



EMCC case studies

Change in the knowledge-intensive business services sector: Ogilvy & Mather Düsseldorf

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Company facts

Ogilvy and Mather Düsseldorf is one of some 497 offices within the Ogilvy and Mather Worldwide advertising agency network, which is headquartered in New York. In turn, Ogilvy and Mather Worldwide is a subsidiary of the larger WPP Group.

WPP Group

The WPP Group of companies was established in 1986 with the acquisition of 10 marketing service companies in the United Kingdom (UK) and the USA. Today, the WPP Group employs about 91,000 people working in over 2,000 offices in 106 countries. WPP companies provide communications services to clients worldwide, including more than 300 Fortune Global 500, over a half of the NASDAQ 100 and over 30 of the Fortune e-50 companies. As Figure 1 illustrates, the Ogilvy and Mather Group is a constituent company of WPP.

Figure 1: Companies in WPP Group



Source: WPP Company Report 2005

In all, WPP owns 25 advertising agencies, including: Batey/Red Cell; Dentsu; Young and Rubicam; J. Walter Thompson (JWT); and Ogilvy and Mather. The group also owns 14 media buying brands, including: Media Insight; Media+; Mediaedge:cia and MindShare. WPP's new media and interactive brands are Banner Corporation, CommonHealth, Diamond Ad, Food Group, FullSIX, Good Technology, Marstellar, Qi, Spafax, Syzygy and XM.

Table 1 shows the 10 most successful marketing communications companies in the world of which the WPP group ranks second. Furthermore, WPP also leads the fifth largest global marketing communications company, Dentsu, which is headquartered in Tokyo,

Table 1: *Top 10 global marketing communications companies by global revenue (US \$m), 2003*

Rank	Name	Headquarters	Global revenue (US \$m)
1	Omnicom	New York	8,621
2	WPP Group	London	6,756
3	Interpublic Group	New York	5,863
4	Publicis Groupe	Paris	4,408
5	Dentsu	Tokyo	2,545
6	Havas	Suresnes	1,877
7	Grey Global Group	New York	1,307
8	Hakuhodo DY	Tokyo	1,208
9	Aegis Group	London	1,067
10	Asatsu-DK	Tokyo	413

Source: *Keynote, Advertising agency market assessment, 2005*

Indicative of the size of the marketing communications sector, the top four agencies between them earned revenues of more than US \$25 billion in 2003, which represented three-quarters of the earnings of the top 10 global companies. A small core of highly successful agencies dominates the marketing communications industry – a situation very similar to the ‘big five’ global accounting firms or the ‘magic circle’ London law firms.

Key facts and figures

- Ogilvy and Mather Düsseldorf is part of the German Ogilvy Group, which also has offices in Frankfurt and Stuttgart.
- The Düsseldorf office employs about 220 people, with some 100 people working for the general agency that focuses on typical marketing and communications projects. The remainder of the staff work in business-to-business (B2B), customer relationship management (CRM), promotion and other business service lines. In percentage figures, staff distribution in the agency is as follows: 40% of staff handle creative marketing communications, another 40% of employees work in account management and the remaining 20% of the workforce carry out other agency work.
- A gender imbalance is evident among the staff of the Düsseldorf office as approximately 65% of staff are women and 35% of staff are men.
- The company cannot quote exact growth figures for local offices due to the Sarbanes-Oxley regulations¹ in the US; however, overall trends are positive for the agency in Germany.

¹ The Sarbanes-Oxley Act of 2002 (Pub. L. No. 107-204, 116 Stat. 745, 30 July 2002) is also known as the Public Company Accounting Reform and Investor Protection Act of 2002 and is commonly called SOX or SarbOx. The US passed this federal law in response to a number of major corporate and accounting scandals involving prominent companies in the country, which resulted in a decline of public trust in accounting and reporting practices. The legislation is wideranging and establishes new or enhanced standards for all US public company boards, management and public accounting firms.

