THE EFFECT OF CONGLOMERATION ON INTEGRATED MEDIA COMMUNICATION FIRMS

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ABSTRACT
RESEARCH PAPER: The Effect of Conglomeration on Integrated Media Communication Firms

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This study has presented a thorough investigation of two Indianapolis-based Integrated Media Communications (IMC) firms and how their internal operations are influenced by the act of conglomeration. Conglomeration is a growing trend in IMC firms and this study provides more information on how the act of conglomeration affects how a business is run. This study used the case study method to focus on two companies, one conglomerated and one independent. By focusing on each company's client relations, internal communications, and infrastructure, this study was able to determine that the act of conglomeration has a strongly possible, but not definitive, effect on business. Given the case study method the results are not overtly generalizable to a larger sample; however the results given show that conglomeration does have an effect on IMC firms and provides a starting point for future research.
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Introduction

In this post-recession economy, the role of the integrated marketing communication (IMC) practitioner has changed. Hogan, Lemon, and Rust (2002) write, “(I)n the new millennium, the role of marketing will be to guide the design of the customer interface so that it can support the efficient flow of information to and from the customer.” Efficiency has traditionally meant the flow of information stemming to and from IMC departments (Moorman and Rust, 1999) but has now evolved into the more sophisticated means of efficiency by conglomeration.

Conglomerates are when multiple companies with different business focuses combine their efforts and form one company that can master multiple facets of business or when companies remain separate entities in and of themselves but are owned by one overseeing parent group.

For example, an advertising agency, a public relations firm, and a marketing firm will combine their workforces and form one company instead of being three separate companies. This combination of companies can help a business get their message to their constituents by using all facets of an IMC strategy without having to use three separate businesses.

It is because of these quickly changing and adapting messages that advertising agencies, marketing firms, public relations agencies, and media houses are beginning to change the way they do business. No longer can one company truly thrive on its own without using different techniques that another company has perfected (Armengol, 2005). These companies are now combining their efforts under one parent company and are becoming conglomerates.

In 1986 the advertising agencies BBDO, Doyle Dane Bernbach, and Needham Harper all combined to form the company Omnicom (Tungate, 2007). From its inception to the present,
Omnicom has collected diverse units within marketing and added them to their conglomerate such as the case with public relations firm Ketchum Inc. (Stuart, 1996), online marketing firm Agency.com, and consulting firm Stromberg Consulting in 2001. This diversification is not unique to Omnicom alone. Agencies such as Publicis, WPP, Interpublic, and Havas have all undertaken this same business model.

These IMC conglomerates are using a process of business management known as vertical integration, which is when one company owns multiple parts of a supply chain that make a certain product. Each separate part of the supply chain offers a different, sometimes market-specific, piece of the resulted product. In this case, the resultant product is the marketing campaign, and the pieces of the supply chain are the market-specific companies such as the advertising and public relations agencies.

This model of business increases efficiency because the parent company can control all aspects of the final product by maintaining specific parts of the whole independent of each other, yet it is still retaining control over the final product and its result (Armengol, 2005).

**Significance of the Study**

Since the current business trend is that more conglomerates are being created and the subsidiary companies are routinely becoming more specialized, it is important for someone researching the business of IMC to understand the ways that these conglomerates operate. This understanding will put into context why the contemporary culture of the IMC business exists today and what future IMC employees might be able to do in order to align themselves with the desires of those companies.
The conglomeration of companies is a trend that traditional businesses have historically used in order to acquire more manufacturing departments or in order to increase their profit margin by becoming bigger than—and then purchasing—their rival companies.

This trend of conglomeration is decades old in the manufacturing and financial businesses, but it has only been in the past 30 years that IMC firms such as advertising and public relations agencies have started to shy away from financially independent businesses handling each aspect of marketing; instead, they are becoming large conglomerates of IMC companies, making all aspects of marketing, advertising, and PR underneath one roof (Tungate, 2007).

The research questions posed in this study get into the details as to how each company interviewed conducts its business and whether or not conglomeration, or lack thereof, plays a role in its operations. The questions will focus on individual aspects of the business and shed light as to whether or not that aspect is affected positively or negatively based on conglomeration. Each company was chosen because of the things they had in common. Each office is located in the same city—Indianapolis, Indiana—which allows comparisons and contrasts to be drawn since they operate in the same external environment. Indianapolis also serves the purpose of showcasing a mid-market city that is large enough to attract high-profile clients, but allows for firms of different sizes to compete with each other equally; each office competes for the same IMC business. Indianapolis’ mid-market city designation is based on Nielsen Television ratings where it was found to be the 26th largest market in the United States (The Nielsen Company).

For the purposes of privacy, the names of the companies and other identifying remarks have been removed. The conglomerated company will be referred to as “Company C (for
conglomerated) and the independent company will be referred to as “Company N (for non-conglomerated).

Each office was also chosen because of their one main difference: Company C currently works under a conglomerated business structure and Company N is independent.

**Review of Related Literature**

**An Overview of the Historical Method of Information Gathering**

When gathering research data for a review of literature, or for pre-researching a theoretical question, a researcher must employ the tactics found in historical method, which provides a key component of transparency in research. It is because of this transparency that future practitioners who may be reviewing the research or planning to use the research as part of their studies can trust the information that is being given. This trust comes from the proper usage of the method.

The crux of information trustworthiness comes from a process called source criticism, which follows a number of core principles that were formulated in the Scandinavian textbook *Källkritik* by historians Olden-Jørgensen (1998) and Thurén (1997). Two of these principles that pertain to this research are:

1. Primary sources are more reliable than secondary sources, which are more reliable than tertiary sources;
2. If a number of independent sources contain the same message, the credibility of the message is strongly increased.

When conducting research, it is common to find cited sources within a review of literature and explanation as to why research is being completed. These citations are used to help with the trustworthiness of the statements given. As a reader of these citations, a researcher
is hearing the information through a means other than the original author, which is considered hearing the information from a secondary source.

Secondary sources, especially in academic research, are not necessarily a bad thing, as the information is usually a peer-reviewed source quoting another peer-reviewed source. However, the information is considered more valid if taken directly from the source itself. When information is not taken directly from a source itself there comes a level of interpretation that could change the meaning of the phrase. The more levels there are between an original piece of work and the authors citing it, the more interpretation is happening and thus the meaning of the idea could be altered. A researcher who is looking to use sources in their research will find an almost endless list of citations. A source will cite a source, who will cite a source and so on, so how is a researcher supposed to know if these citations are in themselves valid? This is where the second principle comes into play.

While doing a thorough review of the literature on a subject a researcher will see the same names or articles cited in multiple papers independent of one another. The more citations a certain source of literature has, and the more authors that cite it, equates to a higher credibility of that source of literature. These multiple, independent endorsements create the seminal article (Thurén, 1997).

For research purposes, the authenticity and provenance of an article is based heavily on external criticism more so than internal criticism. Garraghan (1946, p. 168) puts external criticism into six questions:

1. *When* was the source, written or unwritten, produced [date]?
2. *Where* was it produced [localization]?
3. *By whom* was it produced [authorship]?
4. *From what pre-existing material* was it produced [analysis]?

5. *In what original form* was it produced [integrity]?

6. *What is the evidential value* of its contents [credibility]?

   After asking these six questions of a source, a researcher can garner the credibility of the source and thus the trustworthiness of the information.

   The date of a source’s publication will tell a researcher how much information was available on a subject at the time of the source’s publication. This can be used to account for current events or new discoveries that will impact a theory or subject matter.

   The area in which a publication is being produced (localization) may have an effect on the subject if location is pertinent to a study. A study about rural life that is coming from a city landscape will not hold as much credibility as a paper on rural life that is coming from a rural landscape.

   The authorship of the article can be used in congruence with the amount of separate papers that cite the person. If the cited source is from someone who is an expert in the field and is cited by multiple sources, then the information is considered more valid.

   The pre-existing material may pose a problem because of the aforementioned seemingly endless cycle of citations. Rarely is there only one expert in a chosen field, so the more citations that the experts use of each other can prove the credibility of the sources cited.

   A source’s original form can be important due to the fact that some citations are given out of peer-reviewed journals and academic sources, and some are from non-academic (called popular) sources such as blogs and magazine articles. Sources from peer-reviewed articles are considered more credible than popular sources, although popular sources can be valuable as well depending on the source. A social magazine chronicling human interest stories and a
publication focusing on a chosen work field are both considered popular sources, but an article appearing in the trade publication will be considered more credible than the social magazine article (Yale Review, 2013).

The final way to examine a source is by asking what the evidential value of its contents is, where one focuses on the process of creating something rather than the content itself (Yale Review, 2013). For research purposes, this is created by the transparency that an author has of their own research work. Throughout a piece of research, there will be cited material. The more citations that a piece of material has, the more credible the statements that the author makes. This is because the reader will know that what the author is talking about is grounded in theory and literature, and it is not just something that the author made up. If it can be proven that an author used citations, experts, and proper research methods to create their own work, then that work inherently has credibility with it based on the already credible sources that the author used. It is not that an author only cites a lot of literature, but the quality of that literature is important as well: the author the research is quoting, the timeliness of the article, and if the source is primary or secondary.

A Brief Overview of Business and the Market Structure

Business conglomeration has been around since Queen Elizabeth and the East India Trading Company combined to improve trade routes as far back as the 1600s (Businesshistory.com). Improving trade routes may have been a reason in the 17th century for a company to conglomerate, but the reasons for conglomeration can vary, and all reasons center on profit. Traditional businesses often claim the need for diversification as the main reasoning for seeking to conglomerate (McClure, 2009). Diversification in business is important because
if one of the subsidiary companies underneath a conglomerate begins to falter or lose profits, there is a chance that another subsidiary is doing well and can make up the loss of cash (McWhinney, 2012).

The rise of the second generation of economy — i.e., the economy after the Great Depression — led to increased awareness of how markets work and how pricing structures are determined. Coase (1937) wrote his essay on what it means to be a firm and how the price mechanism of society changed the strategies of the firms. The price mechanism is such that individual firms react to transaction costs differently than entire markets. Williamson (1975, 1981, 1985) expounded on that theory by establishing further what those sources of transaction costs are by dividing them into three levels of analysis: the overall structure of the enterprise, the operating parts of the transaction, and the manner in which human assets are organized.

These forms of transactions affect the markets, which in turn affect the economy, which affect individual firms. It is how the individual firms react to these changes that push them to the decision to conglomerate with one another or to look to expand by absorbing another business.

**Arguments For and Against Conglomeration**

Williams et al. (1988) stated that in the 1960s the belief was that businesses whose profit growth was stable every year would have a higher value for potential investors. The 1960s were also the time that the focus on diversification was established. Diversification and stable profit growth intersected when companies joined together in conglomerate because their individual cash flows and foci were too small and uniform to be economically stable on their own (Holland, 1989).
Using diversification as reason for conglomeration was criticized by both Davis (1985) and Williams (1987), who each said that the increasing globalization of society was making it too hard for the conglomerates to operate efficiently in the markets; since the businesses were so diverse and unspecialized, they had a hard time competing across the entire spectrum of their product.

Robert Reich (1983) also heavily criticizes conglomerates for being the product of “paper entrepreneurialism”. He explained this phenomenon as stimulating the economy and increasing output solely by means of acquiring more services versus improving the services that already exist in the market. He argued that while the economy needs both paper and “product” entrepreneurialism, market growth only comes with an emphasis on the latter.

This backlash against conglomerates led to Williamson (1984) again coming to the defense of conglomerates. Along with other scholars (Teece, 1980, 1982; Marshall, Yawitz, and Greenberg, 1984; Lauenstein, 1985; and Levy and Haber, 1986) they advocated the conglomerate as both a diversified way of doing business and also supported the conglomerate structure as a form of governance.

Williamson (1975) complimented a conglomerate’s governance by saying that in crisis situations the head of the conglomeration can announce changes to its subsidiaries’ business with “surgical precision” (1975, p. 159) before needing to wait until the market dictated business decisions for each individual business as separate entities. This governance would also help the conglomerate in times of economic difficulty because funds can be diverted to struggling aspects of the company more efficiently (Levy and Haber, 1986).

Williamson (1975) also shows conglomerations to be the best representation of a business’s ability to have both breadth of information and depth of product. By being a
diversified firm, a conglomerate can be a mix of diversity in the individual products that are being sold underneath the company umbrella but also have the expertise in each subject brought upon by the funds and resources the conglomerate can have.

**Conglomeration in Marketing**

Tungate (2007) showed that in the 1980s the conglomerate structure was not sequestered only toward manufacturing business because, as he explains, the 1980s were the decade in which advertising agencies, marketing firms, public relations agencies, and media shops were growing in business as well.

Sharp and Jeong (2001) say that the 1980s and 1990s brought radical change to the advertising, marketing, and public relations business. Duncan and Ramaprasad (1995) explain that each year between the years of 1970 and 1990 the same companies were listed among the 10 largest advertising agencies in the world with their billings going from $4.3 billion to $85.4 billion during that time.

Sharp and Jeong (2001) then say that this increase of funds coupled with increasing globalization of the business at that time required businesses to have a desire for a wider variety of product categories, enterprises, and industries. This caused a growth of global network communications agencies (GNCAs) over national marketing specialists. It was in the late 20th century that the businesses of WPP Group, Interpublic, Omnicom, Young & Rubicam (Y&R), Havas, and Publicis were established (Sorrell, 1999).

It used to be that conglomerates looking for marketing firms to acquire would have more of an opportunity to shop around from firm to firm (Horsky, 2006). Horsky (2006) also stated that if the quality of a firm’s work was deemed insufficient, the business conducted a skills
contest among outside firms and chose a different firm with better quality. Horsky (2006) further said that a major change occurred when the compensation structure started changing in the industry. The compensation method usually was a commission rate of 15 percent and, as Tharpe and Jeong (2001) showed, there were few agencies that were seeing a 15 percent return on their investment.

This decreasing need for multiple agencies in the same field led businesses to have a desire to work together in order for their businesses to even continue. Tenaka (2000) said that the main strategy for growing business during the 1990s was to acquire multiple agency networks and place them underneath an umbrella holding company, thus paving the way for modern GNCAs.

There was an increase in consolidation of media assignments by large advertisers. Businesses such as General Motors and Proctor & Gamble, which normally had seven or 12 different advertising agencies handling their brands, consolidated all their media buying with one media shop (Horsky, 2006).

Roberts (2000) agreed by saying 63 percent of the GNCAs they interviewed believed that clients would continue to prefer a single agency network to handle all advertising and communications.

No longer were the days of competing advertising agencies, media houses, and public relations firms. Companies were now looking to consolidate their entire marketing goals under one roof; they wanted their market analysis, consumer insight, strategy development, planning, and creative and media executions together. This was now the goal for the newly created GNCAs (Tharp, 2001).
Once the GNCAs were created, it was not only one form of marketing and media that they became experts, but as time progressed; the businesses grew larger and were able to expand their umbrella to businesses outside of simply advertising or media. The GNCAs started fulfilling a broader array of services for their global client-partners (The Economist, 1998; Elliott, 2000; Grein and Ducoffe, 1998). The branded advertising networks were joined by specialists in areas such as: interactive advertising, ethnic marketing, strategic brand planning, marketing research, direct marketing, sports marketing, health care marketing, database marketing, public relations, event management, and promotions. These new services increased the volume of business from current clients under the network's umbrella.

The biggest GNCA to date is the WPP group, and in a 1999 interview with Fast Money, founder Martin Sorrell explains the thought process and reasoning behind what the company is and stands for:

The WPP Group employs 33,000 people -- but equally important, it consists of 60 or 70 companies, each one different from the next. We stretch from Ogilvy & Mather Worldwide, which has 9,000 people, to Geppetto, which started 18 months ago with three or four people. From established businesses to startups, we're building a collection of strong, small tribes.

Sorrell’s explanation shows some insight to the relation that modern conglomerates had with the original marketing conglomerates that were founded in the 1960s. The modern media conglomerates are acquiring more companies and smaller start-up firms in order to increase the diversity that they have in their business model. Like the first generation conglomerates, the modern businesses seek to increase the depth and breadth of their business not because they wanted to keep their profits even, but in order to increase the company’s globalization and their diversity of business.
When taking into account the body of literature concerning marketing conglomerations, a problem occurs in the recency of scholarly articles. It seems that after the main GCNA’s came into power in 2006 there was little need to chronicle GCNA developments because the only news coming out of the field was when one of the major conglomerates purchased another agency. Missing from the literature is an insight as to how the GCNAs were affected (if at all) by the economic downturns in the late 2000s, and a follow-up on how the act of conglomerations within these companies has affected the state of marketing. This study will attempt to rectify those gaps in the literature.

This case study will give more modern insight into the state of GCNAs and non-conglomerated agencies by asking about how each company was affected by conglomerations or lack of it.

**Method**

What is a Case Study?

Quoting Leonard-Barton from his 1990 paper on case study:

A case study is a history of a past or current phenomenon, drawn from multiple sources of evidence. It can include data from direct observation and systematic interviewing as well as from public and private archives. In fact, any fact relevant to the stream of events describing the phenomenon is a potential datum in a case study, since context is important.

Before delving into how the case study method is best used to supplement this research, it is important to know why case study method was chosen in the first place. In his book *Case Study Research Designs and Methods-4th Ed.* (2009), Robert Yin poses a rule of thumb when dealing with whether or not case study is an appropriate method for research: Does the research question ask “how” or “why”? (p. 4). The reasoning behind these two questions is that the
answer typically requires more in-depth research than can be found in other methods. Yin’s (2009) statements are only part of a larger, three-part statement that not only includes this reasoning, the first of which comes from Bebensat et al. (1987):

1. The phenomenon can be studied in its natural setting and meaningful, relevant theory generated from the understanding gained through observing actual practice;
2. The case method allows the questions of why, what and how, to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon;
3. The case method lends itself to early, exploratory investigations where the variables are still unknown and the phenomenon not at all understood.

The primary research question posed in this study asks whether or not the act of being conglomerated affects the way that an agency does business. Pairing this question with each of Benbasat’s reasonings make it clear as to why the case study method was chosen.

To go with the first reasoning, the phenomenon — in this case the act of being conglomerated — cannot be studied in its true, natural environment because the interviews will be conducted after the fact of conglomeration or before conglomeration even happens. However, given that the interviews are going to be made by using people in the business environment and not exclusively by the literature, the attempt to view the act of conglomeration is as close to its natural setting as possible.

For Benbasat’s second reason, this study lends itself to being an early study in the field. Dealing with still-unknown variables such as how the act of conglomeration affects individual businesses in the decision-making of that business is the basis for each research and interview question that was created. It is these questions — specifically the individual interview questions — that will give insight into what parts of a business are affected (if at all) by conglomeration. These questions are intended to highlight specific aspects of a business, such as new business
development and organizational communication, and explore how the act of conglomeration affects or does not affect them.

Bebensat’s third reasoning is the most important for this study due to the fact that there have been no previous attempts to research conglomeration in marketing agencies. This study is hoping to begin the process of understanding how the act of conglomeration has affected both conglomerated and non-conglomerated firms in a single market.

All three of these reasons could be applied to the four research questions that this study is posing as well such how conglomeration affects client relationships and business operations. A strength of research questions that are aligned with case study method is that they can be fluid, changing, and evolving depending on which direction the research goes (Voss et al, 2002).

In a multitude of papers, Yin (1984, 1989, 1993) describes a case study as just that: a study of a single case. It is because of this that case studies are not intended to be generalizable on a grander scale. To keep a case study contained within the case itself, the parameters of the case are paramount; Yin (2009) even claims that there is no minimum number of cases needed and that a researcher need only work in the case that has presented itself.

Parameters present themselves for a case study in a variety of ways. It is up to the researcher to determine which parameters to use and how to use those parameters in the case they are presenting. The definition of a case is an event that occurs within a certain context (Miles and Huberman, 1994). This context is what essentially makes up the parameters of a case (Baxter and Jack, 2008). The question of who or what should be analyzed determine the way in which they are analyzed. These determinations comprise a case’s parameters.
It is up to the researcher to establish the case parameters, although there are ways scholarship has tried to help. Baxter and Jack (2008) cite Stake (1995), Yin (2003), and Miles and Huberman’s (1994) suggestions of time and place; time and activity; and definition and context. Parameters should also be set with the true definition of case study in mind: a study that is hyper-specific enough that its results cannot be generalizable to a grander scale (Yin 1984, 1989, 1993).

This hyper-specificity is also the greatest detriment to the case study method. Such specificity can hurt the study because future readers may not feel that the information presented is valid enough for the subject matter. The limitations of a single case study can be so grand that other researchers may ignore the results of the case if they are doing parallel research. A researcher may want to change the parameters of his or her own case enough that the information presented in a previous case will be unusable. This does not mean that a case study’s results are invalid; rather, it means that the case study’s results are valid for that case.

This study has established parameters that make the results apply only to the presented research, but it offers a rationale to future cases if a researcher would choose to use this research as a base. This research has taken strides to make as many variables equal as possible between the two companies interviewed. Each company resides in the same geographic location; each vie for the same potential clientele; each have equal competition with each other and other agencies in the marketplace; and each agency has been established in the area for more than 10 years. The only difference between each company is the fact that one is conglomerated and one is not. These parameters of place, competition, and business opportunity give ample cause for case study method.
Designing the case study

As it has now been established that case study is the proper method in which to do this research, the next task is designing the case study around the research questions. Within the method of case study, there are numerous ways to conduct research. Yin (2009) describes a downside to this method is that there is no set catalog of research designs for a researcher to follow. However, he goes on to describe that there are five main components of case study research design for one to consider (2009, p. 27):

1. a study’s questions
2. its propsitions, if any
3. its unit(s) of analysis
4. the logic linking the data to the propositions; and
5. the criteria for interpreting the findings.

The first component of this design focuses on whether or not the study’s questions are pertinent to case study method. The answers to this question have already been answered in determining whether or not case study method is right for the research being conducted. In this instance, Yin (2009) is describing the substance of the questions. He explains how the substance of the questions might be thought of too quickly and without proper pre-research done. Researchers may find that their questions are already answered or the questions are too narrow for the intended research.

Before attempting to create the research questions for this study, research was done to explore the state of the literature about this topic of conglomeration in marketing. It was discovered that there was ample literature on conglomeration and the reasons for or against it (Coase, 1937; Williamson 1975, 1981, 1985; Williamson 1984), and there was literature on how conglomeration started in the marketing fields (Sharp and Jeong, 2001; Tungate, 2007), but
there was no literature linking the act of conglomeration to its effects on business practice of individual agencies. This study was created in order to address that need.

The second component in case study research is the propositions of the research. This is defining the how and why of your research (Yin, 2009, p. 27). While a researcher may want to find the answer to one overarching research question, it will be in the quest to find that answer that the researcher will realize and formulate other questions. These questions will make up the propositions. In order to find out if being conglomerated has an effect on how an agency conducts its business, there needs to be research on if the agency’s operations, client acquisitions, and communications are also affected by the agency’s conglomeration or lack thereof. These smaller questions make up the propositions that help answer the larger research question.

The final three components, according to Yin (2009), are setting the unit(s) of analysis, linking the data to the propositions, and finding the criteria for interpreting the findings (p. 29). Defining the units of measurement has traditionally been a problem with case studies because, as a method, case studies are rarely used to describe cut-and-dry situations with raw numbers (Feagin et al., 1991). The data is not as simple as assigning a single $p$ value to the data; instead, it is more iterative, more back and forth (Burton, 2000). All three of these parameters are heavily dependent on the type of case study being done, as they can change depending on the focus and execution of the method. It is because of this that qualitative researchers have used the phrase “understanding the data” instead of “analysis of data” because qualitative analysis depends heavily on interpretation of data (Burton, 2000); although, it is the analysis or coding of the data that leads to understanding the data.
On par with defining the units of measurement as a problem in case study design, there is also the problem of bias with the interpretation of the data. Bias cannot be completely eliminated, but there are two theories of awareness to bias called tacit and formative theories (LeComte, 2000).

Tacit theories guide daily behavior and predict the future based on what has happened in the past usually based on assumption, and formative theories create futures by creating explanations of behavior and usually are more formal in nature (LeComte, 2000). The way that these separate theories work to eliminate bias is by working in tandem with one another. Formative theories are created to guide research questions and data collection while tacit theories avoid bias in data collection and interpretation.

The ultimate job of the researcher in analyzing qualitative data is to establish a set of codes to use both during the initial read through of their qualitative data and through subsequent reads (Gorden, 1992).

This research is using in-depth interviews as the sole means of data collection. Because of this, the unit of analysis, logic connecting to the propositions and criteria for interpreting the findings are one in the same: It is dependent on the interviewees’ responses. There was little opportunity for this research to establish codes in advance since the questions asked were not written in such a way to have predictable responses. The opportunity for “positive”, “negative”, and “neutral” responses were not prevalent enough to establish those codes in advance. Questions were based around the study’s research questions, so the “clientele”, “internal communications”, and “infrastructure” codes were known, but further focused coding could not be established because they would stem from the responses of the interviewees.
The answers to the interview questions will be the individual units of analysis as they are going to be weighed one-on-one with the questions asked of the other subject. The propositions, known in advance due to the creation of the overarching research question, will be logically paired with the data because those propositions will be asked directly to the subjects being interviewed. It is the pairing of this data that will drive the results to make the final analysis.

This coding of data from predetermined categories will be what is actually analyzed when parsing through the data. The first step in coding information would be to give the information, or the interview responses in this case, a certain category to which certain words and phrases will go (Gorden, 1992). After establishing these codes, it is up to the researcher to classify the data and place the words and phrases into these categories by using a process called focused coding (Kvale, 1996), which means separating the coding categories into two parts. The first part is the main dimension, the area in which the researcher will begin to separate the data. The second part is the subcategories for information that goes within each individual dimension. The main dimension codes for this research are going to be words related to the business’ infrastructure, clientele, and internal communications. The subcategories for each dimension will be the corresponding words and phrases that expand upon each dimension’s idea.

Gorden (1994) explains how to classify information garnered from an interview. He starts by saying that a researcher should underline or highlight the words or phrases that the researcher wants to code and make a sort of symbol to establish which coding category that the word or phrase belongs in (p. 184). Once the interview has been thoroughly read through and the coded phrases are put into their corresponding code category based on the symbol used to classify them, they are then able to be analyzed.
This research will employ this very same method of coding and analysis. Words and phrases will be highlighted within the transcripts of the interviews and coded to each corresponding category. Then, the categories are put on a white board with the phrases of each interviewee’s responses written under each category. Finally, the data within each category will be analyzed.

**Types of Case Study and Logic for Type Used**

There are six main sources of collection methods within the case study method (Yin, 2009). This study is employing only a few of them to varying degrees.

Documentation and archival records is the process in which a case study uses first-hand documents as primary sources for information. These documents are things such as letters, formal studies, newspaper clippings, and any official records. This study used these resources as basis for the literature in the second chapter and for the basis of the interview questions.

The primary case study method used within this research is that of the in-depth interview. In-depth interviewing is used when a researcher wants to get further detail of a subject’s experiences, opinions, and information (Healey-Etten and Sharp, 2010). What comprises a good interview and a bad interview is not dependent upon what the subject says, but rather the interview questions and how the interview is conducted. This preparation is important because how the questions are phrased, and how the interviewer conducts him or her self before, during, and after the interview. The behavior of the interviewer can make the subject feel comfortable enough to elicit more information or uncomfortable to the point of stagnation (Healey-Etten and Sharp, 2010).
To make the questions as to-the-point as possible, while still leaving enough room for the subject to interject added detail, is a challenging process. In-depth interviewing tends to be concerned with how and why questions, so to that point, the questions that are written need to be focused on how or why a phenomena occurs and not be overly concerned with the fact that the phenomena happened in the first place (Dworkin, 2012). In order to obtain more information on how’s and why’s, the most important question in an interview is the “probe” question, or the question that asks to follow-up with more information on a given subject (Healey-Etten and Sharp, 2010). Yin (2009) further breaks this point down to five levels of questions:

- Level 1: questions asked of specific interviewees;
- Level 2: questions asked of the individual case;
- Level 3: questions asked of the pattern of findings;
- Level 4: questions asked of an entire study; and
- Level 5 normative questions on policy information.

This study relies heavily on Levels 1 and 2 questions, with Level 4 questions being touched on as well. Level 1 questions and Level 2 questions may be confused with one another, but a way to distinguish the two of them is the lower the number is, the more applications it has with the study. Level 2 questions are questions that pertain to this individual case study, with the Level 1 questions being comprised of the individual questions asked of each individual person. The Level 1 questions will give the information needed in order to answer the Level 2 questions.

An example of one of this study’s Level 2 questions is: “Do IMC firms communicate with upper management differently based on whether or not they are conglomerated?” The individual interview questions will give the information needed to answer this question.

Level 4 questions are questions asked of an entire study, but they are based upon existing literature. The way that this research’s interview questions are separated, these are
certain questions that are being asked of both companies, but based in previously researched literature. Questions pertaining to conglomeration and diversification are examples of these questions.

One of the biggest advantages that in-depth interviewing offers is the information garnered from it is richer than that of related methods of information gathering such as survey (Boyce and Neale, 2006). In-depth interviews also carry a higher amount of credibility than other case study methods because the information that is given is coming directly from a source and often can provide more targeted depth to the research questions posed (Muir, 2011; Hitchcock, 2011).

One of the largest negatives of in-depth interviewing is that there is a higher chance of bias (Boyce and Neale, 2006). A researcher may be so intent on proving their point or answering their research question the “correct” way that the way the interview questions are posed is in such a way to elicit the “correct” answers. In order to prevent bias, the interview questions were scripted in advance and shown to multiple individuals who had no stake in the research or its findings. These individuals then gave feedback on the neutrality of each question and changes were made to the questions accordingly.

In-depth interviewing, as with all of case study method, is also subject to heavy interpretation. The results of an interview question and how the answers are paired to the research questions are entirely up to the researcher. Because the researcher is working with qualitative data versus data that is more quantitative, the level of reliability could be compromised. This is why there is such extensive work done on the researcher’s part before the case study is conducted in order to enhance reliability as was explained earlier in this chapter.
A downside found in in-depth interviewing, and one that this research suffers from, is the amount of subjects interviewed might not present a large enough picture to make generalizable results.

It is difficult to pin down exactly how many interviews are “enough” for a given research. Experts have yet to agree on a number, and research into the number is based upon the concept of theoretical saturation. Theoretical saturation (Sandelowski, 1995) is the concept in which a researcher should continue to gather data until no new or relevant information has been gathered. The problem with theoretical saturation is that it still provides no real answer to the question of how many interviews are enough (Guest et al, 2006). Guest (2006) even agrees with Morse (1995), where she claims that “there are no published guidelines or tests of adequacy for estimating the sample size required to reach saturation”.

As a whole, sample sizes in qualitative methods such as interviewing sent to be much smaller than quantitative methods (Dworkin, 2012), but the sample sizes should be large and diverse enough to provide saturation and redundancy. A project is considered to have saturation when gathering information no longer reveals any new or surprising data (Charmaz, 2006). This is difficult to know when planning an interview-based case study in advance and that is when the concept of redundancy has its value. Just as the word’s dictionary definition implies, redundancy is the continued implementation of the method across a variety of subjects.

An argument can be made that the amount of interviews given for this study are not enough to gain saturation. It can be said that interviewing only two agencies will not garner enough information to make a definitive answer to the posed research questions. But to be reminded of the nature of a case study, Yin (2009) claims that a case study is made by the parameters in which it is set. This case was never meant to be extrapolated on a national or
regional level. In order to keep within the parameters of a hyper-specific case study, the companies interviewed provide enough information to answer the questions in accordance to the pre-set parameters. The data is still valuable because it gives insight to a previously unexplored field, and it gives the basis for future research to build upon in case a researcher chooses to do so.

Validity and Reliability

In order for research to be considered valid for acceptance into the discipline in which it is being submitted, the presented research needs to be considered valid. With case study research, it is no different and may even seem more important due to the nature of qualitative versus quantitative research, and a review of the literature in case validity will yield the same basic tests for validity and reliability (Sykes, 1999; Reige, 2003):

1. Construct validity
2. Internal validity
3. External validity
4. Reliability

Due to the fact that all social science research requires these steps, it is important to have these parameters in place when constructing a case study. Yin (2009) describes construct validity as identifying the correct operational measures for the concepts being studied, meaning that the researcher must know exactly what to focus on when finding the answers to their research’s question(s) (p. 41).

Construct Validity

Construct validity is dependent on two key words: define and identify (Yin, 2009). A researcher needs to be able to define their research questions (in this case how conglomeration
affects the marketing industry) in terms of specific concepts (the propositions as explained above) and then also be able to identify the operational measures that match the concepts.

This research has identified these concepts as the operation of the day-to-day business operations of companies in question, and the operational measures that match each of those questions are the sub-research questions that are presented in this study such as how conglomeration affects new business development and client relations. Construct validity is also attained by keeping copious notes throughout the case study about the machinations of said case study such as verbatim interview transcripts (Reich, 2003 via Griggs, 1987; Hirschman, 1986).

