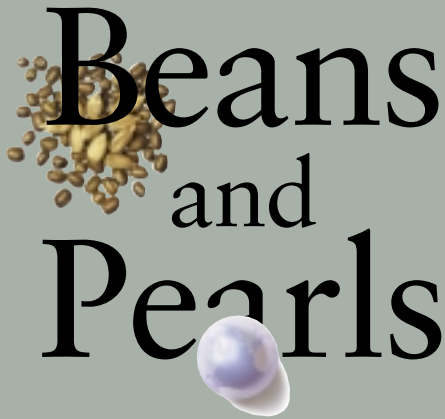


WPP Group plc

Beans
and
Pearls



D&AD President's Lecture
by Martin Sorrell



President's Lectures

This lecture was given in London in November 1996 as part of the Design and Art Direction President's Lecture series. D&AD is a professional association and charity working on behalf of the advertising and design communities in the UK. Its remit is to promote standards of creative excellence in the business arena as well as to educate and inspire the next creative generation.

Beans and pearls – the beginning of the end of either/or?

As David Ogilvy pointed out seven years ago, I've never written an ad in my life. Nor have I made a commercial, designed a pack or conceived a corporate identity. I haven't even sold a brilliant campaign to a sceptical client – so I'm not even a creative suit.

That leaves me with only one available label: if I'm not a creative and I'm not a suit, then I must be a money man.

And so, I'm very happy to be able to tell you, I am.

I like counting beans very much indeed. And I find counting a great many corporate beans a lot more satisfactory than counting a very few corporate beans – and I know that because I've tried both.

But what also interests me is how those beans are made in the first place.

And the beans that I get most satisfaction from counting are the beans that your world makes.

That's what attracted me to it in the first place and that's what has kept me in it ever since.

I find your world both intriguing and infuriating: because it can be both brilliantly inventive and stubbornly reactionary.

I believe you overrate yourselves in some ways and grossly underrate yourselves in others.

I don't think you know who your enemies are.

I think you are a great deal better at advising and promoting your clients than you are at directing yourselves.

WPP Group plc

And I'm not at all sure you give nearly enough thought to the future.

And if all that sounds a bit hostile, please remember this: first, that I'm a kind of reluctant groupie; and that second, mad fool that I am, I've pinned my entire future to your abilities – so I have an unusually acute interest in seeing that you get it right.

Here are some of the things I wonder about.

What exactly is it that we sell? Why are we worth our fees and commissions? What are we good at? What are we bad at? How is the world developing – and is it good for us or bad for us? Who, other than ourselves, are our true competitors? Why are we different? And what are we most likely to regret if we let things jog along as they are?

First, let me look at the way the world seems to be shaping up. This is what Charles Handy has written recently:

“The coming of the information economy offers the tantalizing promise of a modern alchemy, the ability to create wealth out of nothing. Microsoft stands as a sort of parable of our times, for it was built on nothing but the ideas and energies of two people. It needed, in its origins, nothing of land or materials or machines or even of finance – the sources of wealth in times gone by. The modern economies will not be constrained by lack of resources but only by lack of creativity and ideas.”

WPP Group plc

Next, I turn to John Kao. Kao, as you may know, is a film producer, an entrepreneur, and a jazz musician, and he also teaches a course in creativity at Harvard Business School. His latest book, published this year, is called *Jamming: The Art and Discipline of Business Creativity*.

John Kao believes, with the Nomura Institute, that you can usefully divide the world's economic activity to date into three distinct eras: we have gone from Agriculture to Industry to Information. And right now, he believes, we are entering the fourth era: the Creative Age.

In a recent interview, he said this:

“The search for value has led companies to seek efficiency through downsizing, rationalizing and right-sizing – approaches that eventually result in a diminishing level of return. But what will fuel growth in the future? Growth will come through mastering the skills of creativity – and making creativity actionable.”

Those are the views of just two thoughtful and perceptive people. There are many more like them, all beginning to say very much the same things. You do not have to believe that they are absolutely right about absolutely everything to believe that – if only we know how to take advantage of it – the world of business is moving in a direction that should offer our particular world far more exciting opportunities, far more fun and far more beans to count than we have ever so far experienced.

