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Case Study Analysis: Ogilvy and Mather

Summary

David Ogilvy took pride took pride in unorthodox eccentricities — he was described by his peers as “quirky.” In 1948, Ogilvy founded a small advertising agency and invited “trumpeter swans” to join him in his mission to “sell — or else.” He led the company through 1975, an era when ad budgets went unchallenged and the Madison Avenue “Mad Men” were commoditizing the world. Though the next four chairmen of Ogilvy and Mather International were unimaginative, the company continued to grow unimpeded through the mid-1980s. Though the company was eventually able to recover from losses faced through 1992, failure to adapt, a toxic corporate culture, failure to revitalize the corporate vision, failure to roll out updated policies and tools, and a corporate structure with misaligned incentives slowed the eventual success of Ogilvy through 1994.

- Failure To Adapt: The stock market crash of 1987 led companies around the world to reconsider their expansive ad budgets, marking a shift away from expensive mass media campaigns. Ogilvy failed to respond to these changing economic environment in the late 1980s.
- Toxic Corporate Culture: Declining revenue led to the hostile takeover of Ogilvy in 1989 by WPP Group Plc, a marketing services company. The takeover created “a lack of trust,

an air of conflict, adversaries and invasion" that led a number creative and account executives to leave the organization.

- Failure to Revitalize the Corporate Vision: As WPP Group Plc stock hit rock bottom in 1992, Tatham-Laird & Kudner COO Charlotte Beers was installed as the head of Ogilvy. Though she was eventually able to execute a turnaround, Beers failed to recognize that a revitalized vision was needed for Ogilvy. In doing so, Beers missed an opportunity to enroll a wide sample of the Ogilvy team in the process.
- Failure to Roll Out Updated Policies and Tools: Though an updated corporate edict and policies eventually emerged, Beers and her team struggled to roll out the concept of "brand stewardship" as well as updated creative tools like the "BrandPrint." Beers was unable to effectively "spread the gospel" that would differentiate Ogilvy in the marketplace.
- Corporate Structure with Misaligned Incentives: Uninspired leadership through 1990 led to the loss of major international accounts. It became Beers' personal mission to recapture lost international business. Winning several, large multinational accounts in 1993 caused tension between centralized brand teams and small agency offices around the world.

1. Failure to Adapt

Ogilvy's success through the late 1970s and early 1980s came to an abrupt halt when the stock market crashed in 1987. Suddenly, international clients reconsidered their large advertising budgets by shifting "resources from expensive mass media and print campaigns towards direct mail, cable, telemarketing, and sales promotion" (Sackley 3). Brands "... demanded lower costs

and greater service, Ogilvy — like many large agencies at the time — was slow to make adjustments." (Sackley 3), while other agencies in the advertising industry were changing because new product designs were becoming generic while diverse tastes were fragmenting the market. Once companies like Campbell Soup, Roy Rogers and American Express withdrew their multi-million dollar accounts, Ogilvy suffered. Ogilvy CEO Graham Phillips stepped down in 1991, four years after the crash. Declines in revenue, losing big and loyal accounts to smaller "boutique" agencies and laying off close colleagues were cited as reasons for his resignation.

Recommendation

We recommend that Ogilvy should have used the "20-Mile March" and empirical validation approach during their boom years in the late 1970s and early 1980s, in order to decrease the chances of the company losing revenue and eventual takeover by WPP Group Plc in May 1989. As the market is always fluctuating, we believe that Ogilvy could have avoided being caught unaware by the crash of 1987 by consistently applying an empirical validation principle, which is learning from the empirical experiences of agencies in the industry. Even before the stock market crash, Ogilvy could have started pursuing accounts with up-and-coming brands. Ogilvy relied on big accounts with companies like American Express and Unilever, assuming this strategy would create a safety net, when it actually wasn't. The stock market crash was unexpected, but account managers and executives also could have implemented a "20-Mile March" approach to their decision-making in seeking new business relationships with various brands. These strategies go hand-in-hand when used at the same time.