**Internal Validity**

Internal validity is described by Yin (2009) as seeking to establish a causal relationship whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships. Internal validity in research is entirely determined upon the analysis of the presented research. Since this research is indeed trying to find a causal relationship with conglomeration and daily business practices of full-service advertising agencies, the internal validity is paramount and requires careful inferences from the answers given to the interview questions from each subject interviewed.

Yin (2009) describes a way of analyzing data called explanation building (p. 141), in which the researcher needs to find causal links between phenomena in order to explain a certain event. Yin further deconstructs explanation building into six different iterations to create the eventual and most ideal explanation.
The first iteration is that an initial theoretical statement through which a research’s questions are created. This statement is based in the literature of the industry in question and forms the initial idea that a hypothesis or research question is based.

According to the literature of conglomeration, the act of conglomerating has been around since Elizabethan ages and has appeared in a variety of industries over time, and it is just now coming into the marketing industry (Tungate, 2007). It is because conglomeration is so new in the industry it seems to only now be in the minds of the marketing practitioners (Tenaka, 2000). This pendulum is swinging so quickly in this new direction of conglomeration that it has to affect how modern full-service agencies do business. If it does not affect them directly — being conglomerated themselves — it certainly has to affect their decision making and choices they make within the industry. This assumption is the theoretical statement that is the basis for this research’s questions.

Then the researcher must compare the findings of an initial case against the statement. Since this research is using in-depth interviewing as the sole research method, the initial case is that of the first interview. The interview questions were created to answer the questions posed in the research questions, and after conducting the first interview, it is possible to compare the answers to the questions with the original research questions so that the answers of those research questions could be surmised.

Once the initial case is compared to the original statement, then amendments to the statements can begin. The research questions themselves will not be changed, but it is possible that individual interview questions can be changed or added to in order to maintain parity between the two interviews conducted and so that further information improvised during the interview can be added.
These extra or evolved interview questions are when the researcher compares the other
details of the case against revisions, or in this case, the revisions are added to provide more
depth to the original research questions.

Once the evolved interview questions get compared and amended, they are able to be
implemented to a second case, namely the second interview being conducted. This is so that all
newly created or amended questions may be asked to both interviewees.

The last iteration is for a researcher to repeat the first five iterations against as many
cases as needed. This research is only using two interviews, but the questions could be applied
to as many conglomerated or non-conglomerated companies as needed.

All of these iterations improve the overall validity of the propositions themselves, but it
does little to do with the validity of the actual answers to the proposed research questions. This
is because case study research is heavily dependent upon the researcher using inferences in
order to answer the questions in which they have posed.

Yin (2009) explains that:

Basically, a case study involves an inference every time an event cannot be directly
observed. An investigator will “infer” that a particular event resulted from some earlier
occurrence based on interview and documentary evidence collected as part of the case
study

This problem can be overcome by careful implementation of the iterations described above and
by the trustworthiness given to the subjects providing the answers to the questions that are being
asked and by following the details provided within the process of explanation building.

**External Validity**

External validity is the process of extrapolating the findings of a study can be
generalizable beyond the given research. This has been traditionally more difficult in research
using case study because case studies rely on analytical results versus statistical results that one would find with quantitative research. It is also difficult because case studies are not generalizable because of their established parameters. What can help a researcher establish external validity is proper definition of the process of the case study (Marshall and Rossman, 1989).

By defining not only what a researcher does throughout the process of the case study but also documenting the rationale behind it, a researcher can enhance the validity of each analytical response. External validity of a case can be difficult to garner with the first iteration of a study. However, pairing the results of an initial study with that of either a parallel study or by further replications of the study can yield results that provide more validation of the original studies truth.

Further replications of an original study can yield antagonistic results to the original research, which would take away from the validity of the original research, although it would provide ample opportunity for an ongoing discussion of a paradigm to continue.

**Reliability**

The final test for a case study’s quality-of-research is the reliability of a study, which is primarily concerned with the ability for future research to replicate a given study; therefore, reliability in case study is entirely dependent upon the researcher’s ability to keep accurate notes, processes, actions, and observations and whenever possible to also record data mechanically via a tape recorder or video (LeCompte and Goetz, 1982; Nair and Reige, 1995). The reliability process is begun in the design phase, but a majority of reliability planning happens during the data collection phase (Yin, 2009).
The real question that a researcher must ask of themselves before beginning to do any sort of research is, “How am I going to conduct this research?” Not any one method is better than another; instead, it is just a matter of finding the method that is most appropriate for the researcher to use based on their research questions. The overarching questions of this study are as follows: How does conglomeration affect a company? How does it affect communications? This points to the qualitative methodology that is best at answering these types of questions and that is using case study.

Within case study method, there are many different paths to take, but due to the nature of the research and the nature of the questions asked within it, the chosen method has been to use in-depth interviewing of two subjects within the field. These subjects were asked Level 1 and Level 2 questions and were conducted in such a way that the company’s locations, competition, and markets were the same. The only difference between the two is the fact that one was conglomerated and one was not. The results of the interviews and the interpretation of the data therein are reported in the next chapter.

**Research and Analysis**

This research was conducted in order to gauge the level of involvement that conglomeration has for full-service advertising agencies. It can be assumed that being conglomerated or independent would have some effect on a business and how a high-level executive would run that business, but the level of that effect has yet to be seen. This study was created in order to address this assumption. In order to properly determine how the act of conglomeration affects a business, this study broke down the business models into three basic elements: clientele, internal communications, and business infrastructure.
Each of these elements was chosen because of its importance to the business of advertising and marketing, and the combination of all three gives the most complete view of the business strategy for the field. The relationship with clients, both new and existing, is paramount to any advertising firm. It is because of this importance that clientele was chosen as one of the elements. How a business communicates with itself and other businesses is an indication of the environment of that business and how that business is run. Due to this, internal communications was chosen as an element. Remaining information related to management-level decision-making comprised the infrastructure of the company.

The purpose of this research is neither to judge one company over another nor to gauge whether or not being conglomerated or independent is the “correct” form of business management. Rather, this research was conducted to ascertain how conglomeration or independence affects the way an advertising agency is run and how business decisions are made.

**Clientele**

**Company N**

Each company interviewed put a high priority on obtaining new business, and each company used different tactics to obtain it. The non-conglomerated company (Company N) relied more heavily on their staff and the environment within the company, whereas the conglomerated company (Company C) relied on the resources and expertise of their conglomeration.

Company N was able to summarize their strategy for new business acquisition by saying “we take care of our people and our people take care of our clients.” It said that because they
have a corporate culture that lets their workers feel comfortable in the business, it is able to take that comfort, turn it to confidence, and positively affect a client. This level of comfort not only keeps the workers happy within the business, but it also creates a desire to stay within the business. Company N noted that “…long tenure helps the clients, and there’s a real client advantage.” It explains that with this long tenure of employees, the institutional knowledge per employee goes up because “...(they) aren’t training new people, and the clients have a stability” and “that’s a real advantage helping (them) get clients.” It said that the once their existing clients talk about the longer-tenured employees and the familiarity of business that comes from that, it will give them an advantage in obtaining new clients.

Having employees tenured as long as Company N does may lead to greater client relations and familiarity, but it also heightens individual responsibility within the company. The turnover rate is lower; therefore, each employee is more accountable than employees in a business with a higher turnover rate:

(T)here’s a certain level of accountability I think with independents, with independently owned agencies, that’s very hard to duplicate when you get into the big mega agencies ...(Y)ou lose some things when you have a big conglomerated organization … and you...lose some things with service and...(you will) have an owner working with you as opposed to someone three levels down, not that that person couldn’t be excellent but you can be assured that it will (not be) an owner cuz their name is not on it.

This ease-of-access to ownership and upper management is a large part why Company N says that independence is a positive. Company N also seemed to pride themselves on their access to ownership:

(T)he entry-level person at our agency still interacts with (The managing partners) on almost a daily basis...we’ve never had absentee owners; the owners of this firm have always been actively involved in in the work that goes on here.
Their involvement does not end with their employees. The owners also want to be involved with new business acquisition as well. They feel that most times “a conglomerate is going to send in some Executive Vice President or something to run (the account).” They indicated that this is a disadvantage to the account because the person who is going out and making that deal was somebody who was hired to do so and not someone who has as deep of roots in the business as an owner does:

I think business development is very different in the conglomerates too than it is with us, and we struggle sometimes with the concept of sending somebody out to make a pitch, and then trying to convince the client that ‘even though I made the pitch, I may not be on the team’...we have tried that, at different times (to) hire people to focus on business development, but they never did as good as we did, as the owners going out and getting business.

Despite owners’ efforts, it seems that new business acquisition is the biggest weakness for the independent agency. The size of the independent will never equal the size of a conglomerate. Limited resources prevent independents from obtaining new business: (W)e had a large business here that put up an RFP (Request for Proposal) a few of years ago…I mean it was a piece of business that we really wanted and we really thought that we could do … but as we looked at the responsibilities we had to our other clients, our staffing at that point, we could never—we couldn’t have gotten up to scale quick enough to do that without ever adversely affecting the clients that we had ...(we) can’t focus on big business without losing some of the smaller business too.

It may be possible for some independents to do, but Company N did not perceive that the sacrifice to current clientele was worth the risk.

There is also a weakness with independents that stems from money:

(Conglomerates) have the ability (to broker better deals) because they’re larger (and) they have the ability to broker better deals with…media markets and that’s a good business decision. (It) adversely affects us, but not grossly, but that is where we see these conglomerates coming in. They have…they have much stronger buying power for buying media.

Because advertising is done in the media, a higher media buying power equates to a higher rate of saturation for a marketing campaign. This equates to the potential for more business. Lack of funds is nothing new to Company N or to independents since they have no
outside source of income beyond everyday business. “(C)apital has always been a bit of a challenge for us … everything that we’ve done we’ve built with money that we’ve made. We’ve never sought investors because that would mean losing some control, and we don’t like that.”

With conglomeramation comes access to resources, and it is this lack of resources that hurts independents the most on the subject of new business acquisition. Conglomerates are both nationwide and worldwide. Independent agencies are only centered in one location and therefore can only service that location or region. This lack of presence on the national and international stage end up hurting the independent when trying to gain new business and can even prevent existing businesses from coming back:

(W)e also recently lost an account that we had for a couple of years to a large company that has offices in several different states and countries and the client decided that they wanted to have … they wanted to be represented by a company that was “on the ground” in London and “on the ground” in New York and so forth and we don’t have that.

But in Company N’s opinion, it has the skills in other areas to make up for this deficit:

(W)e have a large client (in Indianapolis) who works with big conglomerates, many of them in New York, and I can tell you from their position they have said that the service level that they have received from us is far greater than anything they have ever gotten from their New York agencies.”

A larger agency may have these “on the ground” presences that some businesses claim, but the message that the independent agency has heard is that a high level of service is better than a larger agency.