Services

As an advertising agency, Ogilvy and Mather considers that building brands today requires a thorough understanding of client companies and their products as well as the relationship between a consumer and a brand. In order to fulfil this mandate, Ogilvy has created an integrated communications approach registered under the name '360 Degree Brand Stewardship'. Ogilvy thus provides 'brand stewards' for its client companies; these brand stewards lead so-called 'brand teams' and are responsible for the following key steps and services:

1. Information gathering

The objective of gathering information is to fully understand and get to know a brand which means examining, namely:

- its product details, taking into account every element of the product;
- its consumers, ranging from the loyal to the potential customer;
- the competition, including direct and indirect competitors as well as market trends;

the environment, exploring the company behind the brand and the broader consumer environment.

2. Brand audit

As a proprietary research tool, the 'Brand audit' captures the intangible cluster of feelings, impressions, connections, and opinions that form consumers' perception of a brand.

3. BrandPrint

The BrandPrint is the characterisation of all product information and consumer insights. It represents a vivid expression in words and sometimes in images that captures the unique relationship between the consumer and a particular product or service. It is an accurate illustration of the brand and depicts what the brand stands for. The company regards the BrandPrint as 'so succinct and singular, it is like a fingerprint'.

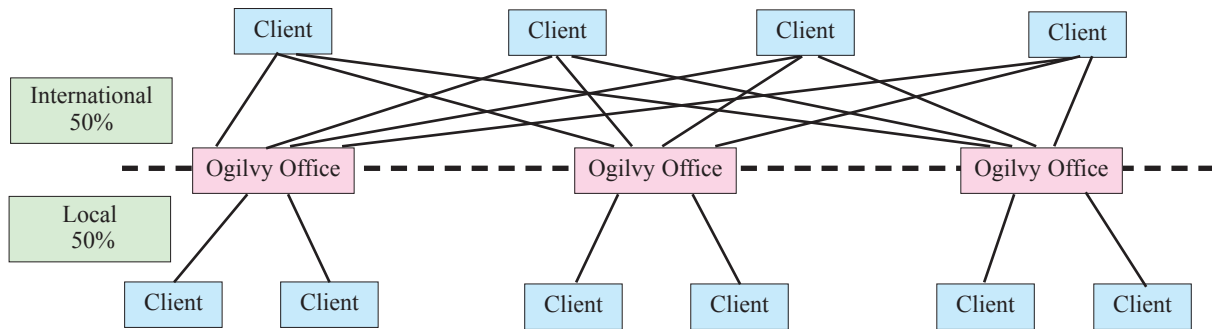
4. Brand steward

The brand steward leads the design process of the brand and the communication of the brand to others. Once the brand is defined, it becomes an invaluable organising principle of the marketing and communications work. According to Ogilvy and Mather, they 'use it [the brand] for every single marketing decision'. Brand stewards aim to fulfil client expectations by providing 'strategic insight and business applications, as well as creative communication solutions'.

Clients

Ogilvy and Mather is a 'network agency'. Due to its ever-expanding network of offices worldwide, the agency is able to serve its high profile clients in almost any geographic location: 'from America, Asia, Europe to Honolulu' as emphasised by Joachim Strate, Managing Director of the Ogilvy and Mather office in Düsseldorf.

Therefore, clients typically 'belong' to the agency, rather than to individual offices. However, each office continues to serve local clients and thus maintains its own client base.

Figure 2: *Ogilvy and Mather – a network agency*

Source: *Robert Huggins Associates, 2006*

The Düsseldorf office serves a number of prestigious multinational companies, including Ford, Unilever (from food to personal products, including the well-known Dove campaign), GlaxoSmithKline (GSK) and British American Tobacco. These high-profile clients account for approximately half of the Düsseldorf office revenue, while the remaining 50% of business is generated by local clients. The office works across a range of products and services, from confectionery to manufacturing. This helps to establish a range of account types and protects the agency from sector-based fluctuations.

Collaboration and networks

Ogilvy and Mather is part of the WPP network, which embraces a vast range of media and communications companies that may compete against each other to win client work or cooperate to provide the full range of services. Ogilvy and Mather is therefore able to offer its clients a ‘full service’ agency, as it is able to work with other WPP companies to provide a ‘start to finish’ product – from advertising development, to public relations (PR), to interactive media to media buying.

Text Box 1: *WPP holding and its brands*

WPP companies sometimes compete within the marketplace, which may seem counterproductive to the overall success of the WPP holding company.

