An Exploration of Korean Advertising Agencies After Integration into Global Communication Groups

Abstract

Although Mergers and Acquisitions (M&As) have long been standard practice in the advertising industry, there has been a dramatic increase in their occurrence both in the United States and internationally in recent years. Korea, the seventh largest advertising market, has not been excluded from this global M&A trend. While much research has focused on M&As from the perspective of organizations, not much emphasis has been given to the human side of M&As, even though it is thought to be important for the success of the newly merged unit.

This study focuses on the attitudes and perceptions of possible changes in work culture and tasks by professional employees from four Korean advertising agencies recently acquired by global groups. A total of 96 surveys were completed by professional employees from three departments (Account Management, Creative, Media). Comparisons are made between professionals from different departments, different agencies, and the number of years at an agency. In the results, it was found that many employees have been stressful regarding their English skill and newly initiated some efforts to improve their
English proficiency. In addition, most of the participants answered that their loyalty to the companies has been comparatively decreased after the M&A. Finally, among diverse departments, Account managers have been taking advantage of the M&As most for recruiting new clients who generally expect that they could get some extra benefits from Global networks.

key words: mergers and acquisitions, advertising agency
Conglomeration is a significant, ongoing trend in the global advertising industry. According to a report from Advertising Age (May 2, 2005), only a handful of communication groups dominate the advertising industry (Omnicom Group, WPP, Interpublic Group of Cos, Publicis Groupe). The combined revenue of the “Big Four” contributed 57.4% ($6.43 billion) to the revenue of agency and media activities in the United States, and this rate is increasing. Membership in such conglomerates has also expanded worldwide. For example, approximately 60% of WPP’s billings come from countries outside the U.S. (Advertising Age, 2005). Although mergers and acquisitions (M&As hereafter) in the advertising industry have been going on since the 1950s (Johnson & Simon, 1969), they have been particularly prevalent in recent years (Advertising Age, 2003; Jung, 2004; Wentz, 2000). Many of the advertising/PR agencies across the world have been integrated into a few major global communication groups (Hennink-Kaminski, 2005; Nachum & Rolle, 1999).

Korea, the seventh largest advertising market in the world (Ad Times, 2004) with annual billings of about $6 billion in 2003 (KOBACO, 2004), has not been excluded from the global M&A trend (Asian Market Research News, 2002). At least three of the top nine advertising agencies in Korea were acquired by one of the top global communication groups over the past three years (Korea Broadcasting Advertising Corporation Report, 2005, KOBACO, hereafter). Therefore, agencies owned by global communication groups have become major players in the Korean advertising market. According to KOBACO’s report (2005), approximately 60% of advertising in Korea is conducted by one of those agencies.

The majority of research on M&As in the advertising industry has focused on the description of market environments and the results of these mergers in terms of profit (e.g., Ducoffe & Smith 1993, 1994; Johnson & Simon, 1969; Nachum & Rolle, 1999). The majority of studies have either analyzed the changes in the structural features of the industry during this M&A era or evaluated specific M&A cases (Linnet et al., 2000). The study of the human aspects of M&As has been given less attention than other issues common to M&As in most other industries as well (Daniel & Metcalf, 2001; Vinten, 1997; Cartwright & Cooper, 1990; Colleen, 2002; Napier, 2001; Gutknecht & Keys, 1993; Fairfield-Sohn et al., 2002).

This exploratory study attempts to shed light on the effects of acquisitions in Korean advertising agencies by global communication groups from the perspective of employees. An attempt is made to identify changes after the acquisitions within the recently acquired Korean agencies. This study was conducted using a survey among employees in four agencies acquired between 2003 and 2004. Due to an agreement with the four agencies, the names of the agencies will not be reported in this study.
Literature Review

M&A drive across the world and the Korean Advertising Industry

Even though the M&A issue has been discussed for a long time (e.g., Bernstein, 1979; Johnson & Simon, 1969), the frequency of M&As in the advertising industry has skyrocketed in recent years (Euroweek, 2000; Advertising Age, 2003). As a result, only a few big communication groups have come to dominate the advertising industry. Omnicom, the world’s biggest advertising group as of 2005, alone owns three of the biggest ad agencies in the U.S.: BBDO, DDB, and TBWA, WPP, the world’s second biggest ad group, bought 50 companies in 2001 alone and Grey Global Group was also bought by WPP for $1.52 billion in 2005.

The big wave of M&As has reached Korea’s advertising industry. Foreign agencies were a presence in the Korean advertising industry long before the recent wave of M&As. However, they were mainly joint ventures with Korean agencies or just branches of foreign agencies, and it was the domestic agencies who dominated the market (Jeong et al., 2002). According to a report by KOBACO (2001), only three foreign agencies (McCann Erickson Korea, TBWA Korea, Hakuhodo Cheil) were ranked within the top 15 ad agencies in 2001, indicating that international agencies were not a major force in the Korean Advertising industry. Jeong et al. (2002) proposed two reasons for that situation. First, there was the dominant presence of local in-house agencies. Chaebols, big business groups having many subsidiaries, used to be the major force in the Korean economy. Chaebols owned a diverse range of companies, from cosmetics to cars, and ran many kinds of subsidiaries. As one subsidiary company among many in Chaebols, in-house agencies had a built-in client base making it difficult for other agencies to compete. In that environment, there were limitations to fair competition between in-house agencies and other agencies (Han, 1998; KOBACO, 2000). The biggest ad agency in Korea is Cheil Communication, a subsidiary of the Samsung business group. Its worldwide gross income was $185 million in 2004 and it is ranked 17th worldwide (Advertising Age, 2005).

According to data from KOBACO (2000), four ad agencies in the top five were in-house agencies belonging to big business groups. This industry structure in which in-house agencies play a prominent role has resulted in foreign advertising agencies being relatively minor players in Korea’s advertising market (Han, 1998; Jeong et al., 2002).

