

## PARAGON ADVERTISING AGENCY<sup>1</sup>

Paragon is a large advertising agency employing several hundred persons. Paragon provides its clients with two major services:

1. Plans for the contents of an advertising campaign: slogans, layouts, basic selling points
2. Plans for the media: radio, television, newspapers, magazines, billboards

Paragon can also provide clients with aid in marketing and distributing products and with marketing research to test advertising effectiveness. The agency's income is derived from a 15 percent rebate on charges made by the various media or from fees paid directly by the client, usually a large corporation.

As Figure 1 shows, Paragon is divided into three basic parts: the Creative Branch, the Marketing Branch, and Account Management.

Originally, the Creative Branch had four departments: Copy, Art, Newspaper/Magazine Production, and TV/Radio Production. Copy staff wrote scripts for television and radio commercials and the written contents of printed advertisements. Art staff designed the layout of ads and provided needed illustrations. The two production departments finished the rough work provided by Copy and Art and arranged for its appearance in the chosen media. For television and radio this included filming and taping commercials and later distributing them. For newspapers and magazines it meant reproducing mats of advertising and supplying them to selected newspapers and magazines.

The Marketing Branch focused on the selection, usage, and evaluation of the media through which the advertising could be presented. Marketing had three departments: Media, Merchandising, and Research. Media staff studied the various media, i.e., newspapers, television, radio, and the specific units within each, i.e., individual television programs, individual newspapers, and individual radio programs, to estimate the least costly ways of reaching the most possible buyers. Media staff then purchased air time or newspaper space. Merchandising staff assisted clients in designing displays, packages, and distribution methods. Research staff surveyed markets to eliminate potential and to assess the impact of advertising.

Account Management included an executive for each account. He or she was to act as the link between client and agency and as coordinator of specialists within the various departments inside the Creative and Marketing Branches.

So much for a description of the formal organization structure. It does tell you what the official reporting arrangements were, but it doesn't give you a sense of how people at Paragon worked together in day-to-day activities. There were, however, serious difficulties in those working relationships, and the top-level managers at Paragon believed those difficulties had roots in the organization structure.

For example, the Account Executive was officially designated as a focal point through which all of Paragon's contacts with a client were to be channeled. But, in practice, there was substantial contact between Paragon staff members and their counterparts in the client's organization. Artists talked to artists, copywriters to advertising people, and market researchers to market researchers.

These direct contacts upset the Account Executives, who felt unable effectively to control Paragon-client relations. One complained:

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<sup>1</sup> David Hampton: Management, pg 286

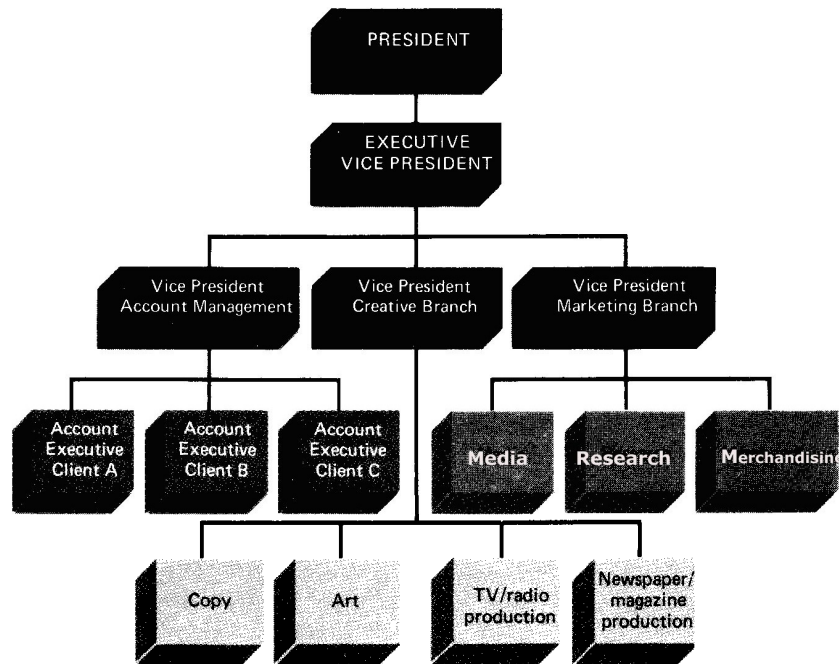


FIGURE 1 Organization chart: Paragon Advertising Agency before reorganization.