However, maintaining a large number of highly distinct brands allows WPP companies to target many different types of clients covering all levels within each market. The distinctive brand offerings appeal to different clients, allowing WPP to reach more clients than would be possible with a single brand. Without these separate offerings, Mr Strate of the Düsseldorf office notes that ‘Hot and cold would end up warm’.

Furthermore, the distinct brands create a ‘diversification’ effect. By creating a number of distinct and separate brands, WPP protects itself in a competitive industry, as can be expected in a diverse portfolio of investments. Should one brand fail, or generate poor publicity, the remaining brands are protected by their separate marketability.

In its *Annual report 2005*, WPP sets out the benefits of the holding company structure as follows:

1. WPP undertakes much of the administrative work. Financial matters are coordinated centrally, such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal auditing.
2. WPP encourages and enables its operating companies to work together for the benefit of clients as well as company employees since ‘such collaborations have the additional benefit of enhancing the job satisfaction of our people’.

Text Box 1: *WPP holding and its brands (cont'd)*

3. WPP plays an across-the-group role in the following functions: the management of skills and expertise, including recruitment and training; property management; and procurement, information technology (IT) and knowledge sharing.
4. For some clients, predominantly those with a vast geographical spread and a need for marketing services ranging from advertising through design and website construction to research and internal communications, WPP can act as a portal to provide a single point of contact and accountability.

Market dynamics and company changes

Changes in clients

The Ogilvy and Mather agency in Düsseldorf has witnessed major changes in the composition of client companies in recent years. The most significant change is the significant increase of international clients in the last 10 years. International clients historically accounted for approximately one third of office business, but now they account for up to 50% of such business and this figure continues to grow in size and importance each year. This is directly attributed to globalisation, as markets continue to open, and Ogilvy and Mather's clients continue to expand their operations. As Mr Strate accurately observes, the advertising industry does not dictate or shape globalisation, it follows its clients and when they internationalise, the agency conforms. According to Mr Strate, 'we're not the dog, we're the tail of the dog. If the dog gets global, so does the tail'.

Ogilvy and Mather Düsseldorf believes the trend towards an expanding international client base will continue, with increasingly large projects and commissions being managed from geographic 'centres', rather than individual offices.

Decline of middle market

Recent research of the McKinsey Global Institute (MGI) highlights that large businesses, serving international clients are increasing in size, with small, niche and boutique companies growing to fill the needs of local clients. The mid-sized market is therefore being 'squeezed'. Large companies continue to grow as they can take advantage of economies of scale and returns on investment. Small, local companies are unable to compete in this market, resulting in the growth of niche enterprises. These enterprises, in turn, are unable to adequately compete in either market. They are not quick or proficient enough to complete local, small-scale projects at a profit and yet do not have the economies of scale to compete with the major, global companies. This phenomenon is seen across a wide range of knowledge-intensive business services (KIBS), and as Mr Strate underlines, 'the middle market is being squeezed'.

Changes in service and products

According to Ogilvy and Mather, proving the value of advertising and updating IT applications are the key drivers of change within the business.

Proving advertising's worth

Advertising agencies must be able to draw a more direct and tangible line between input and output for the client, proving the effect and benefit of investing in advertising campaigns. Originally, advertising agencies 'used to be able to do a bit of image advertising to please the CEO [Chief Executive Officer] and this was enough – these times have gone', according to Mr Strate. The market is now more competitive and companies carefully consider each investment made, seeking justification for expenditure. Mr Strate emphasises that: 'Clients look for efficiency and effectiveness of their client communication investments. Ford once said 50% of my investment is wasted – I just don't know which 50%; this is no longer acceptable'.

Consumers are becoming more sophisticated in their choice of services and products, seeking out those products that closely align with the attitudes, beliefs and perceptions of the company. At the same time, they are bombarded with increased advertising, promotion and marketing ‘noise’ as new communication channels are opened. Agencies must therefore work even harder to ensure that their ‘message’ gets through to the target audience, and translates into purchasing action for the company.

Extensive investment in research to understand the psychology and motivations underlying purchase decisions is beginning to address the need among companies to prove the value of advertising, and this is likely to become an increasing focus in future years. According to Mr Strate, ‘the person who is able to prove that investment in communication is worthwhile will become rich’.