Another reason for the limited success of foreign agencies in Korea is the country’s unique media buying system. KOBACO, which formed following a political revolt in 1981, has the authority to sell all broadcasting...
media time. This means that there is no direct buying/selling between stations and ad agencies. There were no regulations prohibiting sales of space and time to non-Korean agencies, but most prime time slots are offered to major in-house agencies first (Han, 1998). Due to this preferential treatment by KOBACO, foreign agencies met with “invisible” barriers to their success.

This long established structure has started to change. The collapse of numerous Chaebols, resulting from the economic crisis and reforms in Korea in the late 1990s, is likely one reason. This forced the Chaebols to split into many independent groups, or at least lose the power to control other subsidiaries (Jeong et al., 2002). The extent of that dominance of in-house agencies has weakened (Han, 1998; KOBACO, 2000). There have been changes not only in the agency rankings, but also changes in the client portfolios held by those agencies. Many previous subsidiaries changed their advertising agencies from in-house to independent agencies (Advertising Information, 2005). As a result, many ad agencies have been forced to compete without the advantage gained from being a subsidiary. Under this transitional atmosphere, another big change is the many M&A events with international agencies. The rush of global communication groups into Korea hoping to find business opportunities in this transitional situation is a recent trend in the Korean advertising industry (AD Times, 2004).

Reasons for M&As in the Advertising Industry

M&As have been used as a common growth strategy for advertising agencies in the U.S. over the past three decades (Ducoffe & Smith, 1993, 1994). At least in the first stages of M&A, both sides commonly indicate they are highly satisfied and expect additional financial benefits from the action. In the case of WPP and Young & Rubicam, the largest acquisition in advertising history, both parties said they were totally satisfied despite various contradictory opinions expressed by others (Linnett et al., 2000). At a shareholder meeting immediately following the union, Young and Rubicam CEO Tom Bell said that, “Our proposed merger with WPP will put us at the top of the heap” (Advertising Age, 2000).

The positive attitude on both sides was expected to generate greater economic efficiency, especially through size effects (i.e., the economies of scale and scope and other synergies) (Peltier, 2004). M&As have long been considered one of the fastest and safest ways to grow in the advertising industry (e.g., Bernstein, 1979). Major motivations for M&As among advertising agencies are often: common aims such as profit maximization, risk avoidance, enrichment of senior management, or simply the desire to form huge corporations (Ducoffe & Smith, 1993). One benefit, particularly relevant for cross border
M&As, is that there is little reason for the agencies to worry about client conflicts between international agencies. The issues of client conflicts can be a concern for M&As among domestic agencies.

Smaller agencies generally accept an acquisition for one of the following reasons: a lack of capital to carry through essential improvements, a loss of important accounts, a loss of top personnel to "greener pastures," or superior financial capabilities on the part of competitive agencies in gaining accounts (Advertising Age Annual, 1978; Ducoffe & Smith, 1993).

In the Korean advertising market, the specific acquisition of LG AD by WPP utilized different motivating factors between the two sides (the acquiring party, the global communication group, and the acquired party, a local agency in another country). According to Advertising Age (2002), WPP was motivated by Korea’s growth prospects and internationalization. On the other hand, LG AD said they were interested in becoming part of WPP because of the company’s reputation and possible opportunities for knowledge transfer (Advertising Age, 2003; Moon et al., 2003). In addition to knowledge transfer, the acquired party expected that it would be supported by a global network for their clients to conduct business internationally. This optimism regarding size effects is common to merging and merged parties (Peltier, 2004). Another Korean ad agency that was acquired by WPP, DIAMOND AD, also mentioned the same potential benefit as the major reason for the acquisition. They listed all the branches of WPP and various detailed information (revenue, characteristics of companies, human resources) on their website, and indicated the advantages provided by WPP’s network would be highly beneficial to their clients (www.diamondad.co.kr, accessed July 14, 2005).

The positive association created by being a member of a global group is another motivating factor for the acquired company. Nachum and Rolle (1999) indicated that the selection of an ad agency by a potential client is strongly influenced by who owns that agency. They suggested specific benefits that can be had from ownership by a well-respected agency: size, international experience, longevity, and maturity. Most of the attributes are potential benefits if a domestic agency builds a partnership with a global communication group (AD Times, 2004). This concept is illustrated by two Korean agencies’ responses after their acquisitions by a large multinational group. Even though the two companies’ acquisitions were part of a restructuring process of the umbrella business group, they publicized their new ownership by a global group. They promoted the change of ownership as a means of attracting new clients. According to Na and Marshall (2001), one of the most important evaluative criteria used by clients for selecting an ad agency in Korea is marketing capability. Therefore, it is highly possible that some client companies desire their business
to be supported by agencies that have partnerships with world class marketing groups. Furthermore, many companies that plan to conduct overseas marketing may prefer to select an agency with access to global networks.

Human side: A Crucial Factor for Successful M&As

Research conducted on M&As in a variety of different industries found that they are more likely to be unsuccessful than successful (Lipponen et al., 2004; Marks & Mirvis, 2001; Tetenbaum, 1999). According to Peltier (2004), approximately 60 percent of M&As have turned out to be a failure. Even though there may be many variables which cause unwanted results, researchers have noted the lack of attention given to the human side of M&A as a cause (Buono & Bowditch, 1989; Carey & Ogden, 2004; Calori et al., 1994; Davies, 2004; Moon et al., 2003). Employees’ perceptions and responses towards M&As may be one of the major factors that allow M&As to be successful (Carey & Ogden, 2004). Employee issues, such as psychological combinations, have been considered to be the last phase of M&A (Buono & Bowditch, 1989). Although time consuming, this phase is very crucial to the long-term development of the new organization.