Implications

Since Ogilvy was very successful in the 1980s, there was no reason to curtail spending. However, more cautious spending could have created a safety net. The 20-Mile March approach has been successful with companies like Southwest Airlines, which remained profitable and did not lay off one person from 1990-2003 ("the U.S. airline industry as a whole turned a profit in just 6 of 14 years" (Collins 45)), while having the discipline to avoid spending to grow their infrastructure. "In 1996, more than a hundred cities clamored for Southwest service," (Collins 46) but only four cities obtained them. Southwest Airlines decision to hold back to provide services across hundreds of cities is an example of how Ogilvy could have held back and focus on streamlining and centralizing accounts with large clients. Periods of Ogilvy success should have been spent contemplating "what if" situations — like how Bill Gates did in the late 1980s. When IBM rolled out their line of computers with their "technically superior OS/2" in April 1987, "Gates himself predicted that within two years OS/2 would dominate" but also hypothesized its failure (Collins 89). He was still developing Windows and by late 1988 and IBM's OS/2 only had 11 percent of the market. That left the door open for Microsoft to enter the market with the Windows 3 operating system and sell "a million copies in just four months, compared to just three hundred thousand copies of OS/2 in three years" (Collins 90). Gates empirical validation to continually develop Windows and hold back the release to observe IBM's dismal results of their operating system shows how a 20-Mile March approach keeps the business innovative in a stable economic environment, one that metrically displays successful profitability, year after year.

2. Toxic Corporate Culture

Prior to the economic changes at Ogilvy, the organization was considered to be one of the most respected and credible advertising agencies in the world being referred to as the "class act of Madison Ave." Ogilvy suffered a loss in its strategic value as well as valuable employees as a result of an unclear mission and vision for the company. Mainly made up of creatives with innovative ideas, Ogilvy employees were skeptical of the future of the brand. According to Gary Hamel in "What Matters Now," an organization has the ability to be successful by sticking to the standards of values, innovation, adaptability, passion, and ideology (Hamel 222). Based on those principles, values are what give a large organization credibility from its clients, partners and employees. If an organization lacks innovation from its members, the company risks being unable to outshine their competition. According to Hamel, "In a world of accelerating change, every company must build an evolutionary advantage."

When Beers took over, account executives were confident in her role as CEO to restore the company culture. According to SWOT analysis, all aspects of the company were affected with the changes. The strength of Ogilvy was the reputation of the company. As one of the "first class" advertising agencies in the world, leaders at Ogilvy had the key responsibility to uphold the company's positive reputation. A weakness for Ogilvy was that after major changes were made, the company had trouble maintaining its organizational structure that lead to much confusion from employees who were unaware of who to directly report to within their department. A major opportunity for the company once the changes were made was the ability to be innovative. Given that Ogilvy had lost many of its loyal team members, it gave new employees and Beers the opportunity to redesign the structure of the Ogilvy brand. A major

threat to the company was the risk of finances. When major clients such as Unilever discontinued their relationship from Ogilvy, the company suffered financially.

Recommendations

Like many global organizations with a significant number of employees, company culture is one of the most valued factors that differentiate a company from its competitors. For Ogilvy, it is the leader's responsibility to restore the company culture to increase sustainability. A recommendation for Beers to establish a positive company culture is that she must thoroughly examine challenges and opportunities within the organization. Key factors that could also be examined are goals and budgets of the company. During the time of low market cost in 1989, Ogilvy did not lower their budget cost which resulted in a negative impact in the company structure. To move forward, a recommendation would be to set clear budgets and goals for the company that will result in more efficient strategies. Additionally, to evaluate the company's culture, we suggest starting a yearly survey for employees to give feedback on how the company is doing as well as conducting company meetings with the CEO discussing where the company stands in relation to budgets, cost, and anything else that is affecting the marketplace.

