

## The Management Challenges of Building a Marketing Communications Agency

*Growth is a key challenge for any marketing communications agency, but are you prepared for what lies ahead when you move from one stage of the growth cycle to the next? This article outlines five phases of an agency growth cycle and highlights the issues that management teams must consider, at each stage, if they are to build their businesses successfully.*

### Growing a marketing communications agency

Every agency wants to be bigger, to offer new services, to attract better staff and to serve more demanding, high-profile clients. But increased size brings increased complexity and many agencies fail to anticipate the full implications of growth.

Experience shows that, in the marketing services sector, agencies and their management teams go through a series of predictable step-changes as they mature and develop.

The revenue of a professional services firm is generally related to how many staff it employs (and how productive they are) and so size is largely a function of the number of people working in an organisation. But while headcount is an indicator of a business's size, '*braincount*' is a better measure of its quality.

### Five phases

There are five key phases of growth for a marketing services agency. Each is roughly defined by the number of employees in the business and each presents its own particular challenges and change implications in moving from the previous phase to the next.

By understanding these phases a management team can anticipate the agency's future needs, and ease the impact of the various step-changes, to better address the business challenges through each stage of the growth cycle.

The five phases are:

1. **Birth** - the early years of 'autocratic control' with up to 15 staff.
2. **Infancy** - the baby starts to grow in a period of 'controlled trust' with 15 to 30 staff.
3. **Childhood** - a period of learning new skills with 30 to 50 staff.
4. **Adolescence** - the difficult years with 50 to 80 staff.
5. **Maturity** - established market presence with 80+ staff.

The typical journey time from birth to maturity can be as short as five years or as long as fifteen.

Cross-over points from one phase to the next are variable. Some agencies may move quickly through a phase before they have achieved the level of headcount indicated. So the boundaries between the phases are for guidance only. The phases themselves are more important because they identify the particular challenges agencies will face as they build and grow.

## **1. Birth - the early years**

In the early days of agency establishment, the business is simple and straightforward. The entrepreneurial founder generally controls all aspects and he or she will have full knowledge of all key activities.

The founder makes personal promises and commitments to clients and staff. Those who have taken risk in the venture apply great commitment to the success of the business and are passionate about the work produced.

In these small companies, communication is regular and informal and there is little or no sense of strategy at this stage. Marketing is largely done through relationships and word-of-mouth. Everything is focused on selling and doing the work.

In addition, there is little formal management discipline. Decision-making and response times are quick, and often intuitive, while control systems are pretty basic. Employees at this early stage are dedicated to 'the cause' and, while there is extensive 'multi-tasking', specialist skills lie with few individuals.

Inevitably, cash is more critical than profit and the founder is the major source of energy in the business which means that control and direction is largely autocratic in the early years.

## **2. Infancy - watch your baby grow**

As the agency develops and grows, the founder needs a trusted partner to share responsibility and meet the demands that growth imposes, though the founder typically remains very much involved in client work. The partner will contribute energy to drive the business forward and will also provide decision-making support to the founder.

Activity remains opportunity-led and the culture remains tight and local.

During this second phase, however, (from 15 to 30 staff), the founder begins to see the need to introduce more formal processes and management controls. Team-based structures for working are required and the founder needs to trust senior staff with aspects of management and client relationships.

Recruitment remains informal and skills-driven, based on instinct or 'feel'. A requirement for training emerges as the leader recognises the need to develop expertise in the agency.

It is at this stage that an organisational structure of some sort begins to take shape. Formal accounting and business process systems are introduced or upgraded, though these will not be fully integrated at this stage. Internal communication becomes more important as *profit* (not simply cash) becomes an objective.

In this phase, '*all revenue is good revenue*' and profit is a consequence rather than an objective, resulting in inconsistent, 'spiky' performance.

### **3. Childhood - learning new skills, values and protocols**

This phase sees an increased need for processes, structure and planning, as the agency builds from 30 to 50 staff. The adoption of formal policies, procedures and practices will affect most aspects of the business and there is a need to outline strategy to give a sense of direction.

At this stage, the organisation will begin hiring non-billable professional support staff (Finance, IT, HR) and develop new management structures (silo, matrix, etc) in order to guarantee efficient and error-free delivery of its work. The best structure for the company may not be self evident, so new ways of working are explored.

The requirement for a 'managing director' is strong now. A senior individual with clear responsibility to direct and co-ordinate the expanding business will need to detach from some of their client work to focus on managing the agency. This may be the existing 'principal' or a new appointment.

For the first time, horizons beyond the immediate time-frame of the current year are contemplated and a 2-3 year plan may be considered.

There will be a need to add senior 'partners' in order to spread the workload and to introduce new expertise, new services etc. Professional, functional managers are recruited for senior leadership roles and a management board is likely to be established with a middle-management layer formed beneath.

Monitoring business activity should become more formalised in this stage of growth and integrating disciplines becomes key to controlling operations effectively. If not already in place, time management systems are essential to permit utilisation targets and unbilled client time analysis. Tools for monitoring and reporting both operational as well as financial performance must be implemented by this stage.

The agency begins to recognise the value of its talent pool and the importance of retaining and developing its senior people. This means regularly reviewing senior talent and considering whether the right person is in the right role. This is particularly important as roles themselves begin to change and increase in complexity. Superior-to-subordinate relationships become more important as newer staff learn from those more experienced in skills and ways of working and the ability to leverage junior staff is developed.