The human side of M&As in advertising agencies has not received much attention in the literature. Some studies have indicated that practical changes employees may experience after the M&A, such as employees in larger agencies receiving more benefits than the employees of smaller agencies in terms of salary and the opportunity to work on high-profile accounts (Sizing, 1989). However, the specific changes in the employees’ perceptions toward work and the company have scarcely been discussed. McMellow (1990) reported that there were examples of the departures of major people in the creative department due to their perceptions of changes resulting from the acquisition. The loss of creative freedom and the high involvement of management in their work after an acquisition created unexpected pressures for creative people. Therefore, how the employees accept the change is a very important aspect of M&As (Bligh, 2002; Lipponen et al., 2004). Depending on the changes in psychological factors, the company may lose key human powers that are an asset of an advertising agency. The change in attitudes may result in a decline in organizational commitment and job satisfaction by some employees (Newman & Krzystofik, 1993; Schweiger & Dinisi, 1991), which can be linked to the final failure of the M&A.

In media management literature, M&As have been compared to the sense of loss experienced following the death of a close friend or relative (Schweiger et al., 1987;
Marks & Mirvis, 1986). From a personnel psychological perspective, the M&A is considered the potential source of employees’ distress. Marks (2003) introduced the term “madness,” which can emerge during the process of M&As. The results of this initial madness include fearfulness, suspiciousness, and cynicism that develop in the workforce. This unstable, emotional status has been considered to be a typical response of employees after M&A events. This can have an impact on the productivity of the company.

However, not all M&As create such emotional turmoil in the employees. The employees’ attitudes, a crucial condition affecting the results of M&As, vary greatly from case to case (Fairfield-Sohn et al., 2002). If the event was conducted in a friendly, rather than a hostile manner, employees will have less negative attitudes toward the new organization. Also, the degree to which the expectations of individual employees are met may result in having difficult attitudes. Other variables that may result in different attitudes of employees include: time that has passed since the M&A, degree of communication with employees, and the role of the Human Resource Management Department (Fairfield-Sohn et al., 2002). Therefore, even though an M&A is often considered a “traumatic event” for employees, understanding the degree of their perceptions of changes in the general work culture, job functions, the usage of foreign languages, and the relationship with clients can help shed light on the likelihood of success of such international advertising agency M&As.

Theoretical framework and Research Questions

Organizational culture

Since the mid 1980s (e.g., Buono et al., 1985; Marks & Mirvis, 1985), the organizational culture theory has been used as a theoretical background for M&A issues. It has been applied to several cases of M&As across several fields, such as media industries and car companies (e.g., Schraeder & Self, 2003). Even though this theory has rarely been used in the case of the advertising industry specifically, this theory has the power to explain a wide variety of corporate problems and behaviors (Mierzewska & Hollifield, 2005). Furthermore, organizational culture theory is a viable framework to use to explain international acquisition, the topic of this study.

Organizational culture includes two conceptualizations: a) characteristics of the subjective culture, or the shared values and beliefs among organizational members; and, b), characteristics of the objective culture, or office locations, physical setting, and office décor (Buono et al., 1985). Culture is defined in media management literature as shared prac-
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...tices, knowledge, and values that can be transmitted from experienced members to newcomers through socialization in organizations. Culture in an organization is created by the national culture in which the organization operates, the founders and their leadership, and the organization’s operating environment (Ott, 1989). Schein (1985) also pointed out that culture is a solution prepared by organizational members to deal with external and internal problems. In a possibly stressful event, such as an acquisition, employees may create an unusual culture for situations with which they have never dealt.

Organizational culture also influences the everyday operations of a company. It shapes a group’s process, material output, and ability to survive (Bantz et al., 1997; Bloor & Dawson, 1994; Mierzewska & Hollifield, 2005). Therefore, the core rationale of organizational culture is that the culture established in an organization is related to several aspects of that organization, such as determining priorities, influencing employees’ behaviors, and even affecting outcomes (Martin & Frost, 1996). In this way, an organizational culture created among employees can have a significant impact on a firm’s long-term economic performance, which is a crucial factor in deciding if the acquisition failed or succeeded (Kotter & Heskett, 1992). Specific to the advertising industry, the relationship of advertising personnel and their clients is one of the most important factors in client satisfaction, which strongly influences the agency’s success (Michell et al., 1992; Wackman et al., 1987). The employees within an advertising agency are the reason why agencies retain clients and obtain new ones. Na and Marshall (2001) indicated that one of the most important factors for selecting an advertising agency in Korea is the personnel of the agency.

Employees’ perceptions of the overall work culture, as well as specific features related to their specific job tasks after an acquisition, may prove meaningful for the future performance of that merged agency or other agencies not yet merged. The current study is a micro-level exploration of M&As, which looks at possible changes within acquired agencies from the view of their respective professional employees.

In the survey, employees were asked their opinions about their general work culture in the acquired advertising agencies after the change of ownership. The questions include the issues of change of task flow, new leadership, job performance, relationship between colleagues, and use of a foreign language, which is the native language of the acquiring company. The first research question examines the employees’ perceptions of change of the general work culture after the acquisition,

- RQ1: What, if any, are the perceived changes in the work culture within recently merged agencies?
Employees accept change after M&As differently depending on their specific situation (Carey et al., 2004). There are three different grouping variables in the current study used to examine differences in general work culture. The first variable is based on major departments found in any advertising agency: Account management, the Creative department, and the Media department. The second grouping variable is based on years of employment, and the third variable is based on the specific advertising agency from which the employee came. The basic principle underlying the second research question is the same as the first question. However, the second research question is posed to illuminate the possible differences in work culture among the different grouping variables.

- **RQ2**: Are there any differences in the perceived changes in the overall work culture among the three departments, employees with different years of employment, or different companies?

According to Bloor and Dawson (1994), organizational culture often conflicts with the professional sub-culture in an organization. Professional culture is a mental value capable of uniting individuals of the same occupation within an organization. The three different departments that are being analyzed in the current study? Account management, the Creative department, and the Media department? each have their own professional culture; it is highly possible that employees working within these different departments have faced different issues by conflicting with the new culture in the company created after the acquisition. Diversity in detailed issues may exist among these three different departments. In many cases, organizational culture is considered to impinge on professional norms and the freedom of action by professionals (Mierzejewska & Hollifield, 2005). The new organizational culture created in a company after an acquisition is an important factor that may cause professionals in different departments to feel uncomfortable in different ways. Therefore, the third research question is raised.