New business is one area that was affected a lot by the lack of conglomeramation. Conglomerated agencies have money and reach, which not only hinder the independent agency from getting business but also factor in the loss of existing clients. To counteract this disadvantage, the independent agency focused on the advantages it offers over a conglomerated agency — access to ownership and a higher level of service. The owners of Company N prided
themselves on the fact that they are still involved in new business acquisitions and that owners work with new clients. They used this intimacy of service along with a longer-tenured staff to win the client over with service. It was a strategy that held true as Company N was told by a client that Company N’s level of service was, in fact, higher than that of a large agency.

Independents have a definitive lack of resources, which hurt their ability to compete with conglomerates for new business. Conversely, the resources that are available to a conglomerated business give these businesses a noticeable advantage in new business acquisition.

**Company C**

Company C compares this access to resources to the independents’ lack of resources with the example of mobile marketing:

(I)f we were independent, we’d either have to go out and find somebody...but here is the world class, voted one of the best in the world for the past couple of years, that we have access to so those are great benefits to have to provide to clients when you need them. Not …everybody wants to do mobile you know so the opportunity is to bring in world-class resources when you need them...but the advantage of being part of a larger group with generally world-class resources, a name and reputation that goes with it, has a sort of cache for some people, but not everybody wants that. (T)hat is the primary benefit of, you know, what we bring to the table.

Company C is saying that an independent agency would have to go out and look in the marketplace to provide a service that they currently do not offer. To use the example provided by Company C, if an independent agency that does not already do mobile marketing wants to do mobile, they would have to search the marketplace for a business that does do mobile marketing and hire them. A conglomerated company could rely on the resources that they already have access to by being conglomerated and find someone within their network that does mobile.
This need for the independent to find a company outside of their own business to do a portion of their work poses an entirely new problem for independents. An independent business has to work with another independent business, meaning that both businesses have to worry about their own finances while simultaneously working on the same project. Company C summarizes this problem by explaining how this disconnect affects communication:

(P)art of the problem here is the speed in which we do business today. I mean you got to be in constant communications and be able to all be working off the same page, and if you’re not, it’s not good for the client; it’s not good for the customer. So there has to be some existing working relationship for that business relationship to really foster. It becomes very difficult when you’ve got three or four disparate groups who have their own P and L — that’s usually what it gets down to—their own profit and loss statement. They’re all fighting for dollars to grow their P and L (profits and loss) as opposed to some shared understanding to how these dollars are going to work, and if you’re not all communicating together, the whole thing just fall apart.

Company C is saying that it is difficult for independent companies working together to always be on the same page in business when they are individually working for their own profits and loss statements. A conglomerated company does not have that problem because they are all working for the same parent company. An Indianapolis-based conglomerated company might need to reach out to an Atlanta-based office in order to help with mobile marketing, but because they are all under the same parent company, the lines of communication will be quicker and the work will be completed more efficiently because their profits and loss statement is all the same.

Company C also mentioned that being a part of a conglomerated also has a “name and reputation” and a “certain cache” that comes with being conglomerated all predicated on their resources. A weakness that independents have can be a strength for a conglomerated company, and this strength affects how a client perceives the company.
A multitude of resources do not come inherently with conglomerations. There has to be a way for conglomerations to obtain the resources that their clients expect of them. A positive of owning a conglomerate is the purchasing power that comes with it. This purchasing power can help a conglomeration to buy companies that do specific processes that the conglomeration wants to add to its repertoire (the process of diversification of product), or they can purchase businesses that are in different locations in order to expand their market share into different geographical locations.

Company C explained that their parent company is a European-based company, and while they had an office in New York, they wanted to expand into the rest of the country. They did this by purchasing a previously independent company that was “primarily a western-United States agency. (S)o when they bought (the previously independent agency) essentially they picked up Seattle, Dallas, California, Chicago so …that’s how that all came together.”

This ability to buy companies in order to gain market share has an exponential effect on a conglomeration and the resources they offer. The more businesses that are under a conglomeration, the more ability they have to gain new business based on the businesses they already have, and once they add these new businesses, they are able to start the process all over again.

Resources may be the biggest difference between a conglomerated and a non-conglomerated company, but both companies say they might not even be competing for the same business:

(A)t the time that we made the decision to be purchased (for conglomeration), there was really a decision of can we survive and operate in this marketplace with the current size and business that we were. We had about 16 people, and I can’t remember what we were doing in terms of dollars, but if we said, ‘yeah we want to do that’, then we would have limited ourselves to the kind of
business we could go after, and keep certain amounts of business, because some businesses would have left and if we would have stayed smaller.

According to Company C, if they had stayed a smaller independent agency, then they would not have been able to go after some of the businesses that they wanted, and they might have even lost some businesses they already had. Company N also believes that company size matters to clients: “(A)t some time, I’ve sold business on the concept that we are the right size giving the attention that you want…that you need.” Company N is saying that they will use their size as part of their pitch to new business, hoping that their small size will offer extra value because of the attention they can give.

Company C had previously said it all comes down to money, and when clients are looking to hire a marketing company to do their advertising, it is no different. This can actually hurt the conglomerate more so than the independent business because, according to Company C, the conglomerates are perceived as more expensive. “(W)ith client-perceived cost structure, we are perceived as a little more expensive.” When asked if it is just a perception or if it is the reality, Company C responded, “I think some of it is perception. I mean, we are not the cheapest agency in town I’m sure. We have larger overhead than some, but I don’t think we are necessarily that much higher. It’s perceived.”

This difference in pay is not simply the price structure the conglomerated company chose for itself. Being part of a conglomeration is inherently more expensive than being an independent:

I think the most restrictive part of being part of a larger group, and this is true with all of the networks...we pay...the franchise model. Like if I’m a McDonald’s franchisee, I pay my franchise fees to corporate, and I pay my franchise fees to the local area, then there is money that I keep. As opposed to if I were a John’s restaurant, I don’t have to pay those fees, but the same thing is true with the networks. We are asked to contribute, not asked, but we contribute dollars to the operating costs of the corporation. So for example...there are centralized IT, centralized accounting, and although we have IT and accounting
people here, we would have two or three more people housed here in order to do those things. So we’re essentially paying a stipend to corporate for them to do these services.

It is because of these corporate fees and the services that corporate provides (such as IT and accounting) that the conglomerated company is more expensive. They don’t have the luxury of keeping every dollar that they make so they need to charge more money to their clients in order to pay these extra fees.

Internal Communications

Internal communications is multi-faced way in which a company’s employees communicate within the company itself (Unzicker, 2013). These facets of communication are four-fold and can be described as Organizational Communication, Business Communication, Management Communication, and Corporate Communication.

Unzicker (2013) describes Organizational communication as strategy to help reach corporate goals, Business Communications as those that help reach business goals (such as profit), Management Communications as between management and employees, and Corporate Communications as from a corporation to its stakeholders.

For an independent agency, this would be how management communicates with employees, how employees communicate with management, and how employees communicate with one another. For the conglomerated agency, the same communication structure applies as with independent agencies, with the addition of communications with the corporate offices. Internal communications seemed to be a point of emphasis and pride for Company N, whereas Company C did not put a high priority on internal communications during the interview.
Company N

The same communication emphasis that Company N put on speaking to their new and existing clients was also important within their own internal communications structure.

Company N was specific in mentioning that having only one office improved their communications:

(W)e’re in one spot—well, actually we do have one employee in [a different city], but the rest of us are in one spot, and there are many advantages to that.

(C)uz we’ve moved now to different floors, we can only imagine what it must be like to have employees in different buildings in different cities because you get to feel a disconnect.

Company N believes that having employees and offices in buildings other than their own can hurt communications by creating a schism between departments. There is a direct correlation between this lack of disconnect and the positive communication environment seen within Company N by way of encouragement from management to speak face-to-face:

I would say that we are very strong advocates for face-to-face communication, and that there are things that that accomplishes; that you can’t get out of an e-mail or phone messages or phone calls....And one of the things we have focused on that a lot, and we do run through when we have big proposals and so forth, and have people sit down and point out all things somebody has done wrong.

Company N says that not only are they advocates of face-to-face communication, but that they use that communication to improve their employees’ work by sitting with them and pointing out errors their employees may be making. This kind of one-on-one attention cannot function over e-mail and the outcome would be lessened if the conversation were happening over the phone or computer program such as Skype or GoToMeeting. The owners feel that their employees’ access to upper management along with their desire for face-to-face communication can improve the way that the clients are serviced.
Face-to-face communication, paired with the “average employee” having access to upper management, lays the foundation for the philosophy of communication that Company N preaches. Company N works under the philosophy of “we take care of our people and they take care of our clients,” which means that employees who care about the company and feel they belong will be more excited to take care of the clients that their company serves. One way to foster that level of care for their company is by creating a sense of community within the company. Company N wants to have their employees feel that they are not simply working for the company, but rather with the company:

(W)e started a number of years ago as a way to engage people in not just the work they were doing for their clients but for work that needed to be done for the agency itself. So we created group(s)...anyone could be part of a group and it was open to professionals and administrators, staff designers and so forth, but they’d be looking at something specific to the operation of the business. It might be professional development, might be client relations might be new business, might be technology; we had a group that when we moved to this building we had a group that focused on the move they helped get that organized and accomplished.

By having their employees be a part of essential functions within the company, the management of Company N is having their employees leave the realm of Business and Management communications and instead have a direct influence on Organizational and Corporate communications. A further example is the employees are neither just writing e-mails to each other about new business or production costs (Business Communications) nor are they just writing presentation schedule to their boss (Management Communications). Instead, they are able to have a direct effect on how the company adapts to a new technology (Organizational Communications) and how the interior of a new building is laid out for their office guests (Corporate Communications).
This “all for one and one for all” attitude has a direct effect on how employees see themselves within Company N:

And so I think that it is we have if you asked anybody around here if they feel engaged in the actual running of the business, that you’d get a high percentage saying yes because they’re involved in lots of things that fall out of the category of “client services” but are important things to do for the business.

Formal issues are not the only groups that Company N decided to create. They wanted to establish an even greater sense of community with one another, so informal groups were created as well: “We have teams that get together once a week, so that’s a primary sense of community...there’s a team lead that looks at the work load for the coming week and shares critical time sensitive messages and announcements.” Company N has also established “the fun committee” whose purpose is to create 100% informal events celebrating various events such as “National Jellybean Day” and “Dentist’s Day.”

The staff also continues their Corporate Communications by engaging in staff activities outside the confines of their offices with their volunteer services. As an Indianapolis-born business, Company N puts a high priority on the fact that they are a local business serving the local community. They want to send a message to potential clients and informal stakeholders that they love their job and love their community by volunteering outside of their work:

(We are really rooted in our community we started here; we live here; we volunteer here; we’ve got 400,000 dollars a year in time back to the community that we’ve clocked across the whole staff…we love it; we care about it; we live it; we sweat it.

The feeling of community isn’t sequestered only to the community in which the business is located but rather the product of all the above means of communications. The openness that the communication channels provide gives Company N a corporate culture that is employee focused and a culture that Company N likens to family:
(W)e…have a family environment with lots of professional development and lots of community service, lots of opportunity for people to stretch within what we have. We work really hard to grow people and have them get better every day, cuz for us if they get better every day, then we are getting better for our clients every day. So then we keep people. It’s not that everybody stays here for life. We wouldn’t want that cuz that would get too insulate, but it’s the flip of it—what we do have, that culture difference.

Company N organizes itself so that employee satisfaction and their employees’ growth as people will have a positive effect on the business…but are they correct? Using variances and comparative data, Koys (2001) establishes a slight link between a business’s production and the happiness of that business’s employees from one year to the next.

Using his evidence, Koys (2001) was able to show that employee satisfaction, organizational behavior, and employee turnover from one year were able to predict the production results for the next consecutive year. He even gives evidence to the point that Company N is trying to make with their employees by saying, “There may be a reciprocal relationship between employee satisfaction and customer satisfaction similar to the reciprocal relationship between employee perceptions of a ‘climate for service’ and customer perceptions of service quality” (Koys, 2001).

Koys’s (2001) perceptions are not on an island either. A 2013 Gallup poll found that:

- Business or work units that score in the top half of their organization in employee engagement have nearly double the odds of success (based on a composite of financial, customer, retention, safety, quality, shrinkage, and absenteeism metrics) when compared with those in the bottom half. Those at the 99th percentile have four times the success rate compared with those at the first percentile.

- Employee engagement affects nine performance outcomes. Compared with bottom-quartile units, top-quartile units have:
- 37% lower absenteeism
- 25% lower turnover (in high-turnover organizations)
- 65% lower turnover (in low-turnover organizations)
- 28% less shrinkage
- 48% fewer safety incidents
- 41% fewer patient safety incidents
- 41% fewer quality incidents (defects)
- 10% higher customer metrics
- 21% higher productivity
- 22% higher profitability

Although all were created independent from each other, the results of the Koys (2001) study and the results of the 2013 Gallup poll both agree that the communications philosophy employed by Company N does show quantifiable positive results.

Company N also details more traditional means of communications to their employees:

We have a weekly update, just an e-newsletter every couple three four months. We do a [series of] talks that’s from the principles and that gets into meatier issues, and we collect all the kudos from clients and, you know, there’s like two or three pages of kudos. We have a monthly staff meeting, so we share a lot of information there, and on a quarterly basis, we do a scorecard, and that’s when we provide financial benchmarks: how we are against our goals and other key initiatives and we have quarterly reports on how they are progressing.

This level of communication between management and employees provides a key component of the business: transparency. Updating their employees on things like financial information, client feedback, and quarterly goals and reports allows employees to gain a sense of ownership in the company. Transparency is provided about the management so employees feel as if nothing is being hidden from them.
Company C

This level of transparency, communication, and employee involvement that seems so prevalent in Company N is seemingly missing from the conglomerated Company C, which said it “do[es] not have an…office email or newsletter to pass out” and employees will meet “as a group and … discuss [matters of business] if they need to be discussed.” There was never any mention of office groups, special programs, or extracurricular communication between employees and management. It could be possible that programs of that nature actually do exist within Company C, but if they do, it was not a high-enough priority to be mentioned by Company C during the interview.

The communication that does happen with Company C is communication with its corporate office to share financial reports and receive news for companywide policies like benefits:

(B)enefit discussions would happen at the corporate level. In other words, they’re going to say we’ve decided to offer health care and … life insurance and those kinds of things…once those decisions are made, they could be communicated corporately, particularly if there’s a large change like if they’re going to change their healthcare supplier…that would more than likely come from corporate.

Company C never made it a point to say that it communicates financial information to its employees, but it did mention that it sends monthly financial reports to its corporate headquarters to prove that particular office is worth having in Indianapolis. Company N summarizes the difference in communication styles by saying:

(W)e have the flexibility to do things. We have to as an independent. We compete for some of the same talent that the conglomerates in the other cities are competing for and being independent has enabled us to be very flexible in the way that we do business.
Programs such as committees and teams are not unheard of in conglomerated agencies, but the ability to conduct them may be hindered by the fact that they are conglomerated. As an independent agency, Company N is able to have full control over their time, resources, and most importantly, their finances. If an independent agency wants to allocate $1000 to fund teams and activities for their employees, they only need to budget for that money and put their plan into action. On the other hand, a conglomerated agency cannot simply take $1000 dollars and put it toward a new program without showing their corporate offices what they are doing. The corporate office decides if that money is permissible to be taken out.

Company C mentioned that “most of the time, in many ways … it really do[es] act as an independent … and part of that is the culture of the organization.” So while it is entirely possible that corporate would see the $1000 and not disallow the conglomerated company to create these groups and teams, the fact of the matter is that the money would have to be reported to a corporate office whereas the independent agency would not need to report the allocation of funds to any outside department.

**Infrastructure**

For the purposes of this research, a company’s “infrastructure” describes the make-up and inner workings of the company, which may also deal with clientele or communications but will not necessarily focus on them. Infrastructure will highlight day-to-day business decisions and personnel decisions in the hopes of delving into the thought process of each company and give an almost behind-the-scenes look at a company.

The nature of a conglomeration is to expand and diversify (Williamson, 1975). The importance of diversification and a conglomerate’s need to do so has already been discussed,
but a review of how a conglomeration can diversify is needed, only with a focus on improving infrastructure. McClure (2009) stated that the need for diversification is the main reason why a conglomerate expands.

**Company C**

Company C is following McClure’s words because Company C’s parent company will diversify its business by purchasing companies in locations where the parent company has no holdings. This gives Company C’s parent company an opportunity to break into a new market and make more money by servicing potential clients in that market. This diversification can also broaden the company by giving it a resource for which to provide their satellite offices. The parent company for Company C started purchasing businesses in the South and Northeast in order to expand their business into those markets. But by establishing business in those markets, the parent company is doing more than simply building another building — they are adding a resource.

Company C often mentions the increased resources it has acquired since being absorbed into a conglomeration. It is able to pull information and specific help from other offices outside of its own. When Company C mentions that its parent “…picked up Seattle, Dallas, California…Chicago” it is not referring to putting an office there but that it has the resources that each city provides. This is why Company C put so much emphasis on the fact that it has a much higher threshold of resources than the independent agencies do:

>(E)verybody is their own quote end quote independent, in other words …while they’re all together they’re also breaking apart…they could stand alone and do work on their own — I’m talking about the organization within the conglomerations could stand to do their own work — but they have the option and opportunity to walk in the same door together, to work on a client together
While the individual office in each city acts as an independent agency, the fact that they operate under a conglomeration allows them to work on the same project together without sacrificing services simply because one office does not have certain resources or expertise. They need only go to another company within their network to get these services without the hassle of hiring an outside company:

I mean, if in a (conglomerations) you would…have a house of brands…(the parent company) ha(s) an overarching holding company, and then we have these 50 companies that we operate within themselves and within the house, the (conglomerated) house. So in our case, if we wanted to do some digital web development work, we wouldn’t necessarily need to go outside of the company. We can go within the company and work with that quote end quote specialist within it.

Company C describes that it’s this kind of intra-network flexibility that draws clients to conglomerated agencies over the independent agencies:

(W)hat clients are asking for is to break all of these walls down: ‘I’m not going to hire your digital agency to do digital work and then go hire a media agency to do media work, or hire a traditional agency to do traditional work; I want to hire you. You go put it all together, and I don’t care what the hell you call it. Call it whatever you want to call it, but I want the best of the best in class of all of this stuff.’

Conglomerates also benefit from having satellite offices all over the country because clients may feel more comfortable working with an organization that has a presence locally. Having an office in the same location as a client may provide better service in the sense that if a client wanted to, they could go to the agency to have a meeting rather than solely communicate via email, phone, or Skype. They would essentially have a national agency working for them, with a local meeting place. Company C describes this client perspective as:

(G)oing to go network A and say, ‘network A you can have my business (and) you decide within all of your companies how you want to work this out, and you put it together for me because I don’t have time to do it.’
A client is not hiring “Company C: Indianapolis” they are hiring “Company C” and it just so happens the Indianapolis office is their office of choice. Company C has two clients that are international clients that happen to be based out of Indianapolis and, when asked if they work with the international brands based out of the area, Company C’s response was, “more than likely yes.”

The international resources available to a conglomeration are a positive selling point for potential clients, but this distance between offices can prove to be a negative for the clients as well. When dealing with different offices in different cities, the methods of communication are stunted. A creative director who is located in Indianapolis will not be able to walk down a hallway in order to talk with a creative director that is in Boise, for example. In order for the different offices to communicate, they will have to use e-mail and telephone calls, which will either have to be scheduled in advance or rely on luck that the intended person to talk to is in their office. Time differences between parts of the nation also cause problems. Boise, located in the Mountain Time Zone, is three hours ahead of Indianapolis, which is located in the Eastern Time Zone. This time difference can hinder business by making communications between the two offices difficult to do in one day. Company C describes this situation and how it affects their clients: “(P)art of the problem here is the speed in which we do business today. I mean you’ve got to be in constant communications and be able to all be working off the same page, and if you’re not, it’s not good for the client; it’s not good for the customer.”

The most noticeable downside to the infrastructure of a conglomerated company is the forced relationship with their parent company. An independent agency only answers to the owners of the agency and, if publicly traded, their stockholders. A conglomerated agency must
answer to their parent company’s policies and financials. Functions must be approved before taking action:

(W)e hire and fire here; we post here, but we have to get approvals elsewhere. In other words, if we had a new piece of business come through the door, and we’ve got an additional dollar income, and we all agree based on our formulas that we could spend 40 cents of that dollar hiring people, that all gets preapproved, and then it’s up to us to go find the right people for 40 cents to work on that business. So while corporate doesn’t tell us who to hire, for how much, they do say “you’re allowed 40 percent of your income towards salaries and yes you may hire new people”.

There is always going to be a discussion between managers of a firm when deciding on whether to hire a new person, but it is only with the conglomerated agency that this discussion has to go through the added step of approval from a different office. If an independent agency wants to hire a new employee, they only need to justify the costs to themselves. A conglomerated agency must justify it to corporate offices.

Another example of the relationship that the conglomerated agency has with its parent company is by looking at the franchise/franchisee model that was explored in the clientele portion of this research. The original context of the exploration was that because the conglomerated business must pay extra fees, they have a higher operating cost that must then be passed onto the client, thus making them more expensive. Company C is not unique to this model; it is true of all conglomerated companies:

I think the most restrictive part of being part of a larger group, and this is true with all of the networks…the way that they run the business is we pay, and this would be true of the franchise model, like, if I’m a McDonald’s franchisee, I pay my franchise fees to corporate and I pay my franchise fees to the local area, then there money that I keep.

The conglomerated agency has to pay more fees from their own pocket than the independent agencies do. Like the independent agency, the conglomerated agency has to pay for their staffing, building costs, and local fees, but added to these costs are fees that must be
paid to the corporate offices in order to carry that conglomeration’s name. This constant answer to “big brother” about finances does not allow the conglomerated company to make decisions about its funding on an island; it must report and justify costs to a higher power. The financials are not necessarily more or less than they would be if the office was an independent agency, but the freedom of choice is lower than that of an independent agency, due to the fact it reports to a corporate office.

Company C has its infrastructure centered on corporate offices, satellite offices, and resources; and Company N’s infrastructure is centered on its internal business practices. Because of its independence and the size of business that stems from that, the independent agency is limited to the amount by resources available.

Company N

It is entirely possible for Company N to grow into a regional firm and increase the size of business it caters to but it “couldn’t … (get) up to scale quick enough to do that without ever adversely affecting the clients that we (have).” Due to its size, Company N realizes that it is limited to the amount of clients it can go after. It had to remain small—small in terms of clients it can pursue, but also small in terms of the literal size of its business.

Company N employs fewer than 100 people — that is the entire size of the company. This is a stark contrast with a conglomeration, which can employ up to 100,000 people across all offices. Having so little people across the entire company hinders the growth the employees can have within that company. A small company in one specific location does not allow for unlimited employee growth potential. Employees can only work as much as their situation lets them:
If someone wants to come in, and they want to move around, and they want to grow their career by moving to different places inside one system, we can’t do that...they hit a ceiling with what they can, how much they can grow or what they can do in terms of the clients or the client mix they can serve. I think there are some times when we are incapable of meeting the needs of some people who have sort of set their career path.

Company N’s small size does not limit the company only to which business it can pursue but which employees it can hire. It runs the risk of not being able to hire a person because that person may want to grow their career past what Company N can offer. A person whose career goal is to be a creative director to multinational agencies might apply for a position within Company N, but once the creative director level is achieved in Indianapolis, they have no opportunity within Company N to grow. This person may rather work for Company C where they can remain under the same corporation but achieve creative director status in Indianapolis, then move to a position in Chicago, then move a position in Los Angeles, before finalizing a position in New York. This career path is impossible with Company N.

A lack of manpower also means Company N lacks the ability to assign someone to specifically learn about a new trend in their business or become an expert in a field:

I think (conglomeration) could help you on the specialization...or the ability for example to ride the wave of something that’s coming in. So we are still kind of behind the curve when it comes to digital; we’re not nearly as far along with the curve as some of the national conglomerates I’m sure cuz we haven’t had the ability to take one person and say “just go out and come back and we’ll do it.”

This inability to gain expertise in a subject can put the independent agency at a disadvantage when compared to the conglomerated agency. In order for an independent agency to provide that service to their client, it must contract it out to another agency instead of relying on the network of agencies it has access to like a conglomerated agency. A partnership of that caliber then opens up issues for the independent agency in the forms of communication issues,
work distribution, timely progress reports for their client, and working with an outside company.

Without a network of business to rely on for support, the independent agency may not be able to meet the demands of an international client, or a client that wants to grow their business across this nation or trying to enter another:

So when (national or international business) is what a client really wants, we can’t stand in the way, but we do know we have handled and do work for clients internationally, so we know we can do it out of Indianapolis, but…we lose business to larger firms primarily…firms that are looking for strong international reach uh and… it’s not so easy to set things up to have the long term execution.

This is an important point that Company N makes about its ability to work nationally and internationally. It says that it has the ability to do it, and it is something that they can do, but there is a degree of difficulty in it that effects their clients desire to hire Company N for it. It is again a lack of resources available to an independent agency that affects the client’s view of them.

Despite the lack of resources and difficulty in reaching a national and international reach for their clients, Company N still thrives in the market. In the midst of conglomerated agencies in their market, it remains the number one agency in the Indianapolis area and still has a variety of new and existing clients. Conglomerated agencies and independent agencies do work within the same market, and not all independent agencies do as well as Company N. Some of these independents fail, and where they have failed, Company N excels. And that is in its business practices:

The other thing that (failed independent agencies) fall short that can affect their overall performance is the business side. It’s that they may have taken it too casually or they didn’t invest in a really good lawyer or a really good accountant to help get their system setup…(W)e have a computer…I don’t know how long we’ve been with him … 20 years? A computer person who is
a computer company that has been an integral part of our growth, of our business and so forth, and we’ve never been afraid to make investments in those kinds of infrastructure things that cost a lot up front; we have to amortize over time. We’ve been willing to do that…you are willing to…take surplus cash out of the business but you can invest it and not every independent owner likes that.

Company N was willing to invest the time and money in the infrastructure of its business in the onset, and this investment paid off over time. Company N has been able to maintain its business while watching other independent agencies in its market fail. Company N’s business practices do not strictly fall under well-invested utilities but also in the way that its owners run their business as managers.

This includes its long-standing practice of face-to-face communication and the reasons for using it. Company N says face-to-face communication brings cohesiveness to its employees and brings about a greater sense of family and community. It implemented face-to-face communications because, “there are things that (it) accomplishes that you can’t get out of an e-mail, or phone messages, or phone calls.” Face-to-face communication, access of entry level workers to upper management, and one, central location, are all policies that are inherently built into the business because Company N says these smaller techniques create a wholesome infrastructure of business.

Inherent to the independent agency is flexibility. There is no outside force that Company N needs to report to. Since Company N has no outside investors, and because the ownership of the company is still involved with company decisions, the only people outside of management that Company N needs to justify decisions to are the employees. Certain programs can thus be fast-tracked into completion because the extra step of corporate permission is taken out. “(B)eing independent has enabled us to be very flexible in the way that we do business …in terms of our flexibility to work from home…we have a program that I’ll let (a principal)
describe because she kind of made it happen after an idea that she got from a partner.” This program is the self-titled “bring your baby to work” program. It is a social program that involves mothers bringing in newborn babies to work with them for a period of time. Programs like this can be possible in conglomerated agencies, but the permission to do such a program would need to be had from a higher power than that of simply the managing principals:

From age six weeks to six months, infants are allowed to come into the office with their parents. And it’s just great. We tried it as an experiment…we had the idea we thought’ let’s try it’! So you know we did it…we thought it through, we put parameters down and talked to the attorney to make sure it wouldn’t put the company at risk. But you know within a month or something we were doing it. A big company can’t do that. There are a lot more levels to go through. And then if we didn’t like it we could shut it down we could say ‘we tried, you know? No failure. But it’s not conducive to working and there’s interruptions or whatever’. But it hasn’t been the case at all, and it’s just been wonderful, wonderful, wonderful, and everyone loves having the babies, and we’re sad when they graduate. I can tell you most of the employees have done it right around six months, like a week or two before the baby turns six months, they say ‘I can see why it stops now’, cuz all of a sudden their productivity starts going down. Because it’s when babies to do more than eat and sleep so… we love that program.

Company N goes so far as to say that a program of that magnitude could not exist in a conglomerated agency because there are a lot of levels to go through. These levels do not exist in the independent agency so their ability to install such a program is heightened.

This “bring your baby to work” program is an extensive program requiring many factors to work together. In order for the program to work, the company needs to be able to work though the distractions of a baby in the office. They must be able to handle the liability of having such a young infant in a professional working environment. They must be able to weather negative feedback that could be given from clients who might not feel comfortable with a baby in the office. A client might feel a program of this sort is unprofessional. An independent
business must be able to risk this level of unprofessionalism with the joy they receive from a program like this one.

The infrastructure that is in place at Company N has allowed the business to thrive in the market in which it is located. It is an infrastructure that they have put in place since the company’s inception, and it is an infrastructure that the business is not looking to change any time soon:

(W)e’ve looked at that—we’ve looked at acquiring smaller agencies. We have looked at being more proactive in terms of trying to get business in our region, in Ohio, or Kentucky or Illinois. But to be honest with you, we’ve been pretty successful with the way that we’ve been operating, so we don’t have the appetite to, I think, to become a regional force.

What makes infrastructure so important to Company N? It is the fact that it does not have anyone to answer to but itself. It says that, “there’s a certain level of accountability … with independents, with independently-owned agencies, that’s very hard to duplicate when you get into the big mega agencies.” This accountability is because the independent agencies cannot hide behind the face of a large organization. They are all they have. They are the ones that have to answer to their clients, and they are the ones who are affected the most when a client leaves or denies them business. A business denial or a client leaving a conglomerated agency located in Indianapolis will hurt the bottom line of that location, but the lack of business is not going to be a detriment to the entire conglomerate.

When Company C loses business, it loses money and it suffers, but the conglomerate in which they are a part of will not suffer in the long-term. When Company N loses business, it is not losing money as a branch, but because it is independent, that means they are losing money as a business. When business is lost with Company C, the headline would read

“Conglomeration C’s office in Indianapolis lost business.” When business is lost with Company
N, the headline is not “Company N’s office in Indianapolis lost business,” the headline is “Company N lost business.” That small change makes all the difference. Because Company N survives or perishes as a business because of its clients, the importance of the company’s infrastructure is paramount.

**International Public Relations Experts (IPREX)**

Company C said numerous times that being conglomerated offers its clients the benefit of access to world-class resources and partners. It says:

(T)he value of being part of a larger group is the opportunity to bring in resources that you wouldn’t normally have…if we were independent, we’d either have to go out and find somebody… (but) here is the world class, voted one of the best in the world for the past couple of years, that we have access to. So those are great benefits to have to provide to clients when you need them.

This benefit is lost to independent agencies because of the nature of independence. The only way for independent agencies to have a network of resources like that of a conglomerated agency is to create it themselves.

Company N is a member of the International Public Relations Experts (IPREX) network of communication agencies. IPREX was created in 1983 “(t)o enable independent PR agencies to deliver high quality client work in major markets worldwide, and it has evolved into a tightly-knit peer group of more than 70 of the world's most successful communication agencies” (IPREX.com, 2013). IPREX membership helps independent agencies have the resource benefits of a conglomerated agency, while still maintaining their independence. This relationship is helpful to Company N:

(I)t’s been really helpful for us in terms of if we need insight into a different market, because not all markets are made the same…When we get that insight that’s very helpful. The idea is we can share business back and forth, which
we do a little bit, but we’ve found out it’s been very helpful for us in winning business. We have our large accounts; we’ve won because we have somebody on the phone from France with us when we are pitching the business. At the end of the day, we might not actually use them on it—on the account. But there is a big (business to business) company manufacturer, and we told them we had contact in China, a contact in India, it was very assuring to them…knowing we had those connections…IPREX is very important to us.

IPREX gives its member organizations the option of sharing information on their home markets — information that could decide whether or not an agency wins business from a potential client. IPREX also serves not only agencies in the United States, but also offices across the world. Company N says that even though they might not use these IPREX references, the fact that they are available helps their clients trust Company N to do their national and international campaigns.

An independent agency such as Company N does not have to have a physical person “on the ground” in New York or London because it is able to call upon a partnered agency in a chosen city. It is also able to partner with that agency and work with them on projects. Like two offices working in tandem in a conglomerate, this partnership works well for the client and for the independent agencies in terms of getting the job done and providing services to their respective clientele. But unlike a conglomerate, each independent agency has to worry about their own business bottom-lines first:

(A)nd while we have IPREX, and while we have people with whom we have connections all across the globe…I know some of the people, I know most of the people. I don’t know them all; I don’t work with them all. And so if a client really needed us to be in…20 countries, 10 countries, for the next three years, we don’t have a single system because we’re still independent companies. So if we were lead, then it’s like they’d be having to follow all of our systems and just that the infrastructure isn’t built out in the same level that it would be for a conglomerate.