Information technology

IT has influenced all facets of the business and brought about fundamental changes in the way work is managed. Today, software systems give all relevant staff members access to pertinent information about each project, including progress, latest version of copy, pictures, time recorded and finances.

Developments in IT have directly influenced the growth of new media channels, creating thus new avenues for advertising and marketing. For example, OgilvyInteractive, a company built to exploit the opportunities of new media channels, is now the largest interactive agency in the world.

Text Box 2: *New media*

A recent Keynote report suggests that technology is fundamentally influencing the way in which advertising agencies conduct their work. Digital screens in cinemas have created new outlets for advertising, and it is expected that the innovative idea of digital posters will become commonplace.

These digital posters will be tagged using Hypertag technology, the UK-based company, allowing a high level of interactivity. For example, consumers will be able to point and click their infrared mobile telephones and personal digital assistants (PDAs) at the ‘tagged’ poster in order to download required information. This will allow advertisers unlimited opportunities to engage further with potential customers.

IT also facilitates the agency’s communication across offices, reducing waste and increasing speed. Video conferencing is now an option for agencies to communicate quickly, and various offices can work together on the same project using virtual reality (VR) technology.

However, the Düsseldorf agency acknowledges that there are limitations to IT development. One such limitation is that human beings need physical contact. Mr Strate highlights that ‘it is strange as there is no real rationale for it. You can sit with an art director in Singapore online, but there is something more going on when people sit around the table than just people sitting round the table’.

The managing director continues that ‘we have all these visions of the virtual office, but I can’t see it happening’. The notion of permanent teleworking or of offshoring creative advertising development seems unlikely, due to the crucial importance of interaction between people in being creative.

Growth strategy

The way in which advertising agencies develop and grow varies between networks. Omnicom, for example, is the world's biggest network agency with its headquarters in New York; the Omnicom Group grew through a major programme of acquisition, especially in the 1970s and 1980s. At that time, many agencies took a 'shopping spree' approach to expansion, which has not been successful in a number of instances, not least due to clashes of organisational culture.

Ogilvy and Mather has grown systematically. Just 20% of the business can be accounted for by acquisition growth. The remainder of the agency's strong growth can be attributed to organic development – in either acquiring new clients or strengthening existing client demand.

The agency believes organic growth to be crucial in preserving their own brand value. Some seven to eight years ago, IBM gave all of their worldwide 'above-the-line (ATL)'² advertising work to Ogilvy and Mather. This represented the largest account move in advertising history. Traditionally, IBM had employed the services of 154 different agencies worldwide to satisfy their advertising needs; thus, transferring all work to one agency represented a major departure from the norm. At the same time, this set a precedent in the market and many other client companies followed this pattern. Using one agency worldwide helps clients to be consistent in their advertising messages and, of course, reduces time and cost as economies of scale can be reached while communications costs are reduced.

Geographic growth

Mr Strate considers that the Düsseldorf agency will not continue to grow geographically. For him, 'the last big thing we did was China. We are the tail of the dog, not the dog – when the dog moved into China, i.e. American Express and Unilever, we also went into China. We lost money for four or five years as these clients were just setting up their businesses, and did not have anything for us to do there'.

Meanwhile, China, India, South America and Africa are all expanding markets, and as economies in these regions continue to develop, Ogilvy and Mather is likely to pursue opportunities as they arise.

Efficiency and rationalisation

Ogilvy and Mather is beginning to seek efficiency gains through rationalisation instead of continuing to increase the number of offices worldwide. For example, the agency has traditionally operated five offices in the Netherlands, which was the result of following client companies as they expanded. However, the scope of technology to encourage efficiency has rendered the need for five offices unnecessary. Ogilvy and Mather has now streamlined its operations and reduced its Dutch presence to just one office.

² Above-the-line (ATL) is an advertising technique using mass media to promote brands. This type of communication is conventional in nature and is considered impersonal to customers. It differs from the 'below-the-line (BTL)' advertising technique, which is based on unconventional brand-building strategies. The ATL strategy uses current traditional media, such as television, newspapers, magazines, radio, outdoor and the internet.

