Building dynamic capabilities in large global advertising agency networks: managing the shift from mass communication to digital interactivity

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Abstract: Interactive digital technologies result in significant managerial challenges for the largest global advertising agency networks. This paper, based on original data from in-depth case research in three of the largest global advertising networks, investigates how advertising agency networks manage the change from mass communication to digital interactivity by applying theory of dynamic capabilities to assess challenges and solutions. Relatedly, the paper analyses the change agent role ascribed to the Chief Digital Officers mandated to solve the digital interactivity challenges. The findings uncover the cognitive, structural, operational and process changes needed to develop digital interactivity, thereby highlighting important managerial implications.

Keywords: advertising; dynamic capabilities; digital technology; digital interactivity; organisational change; change agent.


Biographical notes: Wisam Suheimat, after graduating from Marquette University (Milwaukee, Wisconsin, USA) with a BA in Advertising and Marketing in 1997, spent 16 years working in the USA, Europe and Middle East with global advertising agency networks in various disciplines and senior executive roles. He completed his MSc in Operations and Innovation
1 Introduction

A critical challenge for global advertising networks to remain viable is embracing interactive digital technologies because the interactive digital market represent the frontier for growing market shares in a market already amounting to US$1 Trillion worldwide yearly (approx. 25% of the total advertising market) (Carat, 2016; Zenith Optimedia, 2016). However, interactive digital technologies, driven by digital media convergence (Jenkins, 2004), social media (O’Reilly, 2007; Berthon et al., 2012), and smart phones (Martin, 2011), require large global advertising network agencies to manage the difficult change from mass communication to digital interactivity. That consumers want to interact with brands only amplifies this need for change (Sheehan and Morrison, 2009; Jenkins, 2004; Deuze, 2007; Buggle, 2011; Wagler, 2013; Deighton and Kornfeld, 2009).

The changed advertising landscape driven by digital interactivity and where Experience, Everyplace, Exchange and Evangelism (Peterson, 1996; Fetherstonhaugh, 2009) replace Product, Place, Price, Promotion (Kotler, 1967) in turn means that advertising customers (e.g. marketers and advertising professionals) increasingly search for agency partnerships that offer integrated solutions. Advertising agencies thus need to be ‘channel neutral’ and able to utilise all channels effectively (Dan, 2012; Dan, 2014). This shift to relational dialogue and digital interactivity has created a discipline blur (Romberg, 2012) as the different functions within the advertising networks (PR, Direct, Activation, Brand advertising, Social and Content) need to establish integrated collaborative practices.
The current challenges stem partially from the early attempts to adopt new digital technologies in advertising campaigns where advertising agencies initially created separate digital departments, before later acquiring small digital agencies. This strategy evolved from a mass media tradition that often integrated the digital channels under the old logic of Integrated Marketing Communications, but which decouples digital activities and failed to meet customer expectations (Sheehan and Morrison, 2009; Luck and Moffatt, 2009; Wagler, 2013; Mallia and Windels, 2011).

Large network advertising agencies have been particular late to incorporate the new interactive digital technologies and changing customer expectations. These agencies are bound by epistemic, cultural, social and cognitive restraints ‘causing a form of path dependency and myopia’ (Bugge, 2011, p.102). That large advertising agency networks generate 75% of their billings from mass communication only makes the change towards digital interactivity trickier (Gebauer et al., 2012; Carat, 2016). Nonetheless, they have responded by appointing Chief Digital Officers (CDOs) with the responsibility of building the dynamic capabilities needed to meet the digital challenges (Brown et al., 2013).

The CDO role is about capability building and managing the disruption created by digital technologies (Yu, 2014) and addressing ‘everything from updating how a company works to building out entirely new businesses’ (Rickards et al., 2015). CDOs therefore represent important change agents and are particularly interesting to focus on because when industry boundaries dissolve (Lee, 2012) firms need to develop their absorptive capacity (Cohen and Levinthal, 1990), a key dynamic capability and firm resource (Teece et al., 1997; Helfat and Peteraf, 2015; Helfat and Winter, 2011), to remain financially viable and operationally efficient. In relation to developing absorptive capacity, however, the role of change agents is underresearched (Jones, 2006; Todorova and Durisin, 2007). The same is characteristic of the limited advertising literature currently available about absorptive capacity and dynamic capabilities as the focus is largely on manufacturing industries or unrelated service sectors (like tourism). Qualitative studies which are needed to get insight into how to improve knowledge absorption are also few in numbers (Duchek, 2013; Barrales-Molina et al., 2014).

By applying the theoretical backdrop of absorptive capacity and dynamic capabilities, this article investigates: how do large global advertising network agencies manage the change from mass communication to digital interactivity? To this end, we pay particular attention to the role of the CDO given their important change agent position. Our findings uncover the cognitive, structural, operational and process changes needed to develop digital interactivity. For managers the findings highlight that while acquiring relevant competencies through strategic alliances, extensive training of staff and constant reminding of the changing paradigms, reconfiguring processes and carefully monitoring the competitive landscape are critical, it is equally important to share and learn from experiences and insights gained from the work being conducted with clients. Through strong formal and informal social integration around digital work, where staff are able to see and provide and receive feedback on work with other accounts, real life insights and expertise within the agency are more easily leveraged on other accounts and positively reflected in the work, i.e. Learning by doing.
2 Dynamic capabilities and absorptive capacity

Teece et al. (1997) define dynamic capabilities as ‘the firm’s ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments’ (p. 516), thereby enabling organisations to effectively respond to changes in the business environment by avoiding competency traps in turbulent settings (Teece, 2007). Dosi et al. (2001) have also made central contributions to developing the dynamic capabilities approach. Theory of dynamic capabilities complements the resource-based view of the firm (RBV), which dominates much management research. RBV analyses internal organisation resources to identify the isolating mechanisms that are valuable, rare, inimitable and non-substitutable (e.g., brand value), and which underpins sustained competitive firm advantages (Barney, 1991). An assumption regarding this is that RBV assumes that organisations can be conceptualised as bundles of resources that are heterogeneously distributed across organisations (Eisenhardt and Martin, 2000). The dynamic capability view shares the internal focus on organisations, but in contrast to RBV is analytically better suited to understand contexts characterised by technological and market uncertainty (Conner, 1991; Teece, 2007; Eisenhardt and Martin, 2000; Teece, 2014) by offering a dynamic approach to sustaining competitive advantages under high degrees of uncertainty (Eisenhardt and Martin, 2000; Teece et al., 1997). As the advertising industry is characterised by a high degree of technological uncertainty, theory of dynamic capabilities is more appropriate than RBV for the present purposes.