The independent agency knows they have the resources available to them if they need them, but the added obstacle of configuring business practices and infrastructure is also present.
Company C describes independent cooperations has having each separate group work together, but they have their own bottom-lines to attend to—something that Company C does not have to worry about since they are in a conglomeration. Company C also provides a solution to the problem by coming to a “shared understanding to how these dollars are going to work…and if you’re not all communicating together the whole thing (will) just fall apart.”

**Summary and Conclusions**

This research was created in an attempt to fill a void in the literature of conglomeration with Integrated Media Communication (IMC) firms. There has been literature discussing conglomeration in the manufacturing fields, and literature chronicling the history of conglomeration for IMC firms, but there has yet to be literature about the effect that conglomeration has on IMC firms. This study was created with a main research question asking “Do IMC firms operate differently based on whether or not they are conglomerated?” To answer this main research question three sub-research questions were created: Do IMC firms manage their relationship with clientele differently based on whether or not they are conglomerated? Do IMC firms communicate with employees differently based on whether or not they are conglomerated? Does an IMC firm’s infrastructure change based on whether or not they are conglomerated?

Each question was crafted after review of the literature, which showed the trend of conglomeration but did not reveal any reasoning behind it. This research is attempting to fill a gap in the research by highlighting actual IMC firms doing business and how conglomeration affects the running of their business.
Do IMC firms manage their relationship with clientele differently based on whether or not they are conglomerated?

Company C often referenced the resources it is able to give clients due to the fact it is conglomerated. Company N often referenced the freedoms and management access they have due to the fact that they are independent. Conglomeration has affected each business and how they present themselves to their clientele—but in different ways.

Company C recognizes that it is able to give clientele unprecedented access to worldwide resources. Company C is confident there is almost nothing it could not do for their client. If its client wants to implement a marketing strategy that Company C does not do, it can send that work to an office within its conglomeration that does do that type of work. If a client wants to broaden their product’s exposure to a new market in the United States, Company C can talk with an office in that market in order to ask questions about that market’s demographics and tendencies. If a client wants to broaden their market internationally, Company C has the ability to take the work worldwide by distributing it to an office abroad.

These resources are given to Company C because it is part of a conglomeration. Company C does not only use these resources when it needs to; rather, it emphasizes these resources with their new and existing clients. Company C tells potential clients “If you do business with us, we can grant you access to these resources” just as it tells existing clients “If you want to try something you have not done before, you can trust us to do it because if we do not know how, we know someone in our network who does.” It is because of Company C’s reliance on communicating to its clientele these resources, and not simply that it has the resource, that answers the research question.
Company N recognizes that the access it has to resources is smaller than that of a conglomerated agency. It recognizes that this lack of resources is one of, if not the biggest, disadvantage it has when working with its clients. Because of this recognition, Company N has decided it will focus its message on the things it can contribute to its clientele. As a non-conglomerated agency, Company N is not available to any markets outside of Indianapolis. Every employee, other than one person, is located within the one office that Company N has. Company N highlights to its clientele the unprecedented access those clients get to the very top of the management chain within the company. A client of Company N will only have access to the president of that office, and will not have access to the president of the entire congregation. Company N tells its clients that it does have access to the president of the entire company because the president of the entire company works in the office alongside the rest of the team.

This access grants the client the ability to talk to literally anyone within the company. If the client wants to talk only to the person who sold Company N to them, then that is perfectly acceptable to Company N. However, if a client wants to talk to more than just the person who sold Company N to them, if they want to talk to the owner of Company N, then that access is perfectly acceptable as well.

Company N also works to have its communication structure to be better than that of a conglomerated company, and therefore can help its clients more than the conglomerated company. Company N says the ease of access to the owners, and its open-door nature to fellow employees, gives Company N an edge in the speed of business it takes to address a client’s problems. Without having to answer to another office or corporate headquarters allows communication between the client and the agency to be quick and more streamlined than that of
a conglomerated agency. It is because Company N recognizes that it will not be able to offer its clients the resources that conglomerated companies do, and because it chose to highlight other aspects of its business that the act of conglomeration has affected the way they communicate with their clientele.

**Do IMC firms communicate with their employees differently based on whether or not they are conglomerated?**

Internal communications was the aspect in which the companies differed the most. Company N used internal communication as a positive influence of its company. Company C seemed to not put any priority on internal communications, both within its own company and with corporate.

The indication of the research findings was that Company N focused on its communication as a means to separate itself from the conglomerated agencies for business. Because of this, the fact that it is independent affected the company by forcing it to focus on their communications to compete. Company C seemed to have little, to no, priority on internal communications; however, the reason for this could not be ascertained by the research presented. It is unknown if this is because Company C is conglomerated or because that individual office simply does not care to put a priority on communication.

An idea that Company N often presented in its interview was it does not have the resources that a conglomerated company can offer, but it makes up for that fact with perceived above-average service. This service is mostly due to the communication system Company C has set up. Every employee who works for Company N has access to one another as well as access to top-level management. This access has allowed Company N’s employees the ability to
openly talk with management about the work that the employee is doing. Company N mentioned the fact that the management will often work through proposals and practice client pitches with their employees in order to point out potential problems with that presentation in advance. Company N tells their clients that even though it may not have been one of the managers that pitched the client, or that the account may not be personally run by one of the managers, the managers will be involved in the process and in the running of that account.

Company N also provides ways for its employees to get involved with the running of the business. Company N created groups and committees for its employees so that its employees could educate themselves on pieces of the business or improve company morale by creating events and office fun. This family environment and this employee interaction is the way in which Company N tries to separate itself from the conglomerated company. Therefore, conglomeration has affected the way that Company N communicates with its employees.

By contrast, Company C put a very low priority on communication. Company C said that it reports financial information to its parent company, and that certain aspects of its business, such as benefits and retirement information, come from its parent company, but aside from that there is little internal communication techniques used. There is not enough information presented in this research to ascertain whether this lack of communication is because Company C is conglomerated or if that particular office does not put a priority on communication. It cannot be said that being conglomerated has affected the internal communication of Company C. It also cannot be said that being conglomerated has not affected the internal communications of Company C; more research will need to be conducted.
Does an IMC’s infrastructure change based on whether or not they are conglomerated?

Company C has set up its company in such a way that they have on-demand access to their conglomerate's resources. It is able to be in constant communication with offices that specialize in a certain medium of marketing, offices that are located in different cities or countries around the world, and offices that may have a client that does a business that the office is not familiar with. Because of this, the infrastructure set up within Company C is affected by the fact that it is conglomerated.

On the other hand, Company N has set up programs for its employees that are fun, educational, and unique. These programs may not be unheard of in conglomerated agencies, but are difficult to do in a conglomerated agency. It is because of these programs and the ease in which Company N implements them that being independent has affected its infrastructure.

Company C has built its entire infrastructure around the fact that it is conglomerated. This makes sense because the infrastructure of the company would largely be dictated by its conglomerate. Company C is told by corporate how much money it has to hire new talent; it is told what it can offer in way of benefits and retirement, and it has a centralized accounting and Information Technology (IT) office. The resources that are available to Company C and the resources that it is able to offer its clients are the things that Company C makes an effort to highlight. It uses its conglomeration as part of its identity, not only because it is conglomerated, but because of what conglomeration means to it. It is because of this that Company C’s infrastructure is based on the fact that it is conglomerated.

When putting the focus on Company N’s management, it said that it runs the business the way it does because of the freedoms that it has. It is able to implement programs such as “bring your baby to work” and the “fun committee” because it does not need to go through the
corporate levels for approval. It is able to try something because it wants to and if it does not work out than Company N does not have to answer to a higher power.

It is also able to involve its employees in a greater capacity than that of a conglomerated agency. Company N uses its employees’ input on the running of its business and has the ability to input those employees’ findings. These findings may lead to changes in the company’s infrastructure, and the findings go directly to the owners of the company.

Conglomeration has affected Company N by requiring it to join IPREX. Because Company N lacks the resources that a conglomerated firm has, it has joined a group of independent agencies who act as if they are a conglomerate. Conglomeration has affected Company N’s infrastructure so much that they, in essence, conglomerated.

It is because of the freedom that Company N has to implement changes, the willingness they have to do so, and Company N’s membership to IPREX that Company N’s infrastructure is affected by conglomeration.

When this assertion is compared to the existing literature about conglomereration, it opens up a question that could be used for further research. Is conglomereration inevitable? This was asked to each company with a common response that equates to “probably not”. However, there is reason to pose the question of inevitability due to the fact that Company N took steps in that direction.

**Do IMC firms operate differently based on whether or not they are conglomerated?**

The answer to the main research question is going to be based on the answers to the other three research questions. The subject covered in the three research questions were deemed to be the important subjects that comprise how an IMC firm operates. Based on the answers
given to the other three questions, it can be surmised that IMC firms do operate differently based on whether or not they are conglomerated.

Both companies base their clientele relationships differently based on the act of conglomereration. Company C uses conglomereration as a positive by emphasizing Company C’s ability to use their conglomerate’s resources to help their client. Company N recognizes that a conglomerated office’s strengths are its greatest weakness, so they have built their business model to emphasize a different strength.

Both companies have built their infrastructure based on whether or not they are conglomerated. Company C has a built-in infrastructure that is present due to the fact it is conglomerated and also because of the resources conglomereration gives it access to. Company N has built its infrastructure in such a way that its independence is accentuated. Company N allows themselves the ability to implement programs and change its business structure how its managers see fit. This ability is due to the fact that it is an independent company.

Internal communications is the only research question that does not have a definitive answer. Company N has set up its communication as an open-door policy. All employees and clients have access to top-level management and are encouraged to go to them. This access to company owners and managers are due to Company N’s independence.

Company N communicates the way it does because it is not conglomerated. However, the research presented could answer as to whether or not the communication, or lack thereof in Company C’s case, is due to the fact that it is conglomerated. This means that it can be surmised, to a far extent, that IMC firms within the parameters of this case study do operate differently based on whether or not they are conglomerated. However, due to the fact that the
question of communication could not be answered in full, the answer of “yes” cannot be definitive.

What is definitive is (1) that the companies do operate differently and (2) that conglomereration does play a part in the thought process of each company’s business practices. No two businesses will work exactly the same in any industry, but the two companies profiled in this research react to each other in a proactive/reactive nature. One of the companies will do something for its business, which leads the other company to do something else, and the cycle starts over again.

Company C has an ability to tap into resources that Company N cannot have, and because of that, Company N focuses on a corporate culture that Company C cannot have. It is not necessarily that what each company offers is directly caused by its level of conglomereration, but that the level of conglomereration is a contributing factor.

There also is no evidence that shows that one company controls the fate of the other. Both businesses work within the same environment, and it is within that environment that each company decides what it can do to gain an advantage over the other, and conglomereration is a part of that.

The reality of the market is that conglomerated and independent agencies coexist in the same industry. Each are able to exist due to the different types of clients in the marketplace and the different business practices that each company chooses to accentuate.

Sources


Moorman, Christine and Roland T. Rust (1999). The role of marketing [Special Issue], *Journal of Marketing,63*,180-97.