Profit

Three key elements drive profit in the advertising communications market, namely:

- efficiency savings through rationalisation;
- revenue growth from both current and new clients. Despite the overall size of Ogilvy and Mather, there is still an important growth potential. Any network agency holds a share of approximately 5% in any one market, indicating the potential for competitive expansion;
- new disciplines and offers to the market, for example, interactive online media.

According to Mr Strate, ‘there is always creativity going on to expand the business. The sky’s the limit – as always’. For instance, the company has recently developed a new ‘Corporate design and identity’ unit and is in the process of establishing a unit to develop ideas for private television programming. The latter represents an entirely new market for the agency.

Long-term business relationships

All KIBS companies seek to ensure increased client retention. Long-term relationships benefit both parties in terms of improved understanding, communications and knowledge sharing. Ogilvy and Mather has been particularly successful in retaining its clients, keeping some clients for several decades. For example, the agency has been working for Dove (Unilever) since 1952.

There are particular characteristics of the advertising business that increase the probability of a long-term business relationship, such as:

- moving agency can involve three to five months of handover, representing an extended period without consistent, clear advertising;
- markets characterised by conflicting interests – this means that an advertising agency can only work for one company in the respective market. For example, Ogilvy and Mather Düsseldorf work for the Ford car company, which makes it impossible for them to work for another car manufacturer that does not benefit from the services of an international agency network. From a client perspective, it can become quite problematic to secure the services of an alternative advertising agency, which also reduces the likelihood of ‘switching’ among clients.

Text Box 3: *Demand and supply in advertising*

In some economic sectors, an imbalance of demand and supply of advertising and communications services exists. For example, there are 10 ‘top’ advertising agencies in the world, but some 18 ‘top’ car manufacturers. Each car manufacturer seeks a network advertising agency that can satisfy its needs worldwide. However, there are insufficient numbers of ‘top’ advertising agencies to meet these needs. DaimlerChrysler’s Mercedes Benz brand, for example, is a relatively small car manufacturer. Every year, Mercedes approaches Ogilvy and Mather for advertising services, but the agency have to turn them down each time because of their ongoing business relationship with Ford, which is a major client of the agency. This illustrates the strong power that advertising agencies can exert over current and potential clients. Mr Strate of the Düsseldorf office underlines that such a market situation ‘almost sustains the business relationship’.

Human resources

According to Mr Strate, ‘Ogilvy is the agency with the strongest culture of all. It is like one big family; in a way, we are all relatives of the famous founder David Ogilvy as we all follow the same management principles and cultural values’.

One of the agency’s employees emphasises that ‘the atmosphere is very friendly. Many employees are friends and meet outside office hours as well. People are ambitious but kind and respectful at the same time. Working hours are correct for industry standards, which is appreciated throughout the agency’. Another employee of the Düsseldorf office stated, ‘I very much enjoy working at Ogilvy, especially in our team where (as far as I can judge) we benefit from a very good atmosphere. We all get along very well and spend time together outside office hours. Nevertheless, work is very professional and we treat each other with respect’.

Importance of people

As in any KIBS business, Ogilvy and Mather acknowledges that its core assets are its employees: ‘We do not have machines or trucks – it is just people’. People and their talent are the company’s ‘production factors’, which is why the company places such a strong emphasis on finding and retaining the right employees, besides investing in their training and development.

Little can be automated in the primarily creative process of developing and executing advertising ideas. Thus, equipping staff with the necessary skills, training and tools to support their creative ideas is paramount in securing a competitive advantage in the advertising and communications industry.

Workforce composition

An advertising agency’s workforce is a mix of creative and business talent. A successful agency requires a mixture of different people, which represents a highly interesting, yet challenging management task, according to Mr Strate.

The Ogilvy and Mather Düsseldorf office embraces the following staff categories:

- copywriters and art directors (so-called ‘creatives’) who drive the creative side of the business which means generating advertising ideas and producing copy. Mr Strate points out that ‘they are not running up and down with wild hair; it is a tough job, trying to squeeze an idea out at their desk’.
- account managers and strategic planners (sometimes known as ‘suits’) who are responsible for marketing the advertising idea while understanding the underlying drivers of the market and potential growth areas. As Mr Strate underlines, ‘if we work for Ford or Unilever, it is a tough marketing job – we have to understand the market, products and growth strategies’.

According to the managing director, advertising is a challenging and competitive business: ‘It is not just geniuses lying in the bath tub with a glass of wine, having the big idea – it is 90% perspiration and 10% inspiration for both the “creatives” and the “suits”’. The agency is therefore looking for strong business acumen. Advertising ideas have to be grounded in business thinking, ‘otherwise, it is like shooting in the dark’.

There are no specific disciplines or backgrounds from which Ogilvy and Mather recruits employees – advertising is therefore a highly accessible market to potential employees and one that does not require specific qualifications or backgrounds. For example, the agency highlighted that it once recruited a young priest, who was particularly talented in his writing and subsequently became a copywriter.

Diversity

Ogilvy and Mather US has developed a range of initiatives to improve recruitment and retention of employees from minority groups. For graduate recruitment, the agency attends campus recruitment sessions at universities with a high proportion of minority group students, such as Howard University in Washington, DC. The advertising group also participates in career fairs aimed at minority students, such as the International Radio and Television Society (IRTS) Foundation's Minority Career Workshop and the Mosaic Career Fair of the American Advertising Federation (AAF). Moreover, Ogilvy has taken part in the American Association of Advertising Agencies' (AAAA) Multicultural Advertising Intern Programme (MAIP)³ since it was launched 31 years ago. In 2004, Ogilvy and Mather and OgilvyOne hosted a record nine interns from MAIP.

The agency makes an annual US \$10,000 donation to the MAIP and is a member of the AAF's Most Promising Minority Students Programme. Ogilvy and Mather's commitment to recruit and retain a diverse workforce is generating results. Minority employees make up 27% of the agency's total workforce and 22% of professionals at the agency's headquarters in New York. During 2005, Ogilvy and Mather strengthened its diversity programmes by working with executive search companies specialising in diversity recruitment, exploring targeted mentoring programmes and providing more information to minority schools and colleges on careers in the advertising industry. The agency is conducting diversity awareness training for all employees, with 60 sessions being held at the New York office alone.

Ogilvy and Mather Düsseldorf also states that the company-wide diversity policy guarantees equal rights for all employees throughout the agency. The office does not tolerate misbehaviour or discrimination on the grounds of race, sex or disability.

Recruitment challenges

Mr Strate claims that 'two disciplines are always hard to find: great copywriters and smart strategic planners'. For this reason, the agency works hard to build relationships with the university community to 'spot talent' at an early stage.

Pay and reward

All KIBS companies are driven by human resources (HR); they are 'people' businesses with little physical capital. The advertising industry is no exception and embodies a high degree of intangible, tacit-driven capital. Recruiting as well as retaining staff is thus a crucial activity.

According to the WPP Group's *Annual report 2005*, the network's agencies are able to retain staff because of competitive salaries combined with performance-related bonuses:

'Competitive, performance-related salaries help us to attract and retain the most talented and effective people. We aim to pay basic salaries at the median for the sector and position, and regularly benchmark compensation against others in our sector. Performance-related pay is provided on top of basic salaries to reward exceptional performance. Many of our employees are eligible to receive performance-related bonuses through spot bonus plans designed to reward specific outstanding performance. Some of the more senior employees are eligible for incentives based on their performance against annual or multi-year goals for the operations they lead. WPP's Worldwide Ownership Plan, introduced in 1997, has granted share options to 49,000 of our people. People working in the Group (including directors) own or have interests in around 113 million shares, 8.9% of the issued share capital.'

³ Now in its 33rd year, the MAIP programme encourages African American, Asian American, Hispanic, native American and multiracial and multiethnic college students to strongly consider advertising as a career. The American Association of Advertising Agencies (AAAA) runs the MAIP programme.

Retention

Just as the agency is known for its long-term relationships with clients, its ability to build long-term relationships with employees is also widely acknowledged. ‘Ogilvy and Mather is known as an agency where people stay for a long time – longer than any other agency. Even our competitors would agree’, says Mr Strate of the Düsseldorf office. He has been with Ogilvy and Mather Düsseldorf for 23 years and has been a creative partner for 14 of those years.