2.1 Dynamic capabilities and potential and realised absorptive capacity

A decisive component in building dynamic capabilities is the ability of firms to identify, absorb and utilise knowledge from outside the organisation and increasingly also beyond the typical organisational search patterns (Cohen and Levinthal, 1990; Zahra and George, 2002): a search capability known as absorptive capacity (Gebauer et al., 2012; Cohen and Levinthal, 1990). Absorptive capacity produces dynamic organisational capabilities by allowing firms to continuously learn, develop and innovate, which in turn provides strategic flexibility to adapt and evolve in high velocity environments.

Zahra and George (2002) unpack the concept of absorptive capacity (ACAP) by dividing it into potential absorptive capacity (PACAP) and realised absorptive capacity (RACAP) and define it as a ‘set of organisational routines and processes by which firms acquire, assimilate, transform and exploit knowledge to produce a dynamic organisational capability’ (p.186). PACAP concerns organisation’s acquisition and assimilation capabilities whereas RACAP is the function of the transformation and exploitation of this external knowledge. PACAP and RACAP play complementary roles in explaining organisations’ dynamic capabilities and their subsequent innovation and competitive advantage. The explanatory power of ACAP is interesting because it provides a focused framework for understanding how global advertising network agencies build and utilise dynamic capabilities to manage the difficult change from mass communication to digital interactivity. Especially, RACAP is a key focus of this paper as it pertains to the core theme in the creation of dynamic capabilities, which are increasingly important for large network advertising agencies to develop in order to incorporate digital interactivity.
2.1.1 Acquisition capability (PACAP): identifying and acquiring externally generated knowledge

Knowledge is sticky (Von Hippel, 1994) and agglomerated geographically (Asheim et al., 2005; Vang, 2007) and thereby not a public good (Stiglitz, 1999), as often assumed. Organisations therefore must identify and acquire externally generated knowledge that is critical to their operations (Chesbrough, 2003; Huizingh, 2011). This requires possessing an acquisition capability that consists of three attributes: intensity, speed and direction. Intensity and speed determines the effort organisations direct at identifying and acquiring knowledge: increasing levels of effort is associated with building requisite capabilities. Organisation’s learning cycles, however, limits the speed at which it can do it. The direction of accumulating knowledge ‘can also influence the paths that the firm follows in obtaining external knowledge’ (Zahra and George, 2002, p.189) which leads to gathering more or less relevant knowledge.

2.1.2 Assimilation capability (PACAP): analysing and interpreting external information

The literature on behavioural operations, experimental economics and innovation management shows that sensing, seizing and transforming external knowledge is not a purely rational process (Kahneman, 2011; Gino and Pisano, 2008; Teece, 2014). Organisations thus need to develop organisational routines and flexible processes that allow them to analyse, process, interpret and understand external information (Feldman and Pentland, 2003). New knowledge and technologies that are beyond organisations’ local search areas are overlooked and frequently incomprehensible because of existing cognitive biases and established heuristics which limit the ability of employees and managers to process external knowledge (Tidd and Bessant, 2013; Nooteboom, 2000).

2.1.3 Antecedents of potential absorptive capacity (PACAP)

Knowledge source and complementarity. With increased technological uncertainty infused by disruptive innovations, organisations increasingly rely on external knowledge sources (Chesbrough, 2003; Yu and Hang, 2010), which influence the acquisition and assimilation capabilities of an organisation. External knowledge sources include inter-organisational relationships such as R&D consortia, alliances, joint ventures and inspiration from supplier innovations and competitor, acquisitions and purchasing through licensing and contractual agreements (Chesbrough, 2003; Lakhani et al., 2013). The more organisations experience diverse and complementary external knowledge the greater the opportunity for organisations to develop PACAP (Zahra and George, 2002).

Experience. Through investments in environmental scanning, benchmarking, interactions with customers, alliances with other organisations, and learning-by-doing an organisation gains experience (Tidd and Bessant, 2013; Nooteboom, 2000). The dynamic capability approach, importantly, assumes that actors are bounded rational, meaning that behaviour displays cognitive biases and reflects prior choices and experiences (Simon, 1984; Kahneman et al., 1982; Gino and Pisano, 2008). For the PACAP of an organisation this means displaying path-dependent characteristics rooted in past experiences (successes and failures). It becomes stored as organisational memory which influences how organisations search, interpret search results and thereby how an organisation
Building dynamic capabilities in large global advertising agency networks

acquire and assimilate new knowledge (Spender, 1996; see Gino and Pisano, 2008 for an elaboration on bias and learning). To reduce path-dependency (David, 1997) organisations need global search patterns as ‘continued exploration in a firm’s search zone yields a more refined capability to acquire and assimilate external knowledge’ (Zahra and George, 2002, p.193).

Activation triggers of knowledge source & complementarity and experience. Activation triggers influence the locus of search for new knowledge and through this PACAP, and the intensity of the trigger influences the degree of investment in developing the acquisition and assimilation capabilities (Zahra and George, 2002). Internal triggers include performance failures or strategic milestones such as mergers that require organisations to develop new knowledge and learn new skills. External triggers are events or paradigms (radical innovations, disruptive technologies, technological shifts or new dominant designs or institutional changes such as policy changes) that influence the direction of the industry in which the organisation operates. In adopting this view the dynamic capability approach assumes, inspired by Simon (1984), satisficing behaviour meaning that management decisions are often a consequence of events forcing them to attend to a particular problem (Kaufman, 1990; Gino and Pisano, 2008).

2.1.4 Transformation capability (RACAP): combining existing and new knowledge

‘Transformation denotes a firm’s ability to develop and refine the routines that facilitate combining existing knowledge and the newly acquired and assimilated knowledge’ (Zahra and George, 2002, p.190), thereby resembling the management concept of exploration (March, 1991; O’Reilly and Tushman, 2008). The transformation capability reflects a critique of much of the innovation management literature, which captures innovation through an input proxy (e.g. R&D spending) or focuses on idea generation phases, but fails to link it to the operational dimensions of the production (Tidd and Bessant, 2013; Nooteboom, 2000). A successful transformation capability is reached through a recombination logic (Schumpeter, 1934) that arises from bisociation, referring to combining two self-consistent but incompatible frames of reference, whereby an organisation arrives at a new cognitive schema (Zahra and George, 2002). This entrepreneurial action facilitates the organisational capability of recognising new opportunities, alters organisation self-perception and ultimately reframes industry boundaries and the competitive landscape (Zahra et al., 2006). The transformation capability helps organisations to open the proverbial black box on organisational transformation and strategic change (Zahra and George, 2002).

2.1.5 Exploitation capability (RACAP): refining, extending and leveraging existing competencies

Exploitation capability refers to those organisational routines that allows organisations to ‘refine, extend and leverage existing competencies or to create new ones by incorporating acquired and transformed knowledge into its operations’ (Zahra and George, 2002, p.190). Though organisations may be able to exploit knowledge serendipitously without appropriate organisational routines, more systematic routines would provide the necessary structural, systemic and procedural mechanisms that allow an organisation to
exploit knowledge over time. Reinforcing and deploying harvested knowledge into the operations enhances existing initiatives and encourages new ones to be developed (Tidd and Bessant, 2013; Nooteboom, 2000).

2.2 From potential over realised absorptive capacity to competitive advantage

2.2.1 Social integration mechanisms

Social integration mechanisms are crucial for knowledge exploration and exploitation (Von Hippel, 1994; Williamson, 1996; March, 1991) as knowledge is a sticky good embodied in particular persons and embedded in organisational settings inhabited by bounded rational, yet opportunistic actors. Knowledge exploitation and exploration within the organisation require sharing relevant knowledge with the aim of achieving mutual understanding, comprehension, and shared goals (Benner and Tushman, 2003). Structural, cognitive, behavioural, relational and political barriers, however, may hinder knowledge sharing (Zahra and George, 2002).

Social integration occurs formally or informally. Informal mechanisms, like social networks and mutual adjustment, are useful in exchanging ideas (Mintzberg and Ghouberman, 2001). Formal mechanisms, such as using coordinators, offer a more systematic approach by facilitating information sharing as well as gathering interpretations and identifying trends (Gittell, 2006). Organisational structures formed around formal integration mechanisms tend to foster greater employee interaction that promotes problem solving and creative action (Zahra and George, 2002; Sheremata, 2000). Organisations that effectively use social integration mechanisms make their employees cognizant of the type of data that make up their PACAP. This in turn facilitates the flow of information, which enhances an organisation’s capability to transform, exploit and ultimately reduce the gap between PACAP and RACAP. This in turn facilitates the flow of information, which enhances an organisation’s capability to transform, exploit and ultimately reduce the gap between PACAP and RACAP. Zahra and George (2002) term this the efficiency factor of ACAP and they highlight that ‘firm’s vary in their ability to create value from the knowledge because of variations in their capabilities to transform and exploit knowledge’ (p.194). Organisations with a high efficiency factor (RACAP score is close to PACAP) are likely to increase performance because RACAP drives it.

2.2.2 The role of appropriability and the link to competitive advantage

Much innovation literature has focused on value creation and less on capturing the value from the innovations (Nickerson et al., 2007). Institutional and industry dynamics influence the capability of an organisation to capture the value. In industries with low appropriability (a high level of knowledge spillover), ACAP investments are typically low as imitation by rivals is easier. However, the positive absorption incentive associated with a high degree of knowledge spillover may be strong enough to offset the disincentive to invest (Zahra and George, 2002). In the advertising industry where intellectual property largely pertains to brand identity, there is virtually no protection of the strategy or process. The advertising industry therefore have low appropriability because capabilities converge to an industry standard over time. These conditions make protecting knowledge assets (patenting) and having secrecy in routines and processes important to sustain competitive advantages through.
2.3 The change agent’s role in building absorptive capacity

Individual agency in linking absorptive capacity and dynamic capabilities is hardly considered in the literature (Jones, 2006) as the focus is mostly on structural issues (Zahra and George, 2002). It is implied in the social integration mechanisms (Zahra and George, 2002) but only in an underplayed way (Todorova and Durisin, 2007). Cohen and Levinthal (1990) explicitly acknowledge the importance of individuals by stating that ‘firm’s absorptive capacity depends on the individuals who stand at the interface of either the firm and the external environment or at the interface between subunits within the firm’ (p.132). Gatekeepers or boundary spanners that monitor the external environment and translate and effectively communicate relevant knowledge for internal use exemplify such individual agents (Tidd and Bessant, 2013; Marrone, 2010).

In situations with rapid and uncertain change, however, Cohen and Levinthal (1990) argue that a centralised gatekeeper may be an ineffective boundary link and organisations should instead deploy a broad range of receptors rather than limiting external gatekeeping to make the organisation more adaptive. Heeding this call, we in this article investigate the change agent role and function of Chief Digital Officers in developing digital competencies and capabilities in advertising agencies (Yu, 2014) by being ‘responsible for initiating, sponsoring, directing, managing or implementing’ (Caldwell, 2003, p.139).

The CDO role is crucial given the changes the advertising industry has gone through in the past 15 years due to the media convergence phenomenon largely driven by the Internet (Latzer, 2013; Saxtoft, 2008; Sheehan and Morrison, 2009) and media diffraction or divergence (Jenkins, 2008) with an ever-growing multitude of digital media and platforms competing for consumer’s attention (Tungate, 2013). Web 2.0 and Social media have shifted the power from brands to consumers (Sheehan and Morrison, 2009; Okazaki and Taylor, 2013; Berthon et al., 2012) and given rise to new advertising disciplines and specialisations that aim to interact with consumers and co-create brand messages (Wagler, 2013; Deighton and Kornfeld, 2009; Bugge, 2011; Mallia and Windels, 2011).

3 Methods

The research was carried out as a qualitative, multiple case study (Flyvbjerg, 2006; Yin, 2009; George and Bennett, 2005) of three large advertising agencies. This design was appropriate because the research aimed to investigate in-depth how global traditional network advertising agencies build and utilise dynamic capabilities to manage the change from mass communication to digital interactivity, including the role of the CDOs. We selected multiple cases to ascertain whether findings could be replicated across cases (Eisenhardt and Graebner, 2007; Yin, 2009).

3.1 Case selection and overview

We selected three large advertising agencies (cases) titled Alpha, Beta and Gamma (anonymised to ensure confidentiality), which were nested in big global advertising network holding groups, respectively, Alpha Group, Beta Group and Gamma Group. The
three cases were characterised by being full service agencies (offered Creative, Planning, Account and project management) and had specialist sister agencies within Media booking & buying, Public Relations, Shopper Activation, Social media and Direct Marketing. They also had offices all over the world and served large multinational clients along with regional and local clients. Alpha operated out of London and covered Europe, the Middle East and Africa whereas Beta and Gamma operated out of Dubai and covered the Middle East and North Africa. The three cases were representative of global network agencies as they shared a strong degree of uniformity in structure and processes as serving global multinational clients meant replication of offerings and standards were greatly enforced. For example, unified global training and development of employees was a common practice. All three cases had received many global advertising awards (such as Clio, Ad&D, Cannes Lions, Echos), thereby reflecting a global standard for how to operate advertising.

3.2 Data collection and analysis

We used multiple sources of qualitative data in a triangulating manner (Yin, 2009; Jick, 1979). In general, we collected data about the historical narrative of the agencies’ attempts to digitise their capabilities, how they had incorporated it into the organisation, the context of the path to develop dynamic capabilities, their current capabilities, processes and formal routines, and what they were doing to prepare for their future projections.

The first author completed semi-structured interviews with the CDO from each case (the primary data source). We focused on CDOs because they were specifically charged with building the digital capabilities of the agency. Each interview lasted between 50 and 75 minutes (recorded with consent) and we subsequently transcribed them verbatim. To investigate how the cases were building dynamic capabilities and what it looked like operationally in terms of structures and processes, we used a theory derived interview guide structured around the dimensions of acquisition, assimilation, transformation and exploitations from Zahra and George (2002).

The flow and chronology of the interview guide was flexible as needed, for example, when topics arose freely. To gain a richer contextual perspective on how the cases built dynamic capabilities, the interview guide also included questions about change management, innovation and the advertising industry. Moreover, we included and analysed documents in the form of company websites, corporate collateral (e.g., annual reports of holding groups) and published interviews and professional press articles (Jick, 1979). The published interviews and professional press articles were included as large amount of material existed that grappled with the digitisation of communication and marketing over the past decade, thereby providing additional insight (Yin, 2009).

Building on the coding strategy, we analysed and sorted interview data for each of the three cases using analytical displays because they permit conclusion drawing (Miles and Huberman, 1994). We conceptually ordered the descriptive display around the theoretical framework of ACAP (Zahra and George, 2002). We made descriptive conclusions by moving down columns (within-case analysis) and comparing across rows (cross-case analysis) (Miles and Huberman, 1994), which opened for identifying similarities and reasons for discrepancies between the cases (Barratt et al., 2011). In composing the
Building dynamic capabilities in large global advertising agency networks
display, observations and documents were used as a backdrop for understanding how
large traditional network advertising agencies build and utilise dynamic capabilities to
manage the change from mass communication to digital interactivity and as such served
as a frame of reference for comparing interview data.

4 Case analysis

To understand how large traditional network advertising agencies build and utilise
dynamic capabilities to manage the change from mass communication to digital
interactivity, our analysis looks into the efforts and processes they deploy in developing
their dynamic capabilities with regards to digital and interactivity, including the role the
CDO plays in developing dynamic capabilities. Tables 1 to 3 summarise the analysis for
Alpha, Beta and Gamma.

Table 1 Summary of analysis for Alpha

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Alpha</th>
</tr>
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<tbody>
<tr>
<td><strong>Triggers</strong></td>
<td></td>
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<tr>
<td>Internal</td>
<td>Slow digitisation of all disciplines due to reliance on AlphaOne for digital strategy and delivery</td>
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<tr>
<td></td>
<td>Early strategic decision to digitise all disciplines (circa 2005)</td>
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<tr>
<td>External</td>
<td>Increasing complexity of digital ecosystem</td>
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<td></td>
<td>Increasing need for financial accountability by clients (ROI)</td>
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<td>Data deluge</td>
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<td><strong>Dimension</strong></td>
<td><strong>Component</strong></td>
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<tr>
<td><strong>Potential</strong></td>
<td>Very Broad and multidisciplinary Data and CRM complementarity</td>
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<td></td>
<td>Strong interorganisational relationships and JV’s with Alpha Group companies</td>
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<td></td>
<td>Technology based clients</td>
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<td></td>
<td>Extensive learning from Doing, Using and Interacting</td>
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<td><strong>Acquisition</strong></td>
<td>2000–2005 organic siloed training</td>
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<td></td>
<td>2005–2015 group wide training</td>
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<td></td>
<td>2011–2015 increased external specialist knowledge acquisition for integration and spinoffs</td>
</tr>
<tr>
<td><strong>Direction</strong></td>
<td>Vertical only: digital firms specialising in software, data, mobile and e-commerce</td>
</tr>
</tbody>
</table>
Table 1  Summary of analysis for Alpha (continued)

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Alpha</th>
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</thead>
<tbody>
<tr>
<td><strong>Assimilation</strong></td>
<td>Strong organisational learning capabilities</td>
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<td></td>
<td>Thought leadership and participation in digital professional conferences</td>
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<td></td>
<td>Alpha Group training efforts</td>
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<td></td>
<td>Intensive agency wide digital training (management of digital and technical)</td>
</tr>
<tr>
<td></td>
<td>Innovation and specialist R&amp;D depts. (AlphaLabs)</td>
</tr>
<tr>
<td></td>
<td>JV’s with Alpha Group</td>
</tr>
<tr>
<td><strong>Critical:</strong></td>
<td>Coordinating knowledge management, deploying knowledge at all levels of organisation</td>
</tr>
<tr>
<td><strong>Socialisation</strong></td>
<td>Heavy reliance on informal digital communities</td>
</tr>
<tr>
<td></td>
<td>Active formal mechanisms</td>
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<td></td>
<td>Corporate culture encourages cooperation and learning from each other</td>
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<tr>
<td></td>
<td>Pervasive creativity philosophy</td>
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<tr>
<td><strong>Mechanisms</strong></td>
<td>Heavily involved and collaborative and recognised as strategically important</td>
</tr>
<tr>
<td><strong>Internalisation</strong></td>
<td>Unified, channel neutral planning tools and processes created to integrate thinking, digital engagement and customer journeys &amp; data metrics (AlphaFusion)</td>
</tr>
<tr>
<td></td>
<td>Discipline specific Social media expertise (Bisociation) like SocialCRM</td>
</tr>
<tr>
<td><strong>&amp; synergy</strong></td>
<td>Working with Senior management and global board to develop systems and process to align with digitisation strategy</td>
</tr>
<tr>
<td><strong>Transformation</strong></td>
<td>Redefining the value of a brand to consumer (Big IdeaL)</td>
</tr>
<tr>
<td></td>
<td>Redefining roles (AlphaOne and D.A.V.E)</td>
</tr>
<tr>
<td></td>
<td>Redefining purpose (DADA, DATA, ALPHA, BETA, &amp; AlphaFusion) and outputs (DO brief)</td>
</tr>
<tr>
<td></td>
<td>Redefining boundaries of industry (AlphaRed)</td>
</tr>
<tr>
<td><strong>Realized</strong></td>
<td>Collaboration with London &amp; New York senior planning, creative and heads of disciplines to implement</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td>Creating new competencies and ventures that bind digital across disciplines (Neo@Alpha, Social@Alpha, AlphaAMP, AlphaEntertainment)</td>
</tr>
<tr>
<td></td>
<td>Active in biggest account work and pitches involving digital in EAME region and global accounts</td>
</tr>
<tr>
<td>Exploitation</td>
<td>Highest rankings and accolades (Alpha Group and Alpha)</td>
</tr>
</tbody>
</table>
Table 2: Summary of analysis of Beta

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Triggers</strong></td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>Poor digital delivery and insufficient depth of digital knowledge developed internally (2007–2011)</td>
</tr>
<tr>
<td>External</td>
<td>Changing media and consumer landscape</td>
</tr>
<tr>
<td></td>
<td>Rapidly increasing client digital expectations</td>
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<tr>
<td><strong>Dimension</strong></td>
<td><strong>Component</strong></td>
</tr>
<tr>
<td><strong>Acquisition</strong></td>
<td></td>
</tr>
<tr>
<td>Prior knowledge</td>
<td>Narrow. Traditional brand and advertising competency. Limited inhouse capabilities. Beta Group’s heavy strategic focus on digital. N/A</td>
</tr>
<tr>
<td>Intensity &amp; Speed</td>
<td>Very slow up until 2007 (Beta)</td>
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<tr>
<td></td>
<td>2007–2014 Intensive acquisitions (Beta)</td>
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<tr>
<td></td>
<td>2011 Beta MENA accelerates (Acquired Digital Agency)</td>
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<tr>
<td></td>
<td>2015– Diversification into technology platforms (leading technology company)</td>
</tr>
<tr>
<td><strong>Direction</strong></td>
<td>Horizontal standalone digital agencies to support traditional model in execution and campaign management N/A</td>
</tr>
<tr>
<td><strong>Assimilation</strong></td>
<td></td>
</tr>
<tr>
<td>Understanding</td>
<td>Limited digital training focusing on inspiring (liaizes faire)</td>
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<tr>
<td></td>
<td>Heavy reliance on Technology suppliers leading to heuristics</td>
</tr>
<tr>
<td></td>
<td>Evidence of difficulty to assimilate knowledge while relying on independent digital agency</td>
</tr>
<tr>
<td></td>
<td>Bringing outsiders in</td>
</tr>
<tr>
<td><strong>Socialisation</strong></td>
<td></td>
</tr>
<tr>
<td>Mechanisms</td>
<td>Limited and mostly formal</td>
</tr>
<tr>
<td></td>
<td>Instances of office specific success attributed to informal socialisation and benevolent culture Soley involved. Over reliance on CIO</td>
</tr>
</tbody>
</table>
Table 2  Summary of analysis of Beta (continued)

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Realised</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transformation</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Internalisation & synergy | Media agnostic planning tools (Connect strategy) to unify thinking in a connected ecosystem  
Evidence of lack of synergy between advertising discipline and digital & social media agencies | Passive. Tools and planning material are global mandates |
| Conversion | Redefining purpose through ‘Humankind’ philosophy not about selling, but changing behaviour.  
Overall evidence of conversion is limited | Limited. Digital storytelling and technology talks |
| **Exploitation**  | | 
| Use & Implementation | Incidents of success attributed to causal ambiguity and specific office and team nuances  
Lowest ranking amongst three cases in accolades and digital performance | Limited involvement in existing accounts, mostly pitches |

Table 3  Summary of analysis of Gamma

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Triggers</strong></td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>Slow digitisation of all disciplines and over reliance on digital specialists (circa 2011)</td>
</tr>
</tbody>
</table>
| External | Increased demand for digital from clients  
Dominant design for creating brand experiences  
Technology companies leading the industry |
| **Dimension**  | Component | CDO role |
| Prior knowledge | Broad and multidisciplinary CRM complementarity | N/A |
| Intensity & Speed | 2000–2009: organic training siloed in Gamma’s digital and direct agency  
2009–2014 (outside MENA) specialist and standalone agencies  
MENA: Reliance on digital agencies at Gamma’s MENA holding group | Role created in 2012 to expedite digital knowledge across all disciplines and agencies at Gamma’s MENA holding group |
| Direction | Mostly vertical integration with digital specialist, with some horizontal digital agencies (outside MENA)  
No Gamma/MENA subsidiary acquisition | N/A |
Table 3  Summary of analysis of Gamma (continued)

<table>
<thead>
<tr>
<th>Influencing factors</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assimilation</strong></td>
<td></td>
</tr>
<tr>
<td>Understanding</td>
<td>High priority of digital training</td>
</tr>
<tr>
<td></td>
<td>Reliance on technology suppliers</td>
</tr>
<tr>
<td></td>
<td>Senior leadership championing digital</td>
</tr>
<tr>
<td></td>
<td>Through interdependent model, learning through close collaboration with specialists in the group</td>
</tr>
<tr>
<td></td>
<td>Directs entire digital training program</td>
</tr>
<tr>
<td></td>
<td>Active in project ‘matchmaking’ between agencies</td>
</tr>
<tr>
<td><strong>Socialisation</strong></td>
<td></td>
</tr>
<tr>
<td>Mechanisms</td>
<td>Physical space designed to socialise and integrate</td>
</tr>
<tr>
<td></td>
<td>Unified P&amp;L to encourage collaboration</td>
</tr>
<tr>
<td></td>
<td>Culture of risk taking</td>
</tr>
<tr>
<td></td>
<td>Mostly formal mechanisms</td>
</tr>
<tr>
<td></td>
<td>Active in facilitating, encouraging and participating</td>
</tr>
<tr>
<td><strong>Internalisation &amp; synergy</strong></td>
<td>Planning tool to map customer journeys across digital (Transformational way)</td>
</tr>
<tr>
<td></td>
<td>Discipline specific Social Media expertise and community management</td>
</tr>
<tr>
<td><strong>Transformation</strong></td>
<td>Championing Media and channel neutrality across briefs</td>
</tr>
<tr>
<td></td>
<td>Championed discipline specific Social media competencies</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td>Focus on customer journeys and utility of Open architecture organisational form</td>
</tr>
<tr>
<td></td>
<td>Ongoing development of programmatic advertising platforms</td>
</tr>
<tr>
<td><strong>Realised</strong></td>
<td>Involved, albeit cryptically, in development of wearable technology for FMCG clients and programmatic platforms for automated mass customisation of online ads.</td>
</tr>
<tr>
<td><strong>Exploitation</strong></td>
<td>Reliant on digital sister agencies in MENA, while elsewhere more evident digital independence</td>
</tr>
<tr>
<td>Use &amp; Implementation</td>
<td>Gamma’s MENA holding group launched Platform5 to help all agencies in digital fulfilment</td>
</tr>
<tr>
<td></td>
<td>Parity with Beta in accolades and digital performance</td>
</tr>
<tr>
<td></td>
<td>Active with accounts and pitches</td>
</tr>
</tbody>
</table>
4.1 Antecedents of the potential absorptive capacity of large network advertising agencies

4.1.1 Knowledge sources and complementarity

The findings in connection to knowledge sources strategies by the global advertising companies aiming at identifying digital complementarity knowledge suggest that the ability to search globally (outside the traditional domain of the advertising ecology) is a function of the broadness of the companies’ cross-disciplinary knowledge bases. This can be exemplified with examples from the case, where the groups with broader disciplines, such as ALPHA GROUP, have demonstrated the advantage of being better able to assess, understand and infuse new competencies from external digital knowledge bases where there is an overlap with their in-house knowledge bases. Likewise Agencies with a broader knowledge base like Alpha’s Direct marketing were faster and more able to adopt digital capabilities and did it because:

‘When the digital change started to happen it went “ooh who owns the digital channel?” … Digital doesn’t belong in the corner of our organization, it belongs everywhere, so all our different disciplines need to become digital … you need to go back and rethink what a customer agency in the 21st Century needs to do’ (CDO Alpha EAME).

Those with a narrow knowledge base, exemplified by Beta, were slower to adapt. Gamma represent a balance between Beta and Alpha whereby digital is being infused across all disciplines but maintain a reliance on digitally competent sister agencies for technical development of campaigns.

4.1.2 Experience

The findings concerning the importance of experience in building dynamic capabilities by the global advertising companies show that relevant experience plays a decisive role. Alpha’s success, for example, in direct marketing has had a big influence on the overall strategic trajectory of the agency. Interaction with long standing technology clients (lead customers) in Alpha’s case made them deeply knowledgeable about data and large complex loyalty platforms and business technology solutions. The identified variances between the agencies and holding groups stem from path dependent trajectories based on historical specialisations and strategic focus. Early organic adaptation of digital competencies and close interdisciplinary collaboration at Alpha and Alpha Group contrasts sharply with the reactionary digital agency acquisitions that Beta Group undertook after 2007 due to lagging in digital adoption in the early digital years. Holding companies also transfer collective experience and learning through intra-group alliances in digital and data knowledge management. Across cases, learning-by-doing is encouraged.

4.1.3 Activation triggers of knowledge source & complementarity and experience

The analysis of the importance of triggers for building dynamic capabilities among the global advertising companies documents the importance of both internal and external triggers. External triggers predominantly in the form of shifting technological and media landscapes, consumer behaviours and the threat of the emergence of independent digital
agencies triggers building dynamic digital competencies. As a function of external triggering events digitally competent agencies, such as Alpha, acquire specialist digital service organisations to bolster their existing competencies and ensure their ability to effectively utilise digital and social marketing in an increasingly complex digital environment. In contrast Beta were facing a crisis of not having successfully built internal digital capabilities and were forced by client demands to accelerate their digital capabilities through acquisitions.

4.2 Acquisition capability of large network advertising agencies

4.2.1 Speed and Intensity dimensions of acquisition capability

Demand and budgets for digital marketing services continues to grow rapidly. All three cases try to meet this challenge by, for example, ‘embedding digital talent and technology throughout the organisation’ (Gamma Group Annual Report 2014) and ‘acquire highly-promising businesses in growth sectors’ (Alpha Group Annual report 2014). As the complexity and rate of digital technology and media change accelerated, so did the advertising groups need to grow their knowledge and capabilities through acquisitions of digital agencies and specialist digital services firms. Acquisitions offer agencies and holding groups growth opportunities in new markets and they typically only acquire organisations with track record in success and promising roster of clients.

The last five years have seen an increase in the number of digital acquisitions as revenues increasingly shift from analogue to digital and because client’s demands interactive digital solutions. Agencies with an early start within digital interactivity through customer engagement offerings did not acquire standalone digital agencies early on but rather sped up backward vertical integration with specialist technology organisations (as is the case with Alpha Group and Alpha). Agencies that lacked a customer engagement offering began acquiring standalone digital agencies to integrate horizontally and bolster their group digital capabilities (as is the case with Beta). On a recent acquisition, CIO of Beta says 'the reality is Beta did not have significant digital resources inside the agency and they did not have an understanding of a business model of how to build a large sustainable digital offering.

4.2.2 Direction dimension of acquisition capability

Although agencies and their holding groups are on a similar trajectory of digitising all disciplines, path dependent contingencies and increasingly broader technological acquisitions are taking place. Agencies without digital expertise began acquiring digital agencies with horizontal offerings in the mid-2000s. Those with digital capabilities did not acquire digital agencies but began acquiring vertical specialists in the last five years as the complexity increased. The latest direction is towards technology partnerships thus moving away from the traditional service sector and into technology platforms offering forward vertical integration possibilities, as Beta Group’s 3.7$ Billion acquisition of a leading IT services firm illustrates.
4.3 Assimilation capability of large network advertising agencies

The analysis of the three cases illustrates that the comprehension of digital trends, needs and techniques is enhanced by active participation in digital conferences and events, partnerships with technology and digital service provider organisations, as well as group-wide workshops. Senior leadership’s role in comprehension and championing the digital cause is also critical for assimilation.

A culture of learning along with encouragement to learn-by-doing is also fostered in the agencies, which is particularly pronounced at Alpha, and supplemented with extensive digital training for all disciplines, roles and functions to support pervasive digital thinking across the organisation. The CIO at Beta MENA says: ‘Digital is the bulk of any training and development that we do because most things have not changed since people started working in the industry … our focus is trying to get them up to speed on these new things that are happening and that you need to be a part of’. Much of the digital training is regularly conducted with on-going courses primarily geared towards ‘thinking digital’ and understanding the technology and consumer trends and how they can help serve wider brand and campaign strategies. This ensures that clients meet employees that are digitally knowledgeable and that the creative and strategic staff becomes aware of the digital possibilities and starts developing ideas that feature interactivity. This facilitates ideation that starts digital rather than more traditional starting points like TV and print. Within Alpha ‘Doing digital’ training is similarly emphasised, thereby delving deeper into the technology and platform usage, analytics, management and back end development which is given to digital and non-digital disciplines within the network.

While Alpha has a stronger depth in digital training developing both ‘thinking digital’ and ‘doing digital’, Beta and Gamma are more geared towards basic digital awareness training as they rely on digital sister agencies to develop and manage campaigns. These findings reflect their different abilities to comprehend digital trends, needs and techniques. Learning-by-doing is widely encouraged and institutionalised, sometimes by celebrating and analysing failure and reinforced in the development of informal social integration mechanisms.

4.4 Social integration mechanisms of large network advertising agencies

Mechanisms of social integration around digital marketing is prioritised and in constant development to bridge PACAP and RACAP. By investing in and developing innovation departments, agencies help to bring together all disciplines around digital by actively sharing and packaging information and knowledge. Self-organising digital communities with varying digital focus (e-commerce, mobile, social etc.) are also seen as critical to capture and share digital knowledge as it increasingly becomes garnered through the experience of working on accounts. This sharing and codification of digital knowledge is created and supported through closed online forums, social media groups, webcasts and dedicated portals as the knowledge becomes less centralised and more dispersed across the organisation. At Alpha, for example, a ‘community of experts are constantly in touch with each other to get help, to get support, to learn and to inspire each other through community-based learning. More peer to peer learning, not just imposed training is a big part of what we do. We are many active communities of people’ (CDO Alpha EAME).
The socialisation dimension of ACAP is generally observed to be important for global advertising agencies in fostering creativity, and particularly critical for building digital capabilities. Structural, relational, political and cognitive barriers are seen to stifle digital innovation or foster it (in the absence of barriers) in the cases. Informal and formal social integration mechanisms are largely managed and encouraged by CIO/CDO’s who facilitate the socialisation of digital in the agency, thereby helping to connect PACAP and RACAP.

4.5 Transformation capability

‘We have so many new roles and capabilities, so that is the other thing in a transformational strategy. There are a whole bunch of new capabilities that over the years have been brought into the agency such as social media or e-commerce. Social takes many different shapes and forms: it can be about how you are activating shoppers, it can be about how to win in reviews, if it is in advertising or brand building it can be about how to drive earned media around brand storytelling and ideas’ (CDO Alpha EAME).

Strategic coping with the transformation process towards integrating digital interactivity is found to be positively related to building dynamic capabilities. Successful network agencies deliberately transform their internal organisation by redefining the roles of traditional competencies as well as creating new competencies that help serve the complexity of developing and managing digital initiatives. New processes and structures are developed in order to integrate thinking, planning and management of campaigns with clearly defined roles and responsibilities as digital and social marketing increasingly binds disciplines. AlphaFusion, Beta’s Human-kind and Connect strategy, and Gamma’s Transformational Way serve this purpose.

Furthermore, as consumers become more involved and influential over brands, new paradigms of what a brand is and how it behaves have affected what agencies are fundamentally doing for brands, which has implications for the transformation process. Though similarities between the agencies exist in terms of providing singular planning tools and unified briefs for all disciplines to collaborate in providing creative solutions, only Alpha seems to have demonstrated an ability to create new disciplines and competencies out of their digital knowledge. This gives the agency more depth in the digital field making it more able to unify cross-disciplinary digital work. Gamma is interestingly delving into the development of automated and programmatic advertising platforms, while Gamma Group has recently headed into a similar direction.

Ambidexterity and how traditional and digital competencies are exploited and explored respectively can be explained in the intra-organisational dynamics between network agency disciplines and within holding group companies. For example, Alpha are balancing their overall competencies between two forms of knowledge and experience, that is, offline (exploitation) and digital (exploration).

Ultimately, large agency networks are able to exploit their traditional knowledge by maintaining a separate configuration of competencies. Exploration on the other hand is enabled by the provision of digital specialist entities that focus entirely on digital dimensions of campaigns allowing for the required depth and expertise without compromising on the traditional business of mass communication. Through integrated
planning and creative development and project-based teams featuring members from all disciplines and roles, both traditional and digital competencies are maintained and developed respectively.

4.6 Exploitation capability and competitive advantage

While evidence of the importance of exploitation is seen in the creation of new ventures and new markets, particularly with Alpha as discussed in the previous section, the fundamental component of exploitation is found to be related to the use and implementation of new knowledge. The ultimate output of an agency is the creative work and campaigns they develop and implement on behalf of clients and brands. As such the evidence of integrated and digitally led campaigns is arguably the best proof of exploitation of newly acquired and developed digital capabilities.

As the management and optimisation of digital becomes more complex and data driven, new disciplines and organisations are being created to manage data and perform real time analytics (such as AlphaAMP and Digital Analytics subsidiary of Alpha). There are also disciplines created to develop and manage digital content production (like videos) and digital platforms (websites, apps, experience universes) out of new digital specialists agencies (like AlphaEntertainment).

Operational mandates such as digital revenue targets and closer collaboration with digital specialists and a vocal leadership rallying digitisation on, helped on by the industry’s institutional award structure favouring effectiveness and integrated thinking also reinforce realisation of digital potential. Digitally integrated awards and billings in digital business are indicative measures of an agency’s ability to realise their digital potential. Similar to the holding company rankings, Alpha Group’s Alpha ranked significantly higher than Gamma and Beta.

4.7 Regime of appropriability

The nature of the appropriability regime influences the global advertising companies strategy in relation to building dynamic capabilities. Creative concepts, strategies and innovative digital platforms and engagements with consumers are typically easy to imitate, and beyond trademarks and copyrighting slogans, there are no patents for marketing methods, organisational forms or use of digital media and ways of doing business (European Patent Office, 2016). Nevertheless, much investment in building digital capabilities and technology solutions are seen in the advertising industry arising from what Cohen and Levinthal (1990) argue is the strong positive absorption incentive linked to a high degree of knowledge spill over, which can offset negative appropriability. Isolating mechanisms, as in idiosyncratic features like corporate culture, scale of operations and more intangible causal ambiguities related to specific regions and offices, are also seen as a factor to impede imitation in many industries but less so in the case of the advertising industry as high investment is seen in all agencies and their holding groups with regards to digital assets. The competitive advantage Alpha currently possess with regards to RACAP and relative to, for example, Beta are temporary and subject to emulation and replication or even becoming irrelevant in the coming years with the shifting digital marketing landscape.
4.8 The role of the Chief Digital Officer in fostering PACAP and realising RACAP

‘It is mainly a change management role and one that hopefully will not exist one day, along with any title with the words social, mobile or digital in it because, ultimately, what brands need today is to solve the same marketing problems that they have always solved. They still need to build brand presence, generate demand, activate shoppers, make customers more loyal and sell more to existing customers. They just need to do it in different ways than before’ (CDO Alpha EAME).

The CDOs in all three cases play a decisive role in creating digitally-based PACAP and RACAP in the global advertising organisations. The CDO, as a change agent, is involved in the socialisation mechanisms and ultimately in the RACAP. In the case of Beta much of the role is focused on the socialisation component (formal mechanisms) and intermittent involvement with transformation and exploitation.

There are, however, also differences pertaining to the different geographical scope of the organisations. At the highest level in terms of geographic responsibility and board level inclusion, the CDO is seen to be important in the broader organisation wide perceptual schema and performing a boundary spanning and gatekeeping role. The CDO at Alpha, who is responsible for a broader role in the organisational transformation than at Beta and Gamma, is seen to be involved in the acquisition of digital specialist organisations and the development of new digital ventures and competencies.

In the Assimilation role CDOs are responsible for digital training and represent the organisation’s leadership in terms of digital direction. In the case of Beta and Gamma, assimilation, along with managing formal social integration mechanisms, appears to be the primary area of focus for the CDOs as they have less influence on the global initiatives to transform their respective agency networks.

In the Transformational dimension the CDO of Alpha is evidently involved at the highest level of organisational change by collaborating with heads of disciplines and operations (creative, strategy, planning) in developing systems (planning processes, ways of working, briefs) that infuse digital into every aspect of the organisation. In the Exploitation of digital knowledge and capabilities, CDOs are also involved in the biggest client work and pitches and are even client facing and involved in client’s very own digitisation efforts.

Management’s role, illustrated by investigating CDOs, is to create an environment that fosters digital thinking through the corporate culture, technical digital campaign support, and cognitive guidance in making sure roles and responsibilities are clearly defined. The knowledge of how to use digital in its various forms is increasingly being created and dispersed within the agency through the experience of working on accounts and incidental creativity and innovation. Bringing that knowledge and experience back into the agency is dependent upon strong formal and informal integration mechanisms that creates an effective network of knowledge flow.

5 Discussion

Interactive digital technologies require advertising agencies to develop new managerial and organisational capabilities to meet the challenge of moving from mass communication
to digital interactivity. Analysed through the dynamic capability approach the paper illustrates how global advertising agency networks increasingly focus on building digital marketing capabilities as both a growth and survival strategy.

The global advertising agencies face significant barriers connected to mastering digital interactivity. In complex intra- and inter-organisational contexts, the global advertising agency networks have embraced a number of different managerial tools such as joint ventures, group wide digital and data alliances amongst holding group organisations and joint digital training programs help network agencies scan, comprehend and react to the changing digital landscape faster than if they existed independently.

Given the barriers and how they are translated into dominant logics the global advertising agency networks tend to rely on the CDOs as change agents. More specifically, they hire digitally experienced employees for senior CDO positions to ensure that digitalisation permeates throughout the organisations. The CDOs are vocal and involved in emphasising the importance of the digital change, which reinforces the sense of urgency and importance to adapt. In addition, the global advertising bureaus have worked actively with encouraging the development of a ‘learn-by-doing’ culture although it manifests itself differently in the different organisations; this includes celebrating learning through failure.

Constructing mechanisms concerned with social integration around digital marketing activities is prioritised and in constant development. Innovation departments, for example, help to bring together all disciplines around digital knowledge management. Self-organising digital communities with varying digital focus (e-commerce, mobile, social etc.) are also central as digital knowledge becomes less centralised and more dispersed across the organisation. Additionally, the agencies are actively engaged in digital, data, mobile and e-commerce sector conferences and associations. Exposing staff to trends and new innovations is common across agencies by bringing outsiders in from various research and technology organisations.

Fundamentally, the agencies studied have developed an evolving cognitive framework for understanding what the role of a global advertising agency does for a client’s business. As brands has evolved from being a personification of an organisation to a platform that engages consumers by creating experiences that also connect functional aspects of the client’s business, agencies are increasