past mishaps.

THE COSTS OF THE MISHAPS

There are two important consequences of mishaps: corporate social irresponsibility and the erosion of long-term value. Firms that act irresponsibly through mishaps risk losing staff and can have difficulty attracting customers, investors, and employees because of the firm's negative reputation. These firms may experience more lawsuits that cost the firm millions of dollars in fines or settlements, which will inevitably impact profits, erode the stock price performance, and potentially reduce the quality of network partners.

The flip side of corporate social irresponsibility is related to corporate social responsibility, which is often more easily achieved through a long-term strategy. PepsiCo has systematically demonstrated a commitment to long-term steady growth and a holistic view of its operations. Indra Nooyi, CEO of the company since 2006, stated that "We can no longer be focused on the short term, we must think long term..." She also manifested that the view of a company as an engine of short-term value is an old one and that "the new CEO has to create sustainable value. They have to think long term and align all metrics in the company at every level on the longer-term"

This long-term view resulted in the PepsiCo's vision of "Performance with Purpose," which refers to the company's commitment to sustainable financial growth by providing healthy food, maintaining environmental integrity, and supporting employees and the community. In addition, PepsiCo included its first corporate social responsibility report within its annual report published in 2003. Since then, the company has embraced a long-term view of its environmental goals. For example, in 2007, PepsiCo claimed also in its annual report that "By 2015 we will reduce per-unit water consumption by 20%, electricity consumption by 20% and manufacturing fuel consumption by 25%."

Coca-Cola, on the other hand, has not offered long-term goals beyond the financial ones. The company introduced its long-term vision in 2009, stating in its annual report that "our 2020 vision provides a set of shared principles, priorities and actions focused on creating long-term sustainable growth and shareholder value." In 2010, as part of its 2020 goals, the company disclosed its environmental statement, environmental impact and savings, and declared, also in its annual report, that it wants to be a global leader in sustainable water use, packaging, energy, and climate protection. In the last years, Coca-Cola has been working to achieve water neutrality and to develop fully recyclable PET plastic beverage bottles made partially from plants. The 2020 vision of Coca-Cola could be indicating that the company is switching from a short-term focus towards a more long-term one that includes social and environmental concerns.

In addition to corporate social responsibility and irresponsibility, organizations fixated on a short-term strategy are also likely to undermine their firm's value over the long term. Coca-Cola's accumulated market capitalization fell

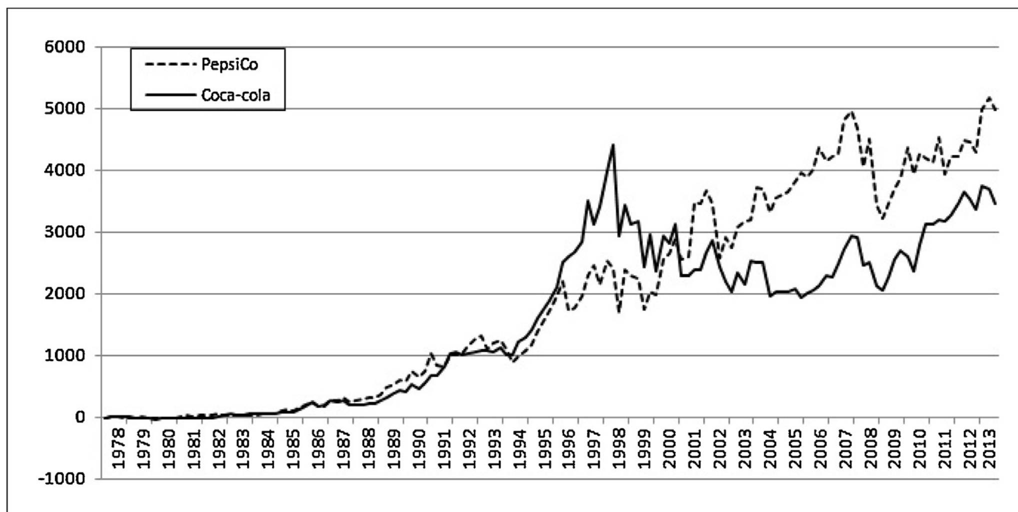

Figure 1 Accumulated percentage of market capitalization for Coca-Cola and PepsiCo for 1978—2013.

behind PepsiCo's from 2000 to 2010 and this difference was even more accentuated in the last years of the period (see Fig. 1).

LESSONS FOR MANAGERS

By recognizing that too much speed may be related to mishaps, managers are better equipped at preventing them by following a few basic rules.

MANAGERS ARE NOT DIVINE; THEY ARE HUMAN AND MUST ACKNOWLEDGE THEIR LIMITATIONS

"How could not I see that?" This question reflects people's limitations to assess the consequences of their actions (i.e. temporal myopia), to perceive their environment (i.e. failure to see the obvious), and to understand the underlying reasons for their mishaps (i.e. learning). Organizations can jump on a treadmill that moves increasingly faster, but human capacity to absorb change has limits. By acknowledging these limitations on capacity, managers could reconsider the speed of the company to avoid mishaps.

Managers should favor working in groups for periods of intense activity related to M&As, strategic alliances, or the search for a new CEO. This practice can be useful to keep eyes open to environmental cues and analyze the causes of the mishaps that the company experienced. If human capacity is taken to the limit in the pursuit of fast growth, managers should consider choosing more deliberate, sustained growth.

BALANCE IS GOOD, INCLUDING PACING CHANGES IN YOUR COMPANY

Organizations need to be able to change rapidly to respond to new competitors, changing consumer preferences, and disruptions in financial markets. Companies that change too fast, however, can fall into a speed trap, where managers give more importance to decision speed at the expense of decision content. These dynamics can eventually contribute to the company's bankruptcy. We argue in this paper that mishaps are likely the first step towards catastrophic outcomes, such as bankruptcy.

The other extreme is the case of companies that grow too slowly and can fall into a slow trap, where the quality of content is emphasized at the expense of speed and slow planned decisions are continuously reinforced. These companies miss opportunities because they spend too much time thinking about decisions.

Changing too fast can be as problematic as changing too slowly. Managers should avoid both extremes, and look for balance. Balance implies to be fast when it makes sense to be fast instead of doing everything fast. By balancing organizational pace, companies will be able to take advantage of opportunities while calibrating their steps to avoid mishaps and falling into a trap. Managers should continuously reflect on their organization's growth rates, and ensure that the content of decisions is appropriately valued. Another good practice consist of including speed-based metrics, that is, to track the frequency of key operations that can drain lots of time and have the potential to take managers' cognitive limitations to the limit.

DO NOT STUMBLE ON THE SAME STONE

The Spanish say "man is the only animal that stumbles twice on the same stone." This expression recognizes the challenges of learning from errors. In this paper, we argue that managers are more likely to stumble if they run too fast.

Managers willing to learn from the experience of mishaps should keep in mind that organizations do not learn overnight, but require effort and time. If managers are unable to find time to promote meetings and exchange interpretations about why a mishap happened, they should think that speed can impede learning from those events. In such cases, managers should block time on the agenda for those learning activities. Following external

recommendations can also be of help to learn from mishaps and to slow down.

CONCLUSION

In this article we showed that mishaps are related to organizational speed. We illustrated through the cases of Coca-Cola and PepsiCo. Specifically, Coca-Cola introduced much more changes during the 2000—2010 period and experienced many more mishaps than its closest rival, PepsiCo, did. We suggest that sustained rapid changes can lead to mishaps because speed takes cognitive limitations to the limit and undermines the firms' ability to learn. We finally offered recommendations for managers to mitigate the risks of speed.

To order reprints of this article, please e-mail reprints@elsevier.com

SELECTED BIBLIOGRAPHY

For an informative reference about time and speed, see C. Honoré, *In Praise of Slowness: Challenging the Cult of Speed* (HarperCollins e-books, 2004). A more academic treatment can be found in A.C. Bluedorn, *The Human Organization of Time* (Stanford University Press, 2002). Both of these references are directed at the individual level of analysis, not organizational, which is where this paper is situated. A good academic reference at the organizational level is L.A. Perlow, G.A. Okhuysen, N.P. Repenning, "The Speed Trap: Exploring the Relationship Between Decision Making and Temporal Context," *Academy of Management Journal*, 2002, 45 (5), 931—955.

Further insight on the influence of speed on corporate outcomes can be found in N. Slawinski and P. Bansal, "A Matter of Time: Temporal Perspectives in Organizational Responses to Climate Change," *Organization Studies*, 2012, 33(11), 1537—1563; in D.P. Forbes, "Managerial Determinants of Decision Speed in New Ventures," *Strategic Management* Journal, 2005, 26(4), 355—366; in K. Eisenhardt, "Making Fast Strategic Decisions in High-Velocity Environments," *Academy of Management Journal*, 1989, 32 (3), 543—576; and in W. Judge and A. Miller, "Antecedents and Outcomes of Decision Speed in Different Environmental Contexts," *Academy of Management Journal*, 1991, 34 (2), 449—463.

For discussion on the relationship between CEO turnover and crises see D.W. Greening and R.A. Johnson, "Do Managers and Strategies Matter? A Study in Crisis," *Journal of Management Studies*, 1996, 33 (1), 25—51.

