Should Organisations "Leak" on Purpose?

By Henrich Greve , INSEAD Professor of Entrepreneurship

Netflix's mistaken release of the latest season of "House of Cards" is a lesson in what organisations can glean by making an "error" favourable to consumers.

On the afternoon of February 11th, episodes of "House of Cards" were made available on Netflix, before the scheduled release date. Delighted fans, started watching, and sent tweets inviting others. The joy lasted a few minutes, and then the episodes were made unavailable again.

Viewers were disappointed. Social media was in a frenzy. Soon they reached the conclusion that this had been a very clever marketing stunt, designed to make people talk about the new season just before it would be released. And wow, did it ever work well, people did talk, and those who caught a view spread the news of what they had seen to eager fellow fans. And in a way, it is correct that this was a very successful form of marketing, at least if we take seriously the idea that social media expresses interest in products (and we should take that seriously).

But there is one interesting correction. It was great marketing, but it was not a clever marketing stunt. In fact, it was an error that the episodes had been made available, and they were made unavailable because Netflix discovered the error and corrected it. But how do we understand errors like this, errors that turn out to be great in some way, like marketing in this case?

A good way is to think of organisations as exploiting what they currently know and exploring it to gain new knowledge, an insight that stems from an **article by James G. March** of Stanford University. It makes sense to do both, because either one alone, or as a too small proportion, will leave the organisation vulnerable. But here there is a problem. When seeking high performance and good coordination among employees and units, organisations end up exploiting a lot, and exploring very little. That's a short-term benefit for efficiency, but also a long-term problem because the organisation can become obsolete. So finding out how to explore enough, or even more than nothing, is a problem in designing organisations. R&D departments are one solution, but actually they often end up exploiting a lot of current knowledge too.

Fortunately there are some solutions that happen simply because of the way organisations work. The "House of Cards" release is a good example of one. An error is a form of exploration. Netflix did not intend to release the series early, but after doing so they have learned something new and valuable about marketing. Will they do it again, on purpose, on a later series? I would be very surprised if they did not. Exploration gives new knowledge, which organisations exploit later. And it really does not matter whether the exploration was deliberate or an error; any useful knowledge can be exploited.

__Henrich R. Greve__ is a Professor of Entrepreneurship at INSEAD and a co-author of __Network Advantage: How to Unlock Value from Your Alliances and Partnerships__. You can read his __blog.__

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About the author(s)

Henrich Greve is a Professor of Entrepreneurship at INSEAD and the Rudolf and Valeria Maag Chaired Professor in Entrepreneurship. He is also a co-author of **Network Advantage: How to Unlock Value from Your Alliances and Partnerships**. You can read his **blog** here.