Tacit knowledge

Retaining employees is crucial to the agency, as ‘otherwise we can lose know-how’. This emphasises the importance of tacit knowledge, and the particular challenges facing the advertising industry in attempting to codify this knowledge. A person’s ability to develop an idea for an advertising campaign is impossible to codify, as this process is mainly instinctive. It could be argued that in this instance, the balance of power may be in favour of the employee instead of the employer – as the employer’s ability to manage, transfer or codify the process is reduced.

Training and development

Training and development takes place within the agency at several levels. In the first instance, there is an ‘Ogilvy Programme’ of development, which is followed at local, regional and international level. This accounts for some 90% of training efforts within the agency.

As one Düsseldorf employee notes, ‘I was very lucky and received quite a lot of training since I started working at Ogilvy. We had a presentation seminar, seminars on communication, how to avoid conflict. We also have seminars about once a month, where either someone from the agency or someone external speaks about some advertising-related issue’.

One account management employee states that ‘for the account management, there is regular training. It usually takes place about once a month. Issues addressed are latest developments in advertising, consumer insights etc. In addition, a group of us are attending a “communication workshop” that is led by a psychologist and will make us more sensitive to why people interact the way they do. It is very good.’

In addition, a WPP group-wide training programme exists, which constitutes a small part of the overall training and development on offer and reflects the different organisational cultures within the group.

With regard to outsourcing training and development, Ogilvy and Mather Düsseldorf observes that the more senior the programme is, the more external training resources are being used.

Flexible working conditions

Ogilvy and Mather Düsseldorf has no formal policies for dealing with issues of flexible working time or home working. ‘We just live that on a day-to-day basis, giving people maximum flexibility within the boundaries of being a service provider to clients’, according to Mr Strate.

Corporate governance

The chief executive officer (CEO) of each WPP company is required to sign a statement each year confirming that they comply with the company’s Code of Conduct. Employees can report any concerns or suspected cases of misconduct in confidence through the ‘Right to speak’ facility, run by the group’s internal audit department. A direct phone number for the facility is available to all employees worldwide and is publicised through induction packs, the WPP policy handbook and on agencies’ intranet sites.

One Düsseldorf office employee outlines that ‘we have a contact person/phone number we can call if we need to talk about serious issues, such as reporting abuse. I think it came along when Ogilvy and Mather had to comply with WPP standards. The code of conduct is very strict, much more so regarding sexual harassment, for example, than in many other German companies. So it is quite useful to have. I believe every employee would have at least one member of management they could complain to, who she/he gets along with best. Doors are always open.’

Another Düsseldorf employee states, ‘I would always feel comfortable to talk to colleagues (on the same level), my team leader or one of the managing directors – depending on the kind of problem and/or whom it does concern. In fact, I have done so before and it was a positive experience overall.’

All WPP companies follow the same code of conduct. The Sarbanes-Oxley act has had a particular impact as it is a financially-driven code of conduct, and requires frequent updating and signing.

Trade union representation

Ogilvy and Mather Germany has strong trade union representation in its Frankfurt office. There are positive relationships between the company and its trade union organisations, although it is acknowledged that at times this has been challenging. A relationship has been maintained for decades, which is due to both sides’ common desire to find good solutions to issues of concern.

Regulation

The advertising sector is a heavily regulated industry. Ogilvy and Mather Düsseldorf expects the scope of regulations to be extended in future years: ‘It will all become more restricted for us. We all hope that the regulations mania does not kill the ad industry!’

Perhaps one of the most topical and controversial aspects of advertising regulation is in the food and drink sector. Governments concerned about the potential health costs have become eager to promote increased exercise and have begun to confront public policy issues such as food labelling and related advertising.

The food and drink industry impacts on a range of public policy areas from media to health. Moreover, it has a special relevance to the youth market as obesity in children is such an emotive subject – and youth marketing has traditionally been such important territory for the advertising industry. Responsibility for obesity is now seen to be corporate as well as personal – advertisers are implicated along with clients in food manufacturing, retailing, media and other sectors such as health.