- **RQ3**: After being acquired by a global communication group, have there been any specific changes in terms of the work culture within the Account Management, Creative, or Media Departments?

**Method**

**Questionnaire Development**

The questionnaire was developed based on a review of the literature and three in-depth interviews. Three Korean Ph.D candidates
majoring in advertising in the U. S., were recruited. Each of the three participants previously had successful careers in a Korean ad agency as professionals in one of three departments (Account management, Creative department, Media department) before becoming doctoral students. The questionnaire developed based on these interviews was pre-tested with three professionals from a recently acquired Korean ad agency. Based on the pretest, some minor changes in the agreement statements were made for clarification.

Questionnaire structure

The final questionnaire for the survey is made up of two parts. Part I contains statements common to all participants across the three different departments and examines the agreement/disagreement of the overall working culture before and after the acquisition (a total of 23 statements). The statements are about a) the perceptions of job/task (meeting time and style, task load, bureaucracy), b) English (English usage, pressure for improving skill, support for English education), c) international issues (intention to work abroad, participation in Ad festival and conference), d) perception of the agency (being positive about the agency’s future, pride as an employee) and e) the attitudes toward the acquiring group (utilizing the manual for task, interest in their business, relationship with managers from head office). Also, participants were asked to answer an extra open-ended question following part one and part two of the questionnaires about the comparisons of the work culture each participant may have experienced before and after the acquisition. Only a very few responses were received to the open-ended questions (less than 10).

The statements in Part II deal with the issues related to specific departments (Account Management department: 14 statements, Creative department: 14, Media department: 15). The statements cover comprehensive issues that may have been experienced by the employees in the three different departments before and after the acquisitions. The questionnaire was originally written in English and translated into Korean by one of the bilingual authors.

The statements in Part II are different depending on the department of the participant. For creatives (Creative director, Copywriter, Graphic Designer, Producer), the statements ranged in topic from the increasing interest in submitting creative products to international Ad Festivals such as CLIO and Cannes, to changes in creative strategy. Statements about the role of the creative director and incentives for a successful campaign were also given to creatives in the acquired agencies.

For the Account Management department, the statements focus more on the manage-
ment of clients and the building of advertising strategy. The statements are about a) possible changes in the clients’ portfolio (increasing domestic or international clients, clients’ expectation and satisfaction, official presentation before clients in English), b) building advertising strategy (using the strategy manual of the global group, conducting the task based more on scientific data), and c) the benefits of the acquisition from the perspective of the client management (helpful for getting new clients, beneficial to manage present clients). To the media department, three types of statements are given: a) media strategy (media planning procedures, usage of the media planning manual from the global group, request of more scientific data from clients, using media planning software), b) new media environment (consideration of non-traditional media, more emphasis on media planning than media buying) and c) the relationships with other departments (consideration of strategy or creative concept for building media strategy, meeting with creatives or account management team). All statements in Part I (General working culture) and Part II (Specific department-related tasks) were answered by indicating agreement/disagreement on a 5-point scale, based upon each participant’s degree of agreement, with a 1 indicating “strongly disagree” and a 5 indicating “strongly agree”. The number 6 was available for participants who either had no opinion about the statement or when they felt the statement was not clearly linked to the changes originated from the acquisition. On the last page of the questionnaire, all participants were asked about their personal information including which agency or department they are in, specific title of their positions, years at the agency, and the total number of years working in the advertising industry.

Sampling and Survey Procedure

The authors established criteria for selecting agencies and participants. First, the agencies for the sample must have been acquired by a global group after January 2003. This was done in order to gain quality data from vivid memories of the employees. Second, the qualification for being a participant was limited to people who had at least three years of work experience in the agency so they could compare the situations before and after the acquisition. The authors originally contacted five agencies to gain permission for data collection; one agency refused involvement. Arrangements for the survey were conducted via the assistance of a manager in the human resources department of each agency. One of the authors worked with the manager to recruit professional participants and conduct the survey. After recruits were identified, a bilingual author passed out a questionnaire
to each participant after confirming that he or she had at least three years of work experience in the agency. If the employee agreed to be a participant, then the author administered the directions and left the survey with the employee. The author allowed one day for participants to fill out the questionnaire. The next day, the author visited the company again and gathered the surveys from the participants.

A total of 118 advertising agency professionals were contacted and asked to participate in the study. Six professionals who were contacted were not given questionnaires because they had other meetings scheduled and did not have time to respond. There were 112 questionnaires distributed in four different Korean advertising agencies. Sixteen questionnaires were not returned either because the respondent lost it or he or she did not complete it. A total of 96 questionnaires were completed by advertising professionals for a response rate of 81.4% and an adjusted response rate of 85.7%. The response rate across agencies ranged from 73.3% to 92.5%. Participation resulted in 47 participants from Agency A, 25 participants from Agency B, 13 participants from Agency C, and 11 participants from Agency D. Regarding specific departments of participants, 42.7% were in the Account Management department, 37.5% were in the Creative department, and 19.8% were in the Media Planning/Buying department. Half of the respondents had worked at their agency eight to fifteen years. Approximately one in five had been with their agency four to seven years. About three out of ten respondents were with their agency 16 or more years.