WPP Group plc

That's the good news. The bad news is that I don't believe that many of our client companies are yet ready to ask for it; and – even more seriously – I don't believe that many of us are yet ready to provide it.

John Kao is clearly right to say that we are already moving out of the Information Age. Information, of itself, will only very rarely deliver competitive advantage.

More than ever before, it's what we do with that information that will matter. Our value to clients will be in exact proportion to our ability to take information, to take knowledge, all of it almost certainly known to others, and – through a series of creative acts and processes – transmute that knowledge into unique and wantable goods, services and systems.

It will be extremely difficult – and probably extremely painful – for long-established client companies to welcome creativity into the instinctive heart of their organisations.

In theory, those of us in marketing services companies are more perfectly poised to help than any other. We are, after all, the only group of professionals whose job it is to apply talent and imagination and ideas to commercial activities for measurable commercial purposes. D&AD's current 'Twin Peaks' Exhibition contains a great many examples of the demonstrable, quantifiable benefits of creativity.

But I fear that we have at least one serious problem to overcome before we are welcomed as the rightful senior partners to our clients in the new creative age.

WPP Group plc

We must first recognise ourselves, and then convey to others, that creativity is not simply about communications.

It may not be as true for design companies, but I believe it to be true for most advertising agencies: I believe that, over the last 30 years and in most parts of the world, agencies have become more rather than less specialised in the forms of creativity they offer: and by more specialised, I mean more narrowly focused and therefore more limited.

There was once a time when client companies would welcome an agency's thoughts on just about all aspects of their business: diversification, brand strategy, investment, internal training, presentation – as well as advertising and promotion. For a wide variety of reasons, all that has changed: certainly in the US and the UK. Increasingly, clients expect only creativity in their communications from their agencies – and, increasingly, that's all that agencies are organised to provide.

The internal consequence of this is significant. It's clear from the books, and from talking to David Ogilvy and others, that the best agencies were once all-round inventive enterprises. Clients approached agencies hoping for and expecting inventive and unorthodox perspectives on their total businesses.

Today, it seems, only creative departments are expected to be creative – and the consequence of this is two-fold.

The first is to reaffirm the impression that the only creativity that matters to clients is the creativity of their communications – the words, the pictures, the packs, the posters.

WPP Group plc

And the second effect, linked to the first, is that it increases the risk of advertising creativity being seen, at least by its practitioners, as an end in itself – rather than the means to an end for a happy and prosperous client.

I know this is a debate that D&AD has had with itself over the years; and again I must congratulate you on your ‘Twin Peaks’ approach.

But if I am right, we in advertising and design are not nearly as well placed as we should be to take advantage of the new, burgeoning age of creativity.

People in creative departments, however outstanding, are rarely recruited for their understanding of business. Nor am I suggesting that they should be.

What I am saying is this: that increasingly clients will be looking for creative strategies, creative processes, creative ways of communicating with their increasingly fragmented staff, creative ways of understanding and leveraging their corporate brand strengths; and creative ways not just of generating ideas, but – in the words of John Kao “making creativity actionable”.

That’s what many will be looking for – if not now, then soon. And if they don’t find it from us, they’ll go looking elsewhere.

I believe we will make a very great mistake if, just because we dismiss the management consultancies as uncreative, we also dismiss them as potential competitors.

WPP Group plc

Listen to this:

“Many brands today are dying. Not the natural death of absence but the slow, painful death of sales and margin erosion. The managers of these brands are not complacent – in fact they are constantly tweaking the advertising, pricing and cost of their brands. At the heart of the problem is a more fundamental issue: can the original promise of the brand be re-created and a new spark lit with today’s consumers? We believe it can. Most brands can be reinvented through brand renaissance.”

Even ten years ago, that could only have been written by one of the great design companies or advertising agencies.

It comes, in fact, from a recent Boston Consulting Group brochure.

For client companies anxious to become more flexible and creative, but equally fearful of the effects of such a change on their own internal structures and traditions, the steady hand of an established consultancy could be very desirable indeed. And particularly one which has learnt to speak the language of brands with such warmth and familiarity.

You may well believe that the number of client companies seeking creative help with strategy and systems will be limited; that the great majority, and perhaps an increasing majority, will believe themselves strategically self-sufficient; and that the only creative contribution they will willingly pay for will continue to be communications.

WPP Group plc

Even if this should be the case, we are still vulnerable. If all that clients want is ideas – lots of them, from which they can pick and mix to their hearts' delight – then they won't want conventional, full-service advertising agencies. They'll want fast, flashy, fee-based ideas factories: factories who take the client's strategy with no questions asked and come back within days with a hundred different executions.

We haven't heard the last of the CAA/Coca-Cola story. And the CAA/Coca-Cola story will not be the last of its kind that we hear about. So we face competition not just from each other, as we all too comfortably sometimes think; but from two relatively new sources.

From further upstream, where the strategy starts and the client's chief executive gets deeply and personally involved, we face new competition from the established but still ambitious consultancies. And from further downstream, happy to serve clients who have no identified need for a strategic partner, we face competition of another kind: from companies capable of generating ideas and designs and promotions and commercials at a speed and a cost far closer to that of newspapers and broadcasting than to the stately deliberations of conventional advertising agencies.

At exactly the time when the traffic is getting faster and louder, and coming at us now from both directions, the middle of the road may prove an extremely uncomfortable place to find ourselves.

Now let me tell you why we start on this new creative age with some worthwhile advantages.

WPP Group plc

We are the only professional group that has, for a great many years now, been consciously turning the talents of creative individuals to clients' business advantage.

We are the only group to recognise out loud that business success and progress depend on hunch, intuition, trial and error and inspiration – as well as analysis, precedent and the rigorous application of research.

Above all, perhaps, we are the only group of business advisers which consciously works from the ultimate consumer backwards.

Aldo Papone, of American Express and BodyShop, is a man who's been choosing and employing agencies, design houses and consultancies all over the world for 30 years or more. And he makes this important point: To buy, from a management consultancy, a thorough and accurate analysis of your company's market – its strength and its weaknesses, its competitors and its future – is always worth doing. But you're still, as management, left wondering what to do with all this information.

The wonderful thing about a good design company or a good agency, says Aldo, is that the analysis can be just as thorough, but they also leave you with actual things: actual, practical recommendations – words, pictures, designs, programs – that you can actually do something with. And he says, with some surprise, *"I often wonder why you don't make more of that."*

WPP Group plc

I wonder, too: and I find his insight an extremely helpful one when wondering what we should all do next.

To read the winning submissions to the IPA's Advertising Effectiveness Awards is to be reminded just how valuable a good agency can be: not just because highly effective advertising is produced and placed, but because of the sometimes quite priceless value of the advertising development process itself.

As the analysis is done, and consumer attitudes established, and then ideas tried out and modified and strengthened, so a great wealth of knowledge and understanding emerges – about the whole of the client's business – and it comes from the only source that ultimately matters, the sovereign with increasing power: the choosing, buying public.

That sort of process provides a bottom-up understanding of a business enterprise in a way that the top-down consultancies would find it difficult to equal.

But still, at least in the agencies, we tend to give such invaluable insights away: they come free, with the layouts and the storyboards. And we talk about something called 'our creative product' as though only the words and the pictures are creative – and never the processes of thought and analysis and imagination that led up to them. No wonder Aldo Papone is puzzled by our reticence. No wonder we find fee negotiations getting harder all the time.

In a business world that is going to put a higher and higher value on integrated creativity, we are in danger of losing what should be our overwhelming advantage – by allowing something called creativity to be confined to the creative compound.

WPP Group plc

What we sell are pearls. Whether we are designers or planners or writers or art directors or corporate strategists, our raw material is knowledge. We turn that knowledge into ideas, insights, and objects that have a material, quantifiable value to our clients.

They are all pearls: of wisdom, of beauty, of desire, of wonder. Only the human mind can perform this extraordinary alchemy. And only certain kinds of mind, at that.

But here we must be very careful. We have come to believe that only very few are alchemists – and I think that’s wrong and dangerous.