Implications

As learned through Maslow's hierarchy of needs, we need to feed employees' sense of belonging. By asking employees to part-take in a yearly survey, Ogilvy employees will feel like their opinions and thoughts matter, this will create a sense of belonging in the company. When someone feels a part of a group, then they would tend to work harder and not look to leave the company. Also if a company can see what their employees think is wrong with the company,

they can look towards hashing out the problems; this is another way of showing their employees that their voices matter.

Setting a strategy for the company will help outline the company's goals, as well as those of the employees. McDonald's CEO created a "Plan to Win" and within this plan they have a "Five P" strategy plan for their employees: people, products, place, price, and promotion. According to the plan McDonald's provides "...a superior customer experience by properly staffing out restaurants with a team of highly engaged, well-trained and diverse people" (Shambora). This plan helps obtain the goal of the employees and what they are to achieve. When employees are engaged and motivated with goals for their company turnover rates decrease and positive results increase. Strategic planning will not only keep employees engaged in their work, it will also increase longevity to the organization.

3. Failure to Revitalize the Corporate Mission

In the early months of Beer's tenure as CEO, she positioned herself between Ogilvy's impressive slate of clients and the account managers that handled them. Beers determined that O&M had "lost sight of Ogilvy's still impressive assets," and all that was needed was a resurgence of that energy to grow. Beers sought to uncover candid internal evaluations of her organization. After discovering the symptoms — flagging growth, stagnant strategies and the corruption of self-described fiefdoms (Hamel 101) — it should have been clear to Beers that a revitalized vision was needed to correct the decline of Ogilvy. "For both the individual and the organization, nothing can be more damaging than a confused and cloudy picture of where they want to go or what they want to become; in short, do they know what success looks and / or feels like? (Spearmon 1)"

Through the process of collecting feedback, Beers identified a group of likeminded senior employees who were “thirsty for change.” In meetings in Austria and England, the group gathered 22 urgent priorities and attempted to “re-invent our beloved agency.” It became clear that there was widespread disagreement on the path forward, even among these friendly participants. At Chewton Glen Resort, Beers stayed up all night to distill the 22 urgent priorities into three major themes: client security; better work, more often; and financial discipline. These strategies comprised an emerging vision, “The purpose of our business is to build our clients’ brands.”

Rather than shaping the priorities of the company around the vision, the opposite had occurred. By soliciting addressable priorities from only her “thirsty for change” group, Beers had saddled Ogilvy with a vision that was a short-term solution to only a subset of the company’s problems. Though she was able to get right back to winning big clients for the company, Beers had not actually set Ogilvy up for long-term success. According to Harvard Business School Assistant Professor George Serafeim, “Communicating a long-term vision for the business and providing both narrative and quantitative information is an integral part of building a sustainable organization that has a long-term-oriented investor base” (Silverthorne).

Recommendations

First, instead of backing her way into a vision-setting exercise via a long list of priorities, we recommend that Beers craft a vision for Ogilvy directly. As described by James Collins and Jerry Porras in “Building Your Company’s Vision” featured in Harvard Business Review, her vision should comprise a core ideology — what Ogilvy stands for and why it exists — and an envisioned future — what Ogilvy aspires to become, to achieve or to create (Collins 2). In a

decentralized and changing market environment, core ideology and values will act as glue to hold Ogilvy together. A 10- to 30-year audacious goal or envisioned future with a 50-70 percent chance of success would provide a vivid framework to engage and energize Ogilvy's employees (Collins 11).

Second, we believe it is critically important that Beers enroll friendly and unfriendly Ogilvy employees from all levels of the organization in the creation of the vision. According to Theirry Nautin, "[the vision] must be broad enough to be recognized by everybody, even in a large and diversified environment" (Nautin 3). The best way to ensure that members of the organization can recognize the vision is to make them part of the process of crafting it. By participating in the creation of the mission, it is likely that Ogilvy employees will imbue it with meaning. "Why is meaning so important?" ask Teresa Amabile and Steve Kramer, co-authors of *The Progress Principle*. "Because when people find meaning in the work, they also feel a sense of ownership. The work means something to them personally" (Amabile).