Table 1 presents a profile of the respondents.
Table 2  Mean Level of Agreement on Statements Regarding Changes Since Agency Acquisition (All Departments)

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean*</th>
<th>Std</th>
<th>Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>English rewarded</td>
<td>4.38</td>
<td>785</td>
<td>... a sense that better English skills will be rewarded</td>
</tr>
<tr>
<td>English classes paid</td>
<td>4.09</td>
<td>1.05</td>
<td>... agency will pay for the cost of going to English classes</td>
</tr>
<tr>
<td>English skills pressure</td>
<td>4.04</td>
<td>939</td>
<td>... more pressure from the agency regarding English proficiency</td>
</tr>
<tr>
<td>International Interest</td>
<td>3.64</td>
<td>908</td>
<td>... more interest in news about global advertising industry</td>
</tr>
<tr>
<td>Learning English</td>
<td>3.56</td>
<td>868</td>
<td>... more colleagues studying English</td>
</tr>
<tr>
<td>English usage</td>
<td>3.51</td>
<td>1.01</td>
<td>... more use of English at the office</td>
</tr>
<tr>
<td>Non-Korean interaction</td>
<td>3.50</td>
<td>1.17</td>
<td>... more interaction with non-Korean people</td>
</tr>
<tr>
<td>Task time</td>
<td>3.27</td>
<td>946</td>
<td>... more time required to complete daily tasks</td>
</tr>
<tr>
<td>Scientific tasks</td>
<td>3.19</td>
<td>874</td>
<td>... tasks have become more &quot;scientific&quot;</td>
</tr>
<tr>
<td>Global information</td>
<td>3.14</td>
<td>816</td>
<td>... have knowledge about the other subsidiaries</td>
</tr>
<tr>
<td>Global manager</td>
<td>3.08</td>
<td>1.26</td>
<td>... new managerial staff from the global communication group hired</td>
</tr>
<tr>
<td>Competitive atmosphere</td>
<td>3.05</td>
<td>922</td>
<td>... more competitive atmosphere among colleagues</td>
</tr>
<tr>
<td>Meetings increased</td>
<td>3.03</td>
<td>852</td>
<td>... number of meetings has increased</td>
</tr>
<tr>
<td>Teamwork more important</td>
<td>2.95</td>
<td>851</td>
<td>... teamwork more important than individual capability</td>
</tr>
<tr>
<td>Global pride</td>
<td>2.95</td>
<td>1.03</td>
<td>... pride in being a member of a global communication group</td>
</tr>
<tr>
<td>Relaxed atmosphere</td>
<td>2.94</td>
<td>904</td>
<td>... more relaxed atmosphere created</td>
</tr>
<tr>
<td>Global corp. interest</td>
<td>2.93</td>
<td>1.05</td>
<td>... more interest among employees about the international branch offices of our company</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>2.90</td>
<td>912</td>
<td>... levels of bureaucracy have increased</td>
</tr>
<tr>
<td>Company pride</td>
<td>2.89</td>
<td>857</td>
<td>... proud of being an employee of this company</td>
</tr>
<tr>
<td>Global material</td>
<td>2.88</td>
<td>1.05</td>
<td>... use a manual or guide from the global communication group</td>
</tr>
<tr>
<td>Meeting efficiency</td>
<td>2.82</td>
<td>1.03</td>
<td>... meetings are conducted in a more efficient way</td>
</tr>
<tr>
<td>Positive Company Future</td>
<td>2.71</td>
<td>857</td>
<td>... more positive about the future of our company</td>
</tr>
<tr>
<td>International participation</td>
<td>2.54</td>
<td>1.00</td>
<td>... more opportunities to participate in international events</td>
</tr>
</tbody>
</table>

* Base = 96  
* 5 point scale where 5 = Strongly agree and 1 = Strongly disagree

General work culture

Research question 1 asks what changes, if any, are perceived in the overall working culture by the agency professionals. Several changes were reported by respondents. On the 5-point scales (ranging from 1 = strongly disagree to 5 = strongly agree), 8 of the 23 statements received a mean rating above 3.2 as shown in Table 2. Of these top-rated statements, it is interesting to note that five of them deal with English usage and proficiency, English being the first and official language of three of the acquiring companies,
Respondents tended to agree that these were more likely to be the case since the merger: “English skills will be rewarded” (Mean = 4.38), “agency pays for English classes” (Mean = 4.09), “more pressures from the agency regarding English skills” (Mean = 4.04), “more interest in news about global advertising industry” (Mean = 3.64), “more colleagues studying English” (Mean = 3.56), “use of English around the office has increased” (Mean = 3.51), “amount of interaction with non-Korean people has increased” (Mean = 3.50) and “more time required to complete daily tasks” (Mean = 3.27).

None of the 23 statement received a rating of 2.5 or below on the 5-point agreement scale. The statements that participants tended to disagree with were “more opportunities to participate in the international advertising events (advertising festivals, conferences, workshops)” (Mean = 2.54), “more positive about the company’s future” (Mean = 2.71), “meetings are conducted in a more efficient way” (Mean = 2.82), “use manual or guide from the global communication group for conducting tasks” (Mean = 2.88), and “proud of being an employee of this company” (Mean = 2.89).

In an attempt to produce factor structures of related statements and find underlying patterns in the data, factor analysis was performed on the mean ratings of the 23 statements (Table 3). Using a promax rotation, eight factors with eigenvalues greater than 1 were identified. These eight factors explained 70% of the variance. Cronbach’s alpha reliability tests on the factors revealed that six of the factors had a reliability below .70. Despite eight factors having eigenvalues greater than 1, a scree test indicated that only two factors should be extracted. Therefore, the factor analysis results were excluded from further analysis.

Differences by Department, Work Years and Agency

Research question 2 asks if there are differences in perceptions of changes in work culture between agency departments, by number of years working at the agency, and by the specific agency in which the respondent worked. ANOVAs were run on the mean agreement ratings for the 23 statements by each of the dependent variables (department, work years, and agency). Post hoc Bonferroni testing was used to identify differences between specific pairs of means.

Department Three statements had significantly different ratings by department (p < .05) as shown in Table 3, post hoc testing found that the respondents from Media departments were significantly more likely to agree that there now were “more colleagues are studying English”, and “a more relaxed atmosphere exists” than those in Creative
The Media department professionals were more likely to disagree than professionals in the Creative department that “the number of meetings has increased.”