I believe we will survive and thrive in the new creative age only if we enlarge both our understanding and our delivery of creativity. And I’ll deal with those two separately.

Both as a nation and as an industry, we need to start closing a few cultural gaps.

When people first hear that there is a professor of creativity at Harvard Business School, they’re always surprised and usually make jokes.

Partly that’s a result of straightforward prejudice – and partly, I suspect, because we tend to use the word ‘creative’ in such a restricted sense that it immediately conjures up the vision of some head-shorn, ear-ringed art director.

What should be surprising – even slightly shocking – is how rare it is for creativity to be taught anywhere.

It’s one of those great and imaginary gaps. Conventional thinking tells us that there are competent, conscientious, diligent, numerate, businesslike people.

WPP Group plc

And then there are creative people.

That is certainly not how it seems to me – and certainly not how it must be in the future.

When the enlightened client of the future employs a marketing services company, he will hope to be employing a team of all the talents. He won't want to deal with an empty suit who has occasional, privileged access to something called the creative department: he'll want his account man and his planner and his media planner to be at least as inventive in their own respects as any writer/art director team.

Brand advertising in the next 20 years is going to demand a great deal more than the ability to write, produce and place a 30-second spot on network television. If our world doesn't increase the breadth of creativity it can provide for its clients, then our clients, out of cold necessity, will emigrate to those who can. And if we are to repel the rapacious consultancies, anxious to usurp our strategic function (and a great deal better at getting paid for it) then we must also increase the breadth of our creativity. I am absolutely certain that the only way for agencies to get back upstream, to get back up the value chain, to regain their lost strategic ground, is not to forsake their creative heritage – but to build on it. But that means a much wider understanding of the meaning and nature of creativity than we commonly hold today.

So much for a greater understanding of creativity. There is as much to be done, I believe, in its delivery.

WPP Group plc

To return to Charles Handy. He writes:

“The cultivation and exploitation of imagination will need new organisational forms. We shall need to look for them in unfamiliar places. Perhaps in the theatre or in the arts, in unlikely places such as universities, or in the metaphors of the new sciences with their complexity and chaos theories... Imagination starts with individuals but flowers in groups, and it needs the power of an organisation to bring it to its full potential. The challenge of bonding the individual to the organisation is one that will stretch the imagination of our leaders – and they will be leaders rather than managers, for creativity can be led, it can be channelled and fostered but it resents being managed.”

It is here that the understanding and the delivery of creativity come together. I'm delighted to find that, around the world, in major WPP companies, there are already 14 different test-bed experiments going on – and they're all to do with the reorganisation of client teams. No one knows what the 14 experiments will deliver – but I'm greatly encouraged that they're happening and I hope there will be more. At the very least, the shaking-up of structures and processes that pre-date the new technology by about 100 years can't fail to have a liberating effect that should be greatly to the benefit of clients.

WPP Group plc

Then, too, we must be ready to compete on more than equal terms with the ideas factories. New structures may speed us up a bit; a new breadth of understanding may widen our repertoire of creative solutions; but I suspect we need to be a lot more adventurous than that. I think we need to start learning from, and be ready to sub-contract to, a huge diversity of peripheral talent. Handy mentions the theatre and the arts and the universities. I would add some of the sciences, electronic publishing and design, theatrical stagecraft and a great many more I don't even know about.

And I suspect we should embrace these creative cousins in two ways.

First, I think we should get to know them better – because anyone who is managing a complex and creative organisation is doing something of the greatest interest to us. It's most unlikely that we will find many tidy practices we can simply adopt; but it's very likely indeed that we would derive huge benefits from such an open-minded exploration.

There's another important reason that we should know them better – and that's because we should have a lot of them on our books.

I don't mean on our pay-rolls: they wouldn't want that, and nor would I. I mean, we should know where they are and what they can do – and be able, on a case-by-case basis, when the strategy dictates, to bring them in as temporary extensions of the client team. It is, after all, how we have used commercials producers for many years. Last week Tina Turner was playing Wembley. Tina, predictably, was quite amazing; but even more

WPP Group plc

amazing, by all accounts, was the stagecraft: the spectacularly inventive use of sound and picture and the new technology – not just for showing off, but for sensational theatrical and magical effect.