Implications

Companies with a clear articulated vision have outperformed the general stock market by a factor of 12 between 1925 and 1996, according to research by James Collins and Jerry Porras (Collins 1). By dedicating resources to the creation of a revitalized core ideology and envisioned future, Ogilvy has an opportunity to accelerate its turnaround and improve the adoption process. Though 1992 did mark a turning point for Ogilvy, Beers has an opportunity to develop strategy that would outlast even her tenure as CEO.

By enrolling the population at large in the development of the vision, Beers can help her employees find meaning at a macro level. According to Scott Keller, "when people take

ownership of the work, they are more committed to it, more intrinsically motivated, more engaged. And that makes for better performance on all dimensions" (Amabile 1).

4. Failure to Roll Out Updated Policies and Tools

Ogilvy's revitalized vision began to take form after the meeting in Vienna, but it was still a bit vague to Ogilvy at large. After the meeting in Vienna, Members of the "thirsty for change" group were assigned to begin spreading word of the new strategies and educate their peers and subordinates of the concept of "brand stewardship." Because so few Ogilvy employees were brought into the process, Brand Stewardship was not taken seriously or rejected outright. "Brand Stewardship has not seeped into everyday practice. Only a minority of the O&M population truly understand and embraces it. Others are aware of Brand Stewardship, but not deeply proficient. Many are still not true believers" (Sackley 12).

As the vision began to crystallize, Beers and the "thirsty for change" managers began to develop and roll out new tools to support it. Initially, the "BrandPrint" was rejected by Ogilvy's creatives because they believed it impeded their creativity. Beers' new tools, and the vision itself, were not effectively communicated to the company. Brand audits, completed as part of the brand stewardship process, felt like an indictment of performance. For others, it was not clear how brand stewardship or the "BrandPrint" fit into their processes (e.g. Ogilvy direct mail services).

The new tools were in conflict with aggressive deadlines. "The creatives tell me, 'If it helps you get new business, that's great, but why are you in my office talking about this? I have a deadline and I don't see what this has to do with creating advertising'" (Sackley 13). Greater expectations for Ogilvy's accounts came at the expense of creativity. According to research by

Harvard Business School innovation expert Theresa Amabile, “there’s ample evidence that people whose job is to generate new ideas response particularly badly to being rushed” (Fisher).

Recommendations

First, we recommend that Beers work with communications professionals within the organization to write a personal and corporate “transformation story” — a detailed communications plan that guides every stage of the roll out. “‘Anyone who has heard it firsthand from Charlotte bought in. From the moment she opens her mouth to talk about brands, you know she has a depth of understanding that few people have,’” said one Ogilvy executive (Sackley 13). The transformation story must reflect personal, heartfelt commitment and provide a flexible framework for varied priorities and personality types. “To be effective, the story must help people make sense of, and engage in, the changes they are being asked to make” (Nautin 5).

Following closely behind the transformation story, which details the revitalized vision, we recommend development of a training program for all employees of Ogilvy. This training program should teach employees about the new tools developed by Beers as part of the brand stewardship process. This process should inform employees of the benefits of using the new tools as well as hold them accountable to their implementation.

Lastly, we recommend that Beers and her managers closely examine the schedules of creators across the company. According to Rebecca Swift, as quoted by Fortune, “Creatives need to experience the world to be able to produce ideas that the world can relate to.” By taking an inventory of unnecessary meetings, status reports and distractions and allowing her staff to spend the time they need to use the tools, Beers could improve adoption of the new tools.

Implications

By collaborating with her team to create a transformation story, Beers has an opportunity to improve alignment and engagement with the vision. According to Collins and Porras, "Building a vision requires 1 percent vision and 99 percent alignment" (Collins). A transformation story can enable cultural change. "People see the effort that the new beliefs and behavior the transformation story will require, and they naturally resist. … If, however, the organization presents the changes as a way to help people meet challenges that they already face, people will start to want the changes" (Nautin 5).