Years in Agency Four statements had significantly different agreement ratings (p < .05) by the number of years respondents had worked at the agency. Post hoc testing indicated that agreement was higher for “better English skills rewarded” among those with 8-15 years at the agency versus those with 16 years or more. Those with four to seven years of experience at an agency on the average agreed more strongly that they felt more “pride in being a member of a global communication group,” than those with eight to fifteen years at an agency and “more opportunities to participate in international events” than those with 16 or more years of experience at an agency. Professionals newer to the agency may be more willing to focus on the positive aspects of the merger than those who have been at the agency longer. While there was a significant difference in the overall mean comparisons for “tasks have become more scientific,” this difference could not be attributed to an specific pair/s of means. (See Table 3)

### Table 3 ANOVAs of Mean Scores on Statements Regarding Change Since Agency Acquisition by Department and Years in current Ad Agency

<table>
<thead>
<tr>
<th>Years in the Ad Agency</th>
<th>Account Management (Mean)</th>
<th>Creative Department (Mean)</th>
<th>Media Department (Mean)</th>
<th>F</th>
<th>Sign</th>
<th>Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-7 years</td>
<td>3.51</td>
<td>3.39</td>
<td>4.00</td>
<td>3.359</td>
<td>.05</td>
<td>--- more colleagues studying English</td>
</tr>
<tr>
<td>8-15 years</td>
<td>2.95</td>
<td>3.11</td>
<td>2.68</td>
<td>3.843</td>
<td>.05</td>
<td>--- number of meetings has increased</td>
</tr>
<tr>
<td>16 or more years</td>
<td>3.05</td>
<td>2.64</td>
<td>3.26</td>
<td>3.708</td>
<td>.05</td>
<td>--- more relaxed atmosphere created</td>
</tr>
</tbody>
</table>

* indicate that pairs of means are significantly different at p < .05 as determined by a Post Hoc Bonferroni test,
significant differences was found by the specific agency in which the respondent worked, ANOVA tests found differences for 10 of the 23 statements. Significant differences (p < .05) were found on: “more colleagues studying English,” “use of English at the office has increased,” “more interaction with non-Korean people,” “more time required to complete daily tasks,” “tasks have become more scientific,” “have more knowledge about other subsidiaries,” “new manager from the global communication group hired,” “pride in being a member of a global communication group,” “more interest among employees about the international branch offices of our company,” and “use manual or guide from the global communication group.” The differences between specific pairs of agencies will not be further identified as participating agencies were promised confidentiality. However, the items dealing with a greater need for English skills were given higher levels of agreement by respondents whose agency had been acquired by an English speaking parent company.

Table 4  Mean Level of Agreement on Statements Regarding Specific Changes in the jobs since Agency Acquisition(Account Management)

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic clients for foreign markets has increased</td>
<td>3.83</td>
<td>.892</td>
</tr>
<tr>
<td>Clients more frequently asked about the relationship with the acquiring group</td>
<td>3.86</td>
<td>.900</td>
</tr>
<tr>
<td>Being a member of the group has been helpful for recruiting new clients</td>
<td>3.56</td>
<td>.709</td>
</tr>
<tr>
<td>Work not related to the core work of account management has increased</td>
<td>3.44</td>
<td>1.09</td>
</tr>
<tr>
<td>Being a member of the group has been helpful in managing incumbent clients</td>
<td>3.41</td>
<td>.670</td>
</tr>
<tr>
<td>More usage of strategy manuals or guidebooks from the global group</td>
<td>3.22</td>
<td>1.08</td>
</tr>
<tr>
<td>Tasks are being conducted by fewer personnel than before</td>
<td>3.20</td>
<td>.901</td>
</tr>
<tr>
<td>More preparation for meetings with creative department</td>
<td>3.20</td>
<td>.928</td>
</tr>
<tr>
<td>International clients for the domestic market have increased</td>
<td>3.17</td>
<td>.892</td>
</tr>
<tr>
<td>Agency structure has become more horizontal, not hierarchical</td>
<td>3.00</td>
<td>.837</td>
</tr>
<tr>
<td>More usage of English in materials/meetings with colleagues</td>
<td>2.90</td>
<td>1.26</td>
</tr>
<tr>
<td>More opportunities for doing presentations in English</td>
<td>2.90</td>
<td>1.22</td>
</tr>
<tr>
<td>Incentives to succeed have increased</td>
<td>2.61</td>
<td>.972</td>
</tr>
</tbody>
</table>

* Base = 41
* 5 point scale where 5 = Strongly agree and 1 = Strongly disagree
Specific job related issues

Research questions 3 addresses the possible changes related to the work situations of each department. The statements from the second part of the questionnaire dealt with department-oriented issues.

Account Management Department  Seven of the fourteen account management-specific statements had mean agreement levels above 3.2. As shown in Table 4, these statements were: “number of domestic clients for foreign markets has increased” (Mean = 3.83), “clients have more frequently asked about the acquiring group or relationship between the group and our company” (Mean = 3.66), “being a member of the larger parent company has been helpful in building relationships with new clients” (Mean = 3.56), “work not related to the core work of account management has increased” (Mean = 3.44), “being a member of the larger group has been helpful in managing incumbent clients” (Mean = 3.41), “for advertising strategy, have relied more on research and proven data” (Mean = 3.24), and “there is more usage of strategy manuals or guidebooks from the global group” (Mean = 3.22). Account Management professionals are likely in the best position to see that at least some of their clients are looking for the advantages of belonging to a global agency. Account Management professionals are also reporting that they are more likely to rely on research and use materials from the global parent.

Three of the statements had mean ratings of 2.9 or below suggesting that on average there was more disagreement with these statements than agreement. Respondents tended to disagree that “there is more usage of English in materials/meetings with colleagues” (Mean = 2.90), “there are more opportunities for doing presentations in English” (Mean = 2.90), and “incentives to succeed have increased” (Mean = 2.59). While they indicated that more employees seem to be trying to learn English, it seems as though most of these professionals do not yet need English to complete their daily tasks.