A useful academic reference on temporal myopia is K.D. Miller, "Knowledge Inventories and Managerial Myopia," *Strategic Management Journal*, 2002, 23 (8), 689—706. For further illustration of the relationship between myopia and corruption, see M.S. Salter, "Short-Termism at its Worst: How Short-Termism Invites Corruption... And What to Do About It," April 2013, working paper N 5, Harvard University, http://papers.ssrn.com/sol3/papers.cfm?abstract id=2247545.

For the concept of inattentional blindness, see M.H. Bazerman and D. Moore, *Judgement in Managerial Decision Making, 8th ed.*, (New York: John Wiley and Sons, 2013). For further details about inattentional blindness from a merger in the case of the company Novo Nordisk, see C. Rerup, "Attentional Triangulation: Learning from Unexpected Rare Crises," *Organization Science*, 2009, 20(5), 876—893.

For generic knowledge about organizational learning, see L.A. Isabella, "Evolving Interpretations as a Change Unfolds: How Managers Construe Key Organizational Events," *Academy of Management Journal*, 1990, 33(1), 7—41. Research that shows firms' ability to learn from mishaps can be found in P.R. Haunschild and B.N. Sullivan, "Learning from Complexity: Effects of Prior Accidents and Incidents on Airlines' Learning," *Administrative Science Quarterly*, 2002, 47(4), 609—643.

We recommend the following for a discussion about corporate social irresponsibility and its consequences to organizations: V.M. Strike and P. Bansal, "Being Good While Being Bad: Social Responsibility and the International Diversification of U.S. Firms," *Journal of International Business Studies*, 2006, 37(6), 850—862.

For additional information about the socially responsible practices of Coca-Cola and PepsiCo, see their Annual Reports. For details about Indra Nooyi's long-term vision see, T. Younker, "Indra Nooyi: New Era of Business," April 14, 2009, http://asiasociety.org/business/economic-trends/indra-nooyi-new-era-business; and World Business Council for Sustainable Development (WBCSD), "People Matter Lead," September 29, 2011 oldwww.wbcsd.org/Plugins/DocSearch/details.asp?DocTypeId=25&ObjectId=40060&URLBack=%2Ftemplates%2FTemplateWBCSD2%2Flayout.asp%3Ftype%3Dp%26MenuId%3DODU%26doOpen%3D1%26ClickMenu%3DRightMenu.

Information on Coca-Cola's failure to learn from Dasani's experiences is available at A. Cowell, "Coke Recalls Bottled Water Newly Introduced to Britain," *The New York Times*, March 20, 2004. Available at http://www.nytimes.com/2004/03/20/business/international-business-coke-recalls-bottled-water-newly-introduced-to-britain.html?n=Top%2fReference%2fTimes%20Topics%2fSubjects%2fW%2fWater; J. Arlidge, "Don't Drink the Water," *The Guardian*, April 18, 2004. Available at www.theguardian.com/lifeandstyle/2004/apr/18/foodanddrink; B. McKay, "Coke to Pay Total of $8.1 Million In Back Salaries," *Wall Street Journal*, 28 May 2002, B16; and D. Morse, "Coke Rated 'Acceptable' on Diversity—Task Force Overseeing Effort Criticizes Selection to Board Of Two White Executives," *Wall Street Journal*, 26 September 2002, A9.

Acknowledgements

The authors gratefully acknowledge the insightful feedback from Alberto Aragón-Correa, Natalia Ortíz-de-Mandojana, and Inmaculada Martín-Tapia in earlier drafts of this paper. This work was partially financed by the Minister of Science and Innovation (research projects ECO2010-20483, and ECO 2013-47009-P), the Board of Andalucia (research projects for excellence: P08-SEJ-0457, P10-SEJ-6765, and P11-SEJ-7988), and the Research Group ISDE (SEJ-481). It has also been financially supported by the Social Sciences and Humanities Council of Canada.

Matilde Morales-Raya is a Ph.D. candidate at the University of Granada (Granada, Spain). Her research interests include sustainability, organizational speed, organizational mishaps, and organizational reputation. She has published in *Corporate Social Responsibility and Environmental Management*, and *Dyna*. She was a visiting Ph.D. candidate at the Ivey Business School in 2012—2013. Matilde is a member of the ISDE research group (Innovation, Sustainability, and Business Development). E-mail: matmor@ugr.es

Pratima (Tima) Bansal is a professor and Canada Research Chair in Business Sustainability at the Ivey Business School at Western University (London, Canada). Bansal's research explores the implications of time, space, and scale on business, which is at the intersection of business strategy and sustainability. Her research has resulted publications in the *Academy of Management Journal*, *Organization Science*, the *Strategic Management Journal*, and *Long Range Planning*, among others. Her research has also been cited in the popular press including *The Wall Street Journal*, *The National Post*, *Globe and Mail* and *The Guardian*. E-mail: tbansal@ivey.uwo.ca