The last two recommendations must be carefully balanced, especially for the company's creatives. By following the transformation story closely with a training program on new tools, it should be possible to increase adoption across the company. However, to avoid suppressing creativity with additional requirements and deadlines, Ogilvy can help creative employees take stock and free up the necessary time. Overall, this should improve attitudes toward the new tools and increase their utility.

5. Corporate Structure with Misaligned Incentives

By 1991, Ogilvy had 270 offices that were made up of four regions: North America, Europe, Latin America and Asia/Pacific. The local offices, region divisions and multinational teams needed one another; "Without local accounts, country offices were unable to build sufficient critical mass to service multinational clients well" and "without multinational accounts to draw top talent, the agency was less attractive to local clients." In 1992, Beers created a new organization called Worldwide Client Services — international teams for multinational clients.

Winning several multinational accounts in 1993 created challenges for WCS. As clients sought "global efficiencies and local sensitivity," stress between the worldwide teams and local

organizations grew. Prior to the development of WCS, creative and operating decisions were made locally. As the shift to multinational management took place, employees of the local offices felt left out and undervalued. For local offices, keeping clients contained in their "fiefdom" delivered the most revenue. Ogilvy UK president Mike Walsh asked, "How do we help our clients globalize when our local management will conspire to keep them geographically oriented?" Because the financial incentives of the two organizations were not aligned — including operating revenue, employee compensation and bonuses — the two organizations acted against each other to slow the growth of Ogilvy overall.

Recommendations

Looking forward, we recommend a reorganization. We believe it is most important to align the financial incentives of Ogilvy teams around the world. Rather than being organized by region, Ogilvy should be organized as a holacracy. In this case, the teams should be organized around individual clients. According to Forbes, "Holacracy, as this model is known, replaces top-down management hierarchies with flatter 'circles,' in which employees make their own decisions about how best to their job" (Coleman). By tapping multidisciplinary resources around the world to serve clients as needed, Ogilvy avoids the conflict between local and multinational organizations and can "[distribute] power and leadership throughout the organization" (Romme).

Additionally, we recommend development of a team incentive program that would motivate top talent to stay with the organization and reward those who excel in the holacracy model. We recommend weighing the incentives based on revenue generated. In this case, it is in the best interest of all Ogilvy employees to prioritize work on the largest of Ogilvy's clients. This brings personal financial incentive in line with the growth of Ogilvy at large. By tying

incentives to revenue generation, Ogilvy can avoid tying incentive to something outside of the team's control. "Performance measures are often affected by factors outside an individual manager's control. For example, firm profitability might be affected by competitors' actions or by macroeconomic conditions that affect input costs or market demand" (Besanko).

Implications

Changing the structure of the company will improve team dynamics. According to Zappos.com CEO Tony Hsieh, "Holacracy allows for and encourages a lot of movement and experimentation, and it's been amazing seeing employees who I didn't even know existed a few months ago take on what would traditionally be considered senior leadership roles and thriving in those new roles" (Coleman). Having a structure that people understand, while holacracy might seem unconventional, will help them feel engaged. That means they'll deliver more productivity and less confusion. Additionally, operating as a holacracy could improve client services. "[Holacracy] works best for businesses that need to deal with rapid change and ongoing feedback" (Coleman). With this model, clients will be served with necessary experts rather than managers protecting their "fiefdoms."

Incentive programs deliver real-time feedback on performance. Ogilvy employees can be more confident in their position within the company and in themselves. As noted in Maslow's Hierarchy, it is important to nurture self esteem and security. This could improve turnover rate, emphasize creativity and incentivize work on key accounts. According to Lisa Quast, "Determining the optimal incentive plan design will not only help improve performance, it will promote ethical behavior that is in the best interest of the company and shareholders" (Quast).

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