Creative Department  One half of the 14 statements specific to the Creative Department received a mean rating above 3.2 indicating the tendency of respondents to agree with these statements. These seven statements include: “more interest in international trends in advertising creativity” (Mean = 3.53), “more foreign clients for the domestic market” (Mean = 3.47), “creativity is becoming more important” (Mean = 3.42), “Creative directors play a more important role” (Mean = 3.36), “increased submissions to international advertising festivals” (Mean = 3.36), “more use of books, videos, etc., from other countries as creative references” (Mean = 3.31), and “more opportunities to do presentations in English” (Mean = 3.31). Agency creatives seem
to be experiencing an increased emphasis on creativity and perhaps more pressure to provide top-notch creative work. (See Table 5)

Three of the statements for the Creative Department had mean agreement scores of less than 2.90. The statements that respondents were more likely to disagree with were: “strategy has become more important in the job” (Mean = 2.86), “there are more questions about international creative trends by clients” (Mean = 2.78), and “the amount of time used for creative meetings is shorter” (Mean = 2.36).

### Media Planning/Buying

Among the statements for the Media department, “increased use of media planning software” and “there is more focus on marketing analysis when building media plans” were the highest on agreement (Mean = 4.0). In all, 11 of the 15 statements specific to the media department received mean agreement ratings over 3.2. Other statements receiving agreement were “increased requests from clients to provide a more developed media plan” (Mean = 3.89), “more requests from clients to provide a more developed media plan” (Mean = 3.84), “more time for media planning” (Mean = 3.84), “more presentations about media planning to
Table 6  Mean Level of Agreement on Statements Regarding Specific Changes in the jobs since Agency Acquisition (Media Department)

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean*</th>
<th>Std</th>
<th>Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media planning software                                                    4.00</td>
<td>.577</td>
<td>more usage of media planning software</td>
<td></td>
</tr>
<tr>
<td>Marketing analysis                                                         4.00</td>
<td>.745</td>
<td>more focus on marketing analysis for media plans</td>
<td></td>
</tr>
<tr>
<td>Clients’ requests                                                          3.89</td>
<td>.994</td>
<td>increased requests from clients to provide a more developed media plan</td>
<td></td>
</tr>
<tr>
<td>Data based planning                                                        3.84</td>
<td>.834</td>
<td>more requests for scientific data in building media plans</td>
<td></td>
</tr>
<tr>
<td>Media planning oriented                                                    3.84</td>
<td>.834</td>
<td>more time for media planning</td>
<td></td>
</tr>
<tr>
<td>Presentations to client                                                    3.79</td>
<td>1.03</td>
<td>more presentations about media planning to the client</td>
<td></td>
</tr>
<tr>
<td>New media options                                                          3.79</td>
<td>1.13</td>
<td>more requests for non-traditional media</td>
<td></td>
</tr>
<tr>
<td>Importance of media planning                                               3.58</td>
<td>1.07</td>
<td>media planning has become more important than media buying</td>
<td></td>
</tr>
<tr>
<td>Smaller teams                                                              3.53</td>
<td>.964</td>
<td>tasks are being conducted by fewer personnel than before</td>
<td></td>
</tr>
<tr>
<td>English in tasks                                                           3.42</td>
<td>1.17</td>
<td>English in materials or meetings has increased</td>
<td></td>
</tr>
<tr>
<td>Cooperation with other teams                                               3.32</td>
<td>1.05</td>
<td>more relationships with other departments in the agency</td>
<td></td>
</tr>
<tr>
<td>Strategic involvement                                                      2.95</td>
<td>.911</td>
<td>more involvement in building advertising strategy/ managing clients</td>
<td></td>
</tr>
<tr>
<td>Manuals from the global group                                              2.74</td>
<td>1.32</td>
<td>using manuals for media plan from the acquiring group</td>
<td></td>
</tr>
<tr>
<td>Creative strategy                                                          2.68</td>
<td>1.05</td>
<td>more involvement in creating advertisements</td>
<td></td>
</tr>
<tr>
<td>Manuals from other agencies                                                2.68</td>
<td>1.37</td>
<td>using manuals for media planning from other international ad agencies</td>
<td></td>
</tr>
</tbody>
</table>

* Base = 19
* 5 point scale where 5 = Strongly agree and 1 = Strongly disagree

Discussion

The most obvious change found among participants in the acquired agencies since the M&A was in perception about the use and necessity of English. Even though the desire to
be familiar with English has been generally prevalent among Korean people for a long time (Dong-A Daily, 2005), the result confirmed that many employees have began to think seriously about improving their English skills after the acquisition by the global communication group. Based upon the mean scores of statements related to English, we concluded that language is one of the most important issues to Korean agency professionals in the international M&A of advertising agencies, if the global parent company is from an English speaking country. It may be that English proficiency is perceived as a way to advance in the agency by the employees, even though these skills may not be necessary for a person’s current position and tasks.

The importance of English has been emphasized not only in the companies with business relationships in the global company, but also in other aspects of Korean society for a long time. The ability to speak and write English has been one of the critical qualifications for being successful in Korean schools and the job market (Hong, 2000; Heo, 2004). According to a recent report (Korea Broadcasting Station, 2003) more than 90% of companies in Korea require English proficiency of all new hires.

As suggested by the results, English may not yet be used by most professionals for major tasks (building advertising strategy, presentation before clients, and creating advertisements), even though they consider English to be crucial in their future life in the agency. There are a few possible reasons for this perception of English use. Although an agency may be acquired by a global communication group, with several international clients that have a business interest in the Korean market, their major clients are still domestic companies doing business in the national market (Jeong, 2001). Therefore, even though the overall increase of international clients and usage of English is confirmed, few employees actually need to use English in their day-to-day operations. Another reason that English may not be used more by the average professional is that many agencies have special teams for international clients. Even though international clients have increased in the agency that does not mean that all employees have contact with international clients.