Agency marketing activities are still fairly ad-hoc and personal, but new business efforts should become more structured and low-value projects are sometimes rejected. In this newly-formalised structure, location, environment and image become more important and the original culture of the agency becomes more difficult to maintain, as sub-cultures emerge.

Bonus or incentive schemes are needed to motivate senior people and profit becomes a requirement. Indeed, accurately planned profit is now a pre-condition of the business's existence.

### **4. Adolescence - the difficult years**

The fourth phase will define whether the agency ultimately succeeds to become a leader or remains an 'also-ran'.

With staff between 50 and 80, demands on overall management will increase substantially. Consequently, to continue successfully growing, the business now needs a full-time CEO, transitioning from the 'managing director' role that was needed to pull the agency through the previous growth phase.

The migration from Managing Director (hands-on, operational, managing day-today activities) to CEO (forward-thinking, leading, directing people vs managing issues) is key for both the agency and the individual. Success here often determines the ultimate ability of the agency to progress to the Maturity phase of growth.

Staff retention and recruitment becomes a continuous activity (and a constant challenge) because the organisation has raised its profile and become a talent pool for headhunters and competitors. Experienced professional leaders in operations, finance, technology and people management must be brought in to strengthen the management team and new functional titles emerge, such as COO, Head of Client Services etc.

As the organisation builds and changes shape, individuals in the senior team will need to reflect and review how they behave amongst themselves and with other staff. New ways of working are often explored, for better delivery of the work, but also in response to a simple need for change, to provide impetus and to avoid stagnation.

At this size, there is an enhanced need (generally client-led) for new service offerings, as well as a need to 'productise' services, to leverage value from the agency's intellectual property. Now is the time to review pricing carefully, take stock of rates and explore creative ways to charge for value rather than outputs.

Cross-charging for services and support between departments becomes an issue (and impediment) and may lead to silo management mentality.

In this fourth phase, the prospect of a second office or geographic expansion often arises- for a number of reasons: possibly through client need or the desire for independence from a senior principal or an opportunity to partner with another organisation. The risks, demands and challenges of such expansion are almost always underestimated, especially the cultural impact and investment of resources.

Both inbound and outbound new business activities are now required and a formal marketing plan must be developed to quantify and direct the sales & marketing efforts of the growing business. Revenue opportunities begin to be qualified for relevance in terms of fit, value and client potential.

Client service becomes much more critical and the agency needs to focus on higher quality client opportunities as clients become bigger and more sophisticated.

Client conflict becomes more evident as an impediment to growth and conversion rates fall as the agency is now '*mainstream*', up against leading competitors in the industry.

Putting best teams forward for pitch opportunities can be difficult because of the demands of existing client work and relationships.

There is an increased need for proper strategic and financial planning and forecasting. Consistency of profit and a track record of growth are key drivers now, so performance objectives are set and management is measured against them. Forward-looking metrics for revenue confidence and new business requirements must be reviewed regularly to support investment-related decisions. Resource management and productivity tools are also essential as well as client or project profitability analyses.

Above all, the business needs clarity of purpose and values to safeguard its culture. The agency's positioning, values and focal-purpose now need to be codified and communicated to an expanding

workforce to ensure all staff are facing the same direction at the same time, for informal power structures to take root.

This is a tough phase to come through.

## **5. Maturity - established presence**

The maturing phase of an 80+ staff business is no resting place because when the agency reaches this point, change remains the only constant. Reaching this stage is a continuation of the journey, not a destination.

Once here, the challenge for the CEO is how to continue to grow and develop the agency, the client base, the people, the agency's product offering and business performance in a constantly changing market.

The greatest challenge for the CEO may well be how to maintain the '*braincount*'. This could involve management development programs, graduate recruitment strategies, practice leadership craft specialists, mentoring and succession planning initiatives. All will be required to enhance and differentiate the thinking ability of the agency.

The CEO will now need a mentor or confidant; a sounding-board to bounce ideas off, to seek counsel from and to help the CEO's own development, for this can be a lonely and insular role. The conundrum for marketing communications agencies is that they sell ideas, yet price them on time. Those agencies that develop value-added products and exclusive service offerings can buck this handicap.. They will certainly need to do so if they are to become successful beyond the Adolescence stage.

### **Implications**

Agency growth brings implications for leadership and employees at every level. Understanding and anticipating these step changes can help leadership gear the agency to better manage these growth challenges. If employees at every level of a marketing agency are encouraged to take a proactive approach to growth, the challenges may be easier to face and management actions better executed.

Agency leadership has an opportunity to gear their agency for successful growth by:

- a) Understanding and evolving the leadership role to be in the best position to drive growth
- b) Preparing people, through skills development or recruitment, and engaging them with the roles required to achieve growth
- c) Ensuring a constant review of the process, systems and organisational structure to best support growth

There are, of course, merits to being small and some agencies may choose to remain local and tightly-focused. The management challenges are fewer and less furious, though the range and depth of client services may be limited. Growth, and the need to progress through the stages of development, are not imperative but anticipating the hurdles will greatly ease the journey for the agency, the staff and the individual leader.

**Juniper2 can help you plan for, and manage, the challenges of growth, improve business performance and guide you if you are planning a sale or exit.**