As media continues to fragment, and massive audiences become more and more difficult to buy, there will inevitably be a demand for other forms of spectacle.

If I were a client, I would not expect my agency to have in-house experts in all known skills. But I would be very comforted indeed to know that, through my agency, I had immediate access to the world's most talented musicians, inventors, composers, writers, directors, lighting men, computer games designers, special effects masters – and the leading-edge wizards behind Tina Turner at Wembley. We should not only be seen, in the round, as creative business consultants: we should also be seen as a gateway for clients to a vast gallery of other talents.

If we don't do it, someone else will – and they're probably called Spielberg or Disney.

As you've almost certainly forgotten, the title of this lecture is: *"Beans and Pearls: The beginning of the end of either/or?"*

What that wistful question represents is this hope: that we can begin to narrow yet another gap, to eliminate yet another false antithesis. I find it absurd that clients when looking for commercial partners should feel that they have to choose between marketing companies who are sound but solid, and creative companies who are occasionally brilliant but almost as often unbusinesslike.

WPP Group plc

As I hope I've made clear, I believe that every advance that our own industry makes in the new creative era must be built on our own creative heritage. It is that which distinguishes us; it is that which our clients pay for; and it is that which will be in ever more demand.

But we will earn those new responsibilities, and achieve that new respect, only if we behave like a grown-up industry.

Engaging grown-ups, I hope. Eccentric, inventive, challenging and unconventional grown-ups. Grown-ups who help their clients look through new doors and open up new vistas of opportunity and profit.

All those qualities are entirely compatible with being grown up. Just as the alchemy of turning knowledge into pearls is entirely compatible with the need to make beans: and having made them, to count them.

WPP Group plc

Advertising

Ogilvy & Mather Worldwide
J. Walter Thompson Company
Asatsu¹
Conquest
Cole & Weber
Batey¹
Equus¹

Media planning, buying & research

MindShare
The Media Partnership¹
Portland Outdoor¹
CIA²

Information & consultancy

The Kantar Group:
Research International
Millward Brown
Kantar Media Research
– IBOPE Media Information¹
– Symmetrical Resources¹
– Simmons¹
BMRB International
IMRB International¹
Winona Group
Goldfarb Consultants

Public relations & public affairs

Hill and Knowlton
Ogilvy Public Relations Worldwide
Timmons and Company
The Wexler Group
Carl Byoir & Associates
Buchanan Communications
Chime Communications PLC¹

Specialist communications

Branding, identity & corporate consultancy
Addison
Banner McBride
BDG McColl
Brouillard
Coley Porter Bell
Enterprise IG
SBG Enterprise
JWT Specialized Communications
Scott Stern

Direct, promotion & relationship marketing

A. Eicoff & Co
Einson Freeman
EWA
Mando Marketing
Oakley Young
OgilvyOne Worldwide
Primary Contact
Promotional Campaigns Group
RTCDirect
The Grass Roots Group¹

Strategic marketing consulting

The Futures Group¹
The Henley Centre
Management Ventures (MVI)
MSI Consulting/Charles River
Strategies
Quadra Advisory¹

Sector marketing

Demographic marketing

The Geppetto Group
The Intuition Group
Mendoza Dillon & Asociados

Healthcare

CommonHealth

Real estate

Pace

Retail

Walker Group/CNI

Technology

Smith and Jones

Media and technology services

Clever Media
The Metro Group
Savatar
The Farm¹

New media investments

BroadVision²
Wired Ventures²
HyperParallel²
NewsEdge Corporation²
Media Technology Ventures²
Peapod²
Syzygy²

¹Associate investment

²Minority investment

WPP Group plc

Advertising. Media Planning, Buying & Research. Information & Consultancy.
Public Relations & Public Affairs. Specialist Communications.

www.wpp.com

WPP Group plc
27 Farm Street
London W1X 6RD

Tel 44-171 408-2204 Fax 44-171 493-6819

WPP Group USA Inc
309 West 49th Street
New York NY 10019-7399

Tel 1-212 632-2200 Fax 1-212 632-2222