The second major finding of this study indicates the importance of the employees’ loyalty and pride. Participants did not strongly agree with the statements dealing with their overall satisfaction with the agency after the acquisition. They expressed comparatively lower degrees of agreement to statements such as feeling pride as a result of being a member of a global communication group and feeling positive about the agency’s future. The results would seem to indicate that the agency professionals on average were not convinced that the acquisition was a
good thing for their agency or perhaps for themselves. Therefore, even though participants accept many changes and are trying to adjust themselves for some changes (e.g., efforts to improve English skills, conducting updated media planning), that does not automatically mean that they are satisfied with the changes or with all the directions in which the agency is headed. It is possible that the increased level of stress and uncertainty resulting from the acquisition could lead to reduced job satisfaction and less organizational commitment. Mergers and acquisitions can be a traumatic event in the lives of individuals (Morrison & Robinson, 1997).

In the post acquisition era, the role of the Human Resources team in the company becomes very important. As several studies have indicated, not all M&A cases create discouragement or uncertainty of the future in employees due to the new organization (e.g., Fairfield-Sohn et al., 2002). Human Resources departments need to be proactive in helping employees feel more positive about the company and the future. Specifically, the Human Resources team should continue the practice of sharing management information, and having periodical meetings with individuals to respond to their needs and questions. There is no doubt that the employees who have put in more commitment to their jobs and the company can be persuaded to increase the productivity of the company. The Human Resources team plays a major role in maintaining consistent communication between the company and employees who may be still feel unsettled.

The third major finding in this study concerns specific changes within the three major departments. The results indicate that Account managers see advantages to the acquisition. The majority of Account Managers in the study strongly agreed with statements asking if the acquisition has been helpful in acquiring new clients and managing present clients. Account Managers seem to feel the acquisition and the relationship with the global group have been useful in some ways with regards to better client management. According to Na and Marshall (2001), this is one of the most important factors when choosing an advertising agency as a partner. Account managers may eagerly welcome the acquisition and are able to receive benefits from the event.

Agency creatives reported a greater emphasis on creativity, more bureaucracy (e.g., more and longer meetings), and more use of a creative director. The creative director-centered task system is generally seen as one of the features of a Western style advertising agency rather than the creative team approach which is more typically Korean. The study did not provide insight into the satisfaction level among the creative team for this approach, however.

Media department professionals indicated a number of changes that had occurred since
the M&A. Results suggest that clients are expecting more from the media plans and that they have had additional tasks added to their jobs. In addition, more strategic thinking, knowledge of planning software, and higher levels of research expertise are necessary. Given that the availability of media and media research data varies greatly between countries, it is not surprising that a merger with a global company would bring an increased sophistication to the media planning process in the acquired Korean agencies.

Limitations & Suggestions for Future Research

As with all research, this study has limitations. While an attempt was made to get a cross-section of agency professionals from the three departments, this study did not use a random sample. The method of participant recruitment was deemed appropriate for this exploratory study; however, the lack of a random sample limits the generalizability of the findings. In addition, the questionnaire relied on self-report measures. It is possible that some respondents were concerned about who would see their responses and, as a result, were not willing to be completely honest in their responses. Because this survey relied primarily on close-ended questions, it is likely that some of the richness of the data were lost.

The results suggest several possible avenues for future research in this area. Armed with the results of this study, it would be useful to conduct more in-depth interviews with professional employees from agencies which recently were acquired by global communication firms to gain further insight into the perceived changes in corporate culture and job functions. One thing that was observed by the author who distributed the questionnaires was that several of the respondents appeared to be nervous about their positions in the agency now that their agency had merged. There wasn’t really a place to report this on the survey instrument, although it should be noted that management might not have approved the survey if these types of questions were included. In addition, future studies might investigate whether or not agency professionals feel that the acquiring company has the same values as their agency had before the acquisition.

Participants from the development phase of the questionnaire used in this study pointed out that the relationships between the foreign managers and Korean employees involved cooperation to build an effective relationship as they are confronted with issues about the communication, culture and philosophy within the agency. This should be explored in future research. It would also be interesting that analyzing the change of ob-
jective culture after M&As. As Buono et al. (1985) indicated, there are two kinds of organizational culture: subjective culture (e.g., shared values among employees) and objective culture (e.g., physical setting, office decor). Due to the fact that this present study dealt with subjective culture, looking at the other part of organizational culture after the event will be valuable for this research field. Lastly, conducting this same study in other countries that are experiencing a large number of M&As in the advertising industry is recommended. This would help to determine if the changes are country-specific or common to international M&As in general.
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국문초록

글로벌 커뮤니케이션 그룹과의 인수 및 합병 이후 나타난 한국 광고회사 내부의 변화에 대한 연구

본 연구는 최근 WPP 등 글로벌 커뮤니케이션 그룹과의 합병을 경험한 한국 광고대행사들의 직원들이 당시 느꼈던, 그리고 현재도 경험하고 있는 실제 업무 스타일의 변동, 회사에 대한 로열티 동에 대한 감정변화 등 합병 이후 불거진 상황들에 대해 심층적으로 조사해 보고자 하였다. 연구 결과, 대부분의 구성원들은 영어에 대한 스트레스와 함께 실력향상을 위한 자구노력을 다하고 있었으며, 합병 이전과 비교하여 현재 근무 중인 회사에 대한 충성도와 회사를 통한 자신의 미래 비전에 대해 묵시적인 시각을 보인 경우가 많았다. 하지만, 기획 (어카운트 매니저) 영역에서 근무하는 직원들은 합병 후 신규 광고주 영입에 일종의 반사이익을 보고 있는 것으로 밝혀졌다. 글로벌 네트워크에 의한 유, 무형 서비스에 대한 광고주들의 기대감이 신규 광고주 유치에 도움이 되고 있다고 대답한 것이다.

주제어: 광고회사, 인수 및 합병, 인력관리, 업무 환경의 변화, 합병 후의 경쟁력 강화