Control, control? How the hell can I keep track of five or six prima donnas? Each of them (agency professionals in different specialties) tries to play up *his* or *her* big idea to the client, and half the time I don't know about it until a couple of hours later. If I were stronger, I would make the whole pack of them come to me first. Yes, before they did *anything*.

Another difficulty arose from inconsistencies between Account Management's definition of good work and the definition of good work within a Creative or Marketing Department. For example, a copywriter's advertisement might please the client and yet be considered a sloppy piece of work by his or her colleagues. Or, the result of a market research survey might horrify a client and yet be a first-rate professional job. As one research supervisor said:

The most discouraging part of this is that the Account Executives always want our findings to show positive results. You know that our advertising is the best and that it's selling soap, that it's better than last year's. But a lot of our research either shows nothing really positive or sometimes shows that our advertising is worst. There's a lot of pressure to fudge around. I think my biggest job is to show people the truth, not to tell them what they want to hear.

Remember, nobody cares how good our research is except us; the client and the agency only want results. We're in business to sell soap and not to do sophisticated research, that is, as far as they're concerned.

Professional staff employees, e.g., artists, copywriters, and market research specialists, varied in the degree to which they valued technical excellence in their work. One type of professional employee, the craftsman, judged her or his work in terms of its excellence within the particular specialty. Craftsmen were especially disturbed by pressures from Account Executives or clients to do anything in conflict with their professional standards.

Had these various tensions between Account Management and the Creative branches been confined to minor squabbles inside the Agency, they would not have distressed top management as much as they did. But the conflict between groups inside Paragon interfered with its ability to provide efficient

service to its clients. For this reason some clients took their business elsewhere.

It should also be mentioned that there seemed to be a general change in the conditions under which Paragon operated, a change that made the Agency's internal difficulties seem more serious. For many years business had been relatively stable. But there now seemed to be a trend toward a more rapid turnover of accounts and more rapid changes in the needs of established accounts. This instability necessitated more speed and flexibility than the old structure seemed able to provide.

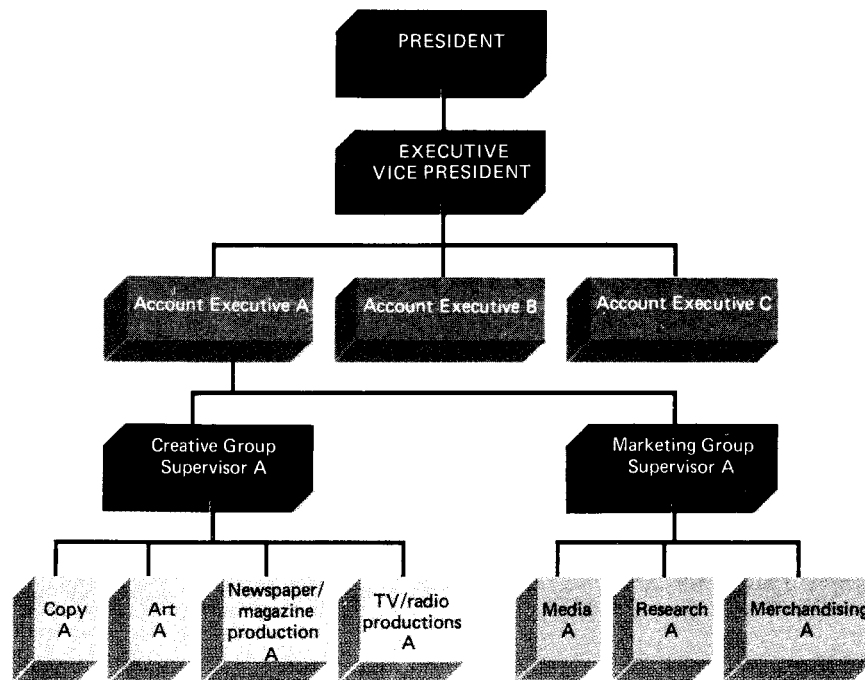


Figure 2 Organization chart: Paragon Advertising Agency after reorganization.

As a result of its loss of business and its awareness of the changing conditions, top management decided to reorganize the Agency along lines they judged better calculated to assure client satisfaction. Figure 2 shows the new organization chart.

Instead of drawing on specialists in various Creative and Marketing departments, each Account Executive would head a mini-agency. Members of the old departments were organizationally and physically separated now and dispersed into the new client-centered units located in various parts of the Agency's building.

### Questions

Will the Account Executive's control over contacts between Agency personnel and clients be improved?

How will the reorganization affect job satisfaction for the craftsmen?

How will the reorganization affect the Agency's performance for clients?