It is a complex issue that demonstrates how corporate social responsibility (CSR) reaches into the heart of business and needs to be integrated into the business strategy. For example, the London-based strategic marketing and futures consultancy, the Henley Centre, published a strategy paper in October 2004 which argues that corporate responsibility for obesity challenges the food industry’s existing business models, and consequently the way the industry is serviced by advertisers.

Figure 3: Advertising in the food industry – four scenarios



Source: WPP Corporate responsibility report, 2004

On the positive side, there has been a growing interest in authenticity and provenance, and companies have been adding healthier alternatives to product ranges giving customers more choice, which represents new market opportunities for advertisers such as Ogilvy and Mather.

Corporate social responsibility

The most significant CSR issues facing Ogilvy and Mather, as well as the agency's network group WPP, include:

- the impact of work – ranging from marketing ethics, compliance with marketing standards, protection of consumer privacy, and social and cause-related marketing;
- employment – in terms of diversity and equal opportunities, business ethics, employee development, and health and safety;
- social investment – comprising pro bono work, donations to charity and employee volunteering.

The company views these CSR issues as crucial to maintaining a good reputation within the advertising sector. As the advertising industry has few 'tangible' products to offer, intangible cues such as reputation and experience become the key selling and promotion points for agencies.

Ogilvy and Mather must be sensitive to changing attitudes and opinion regarding the advertising and marketing of certain products and services. Indeed, WPP produce a Code of Business Conduct, which states that the company will not knowingly create work that is offensive to the general public or to minority groups. This code of conduct is applied and followed throughout the group.

Text Box 4: *Ogilvy and Mather's 'Heart Truth' campaign in the USA*

Since 2001, the public relations social marketing practice of Ogilvy and Mather in Washington, DC, has been working on a national campaign for women about heart disease - The Heart Truth - for the National Heart, Lung and Blood Institute. The campaign seeks to raise awareness through media outreach and partnerships with America's fashion industry, other businesses, community groups, government agencies and non-profit organisations. Activities in 2004 included a National Wear Red Day, the Red Dress Collection 2004 fashion show featuring dresses donated by 26 leading fashion designers held during New York's Fashion Week, and The Heart Truth Road Show that brought the campaign directly to women. Since the campaign launch, awareness that heart disease is the number one killer of women has increased from 34% to 57%.

WPP as a group company expects high standards of CSR not only within the confines of the group, but also of suppliers. For example, prospective suppliers must complete the following questions regarding corporate responsibility.

Text Box 5: *WPP's questionnaire on corporate responsibility (CR) for potential supplier companies*

1. Policy
Does your company have a CR policy? If yes, please attach it. (Note: environmental, health and safety, social and ethical policies are relevant if the company does not have an integrated CR policy.)
2. Responsibility
*Is a senior executive (or executives) responsible for CR performance? If yes, please specify.
Does your company have a CR manager or equivalent? If yes, please provide contact details.*
3. Key issues
Please identify the environmental issues most relevant to your company. Please identify the social issues most relevant to your company (social issues include employment, health and safety and community).
4. Reporting
Does your company publish a CR report? If yes, please attach it.
5. Supply chain
*Does your company have a process for implementing CR standards in its supply chain?
If yes, please describe it.*

Conclusion

Ogilvy and Mather Düsseldorf operates within a highly competitive and strongly regulated advertising market. Despite belonging to major communications network WPP, the Düsseldorf office retains a distinct and strong culture that enables specific brand positioning and client targeting.

Ogilvy and Mather looks back on a long and successful company history; the agency has been able to form long-term relationships with both staff and clients, which has led to profitable results and a strong reputation for reliability and service, as well as the creation of a 'family' environment for employees to work in. With a strong sense of corporate

social responsibility (CSR), WPP has developed codes of conduct that ensure consistency throughout the network companies to combat potential discrimination and harmful environmental effects.

Having expanded to geographic limits, the company is now seeking to expand its revenue through efficiency methods, supported by IT developments, developing new service offerings, and maximising the market share.

The company is highly innovative, with a strong commitment to both creative and business tasks. Ogilvy and Mather has put in place an open recruitment process that allows talent to emerge in the most unlikely places.

References

KeyNote, Advertising agency market assessment, 2005

WPP, *Corporate responsibility report, 2004*

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<http://www.wpp.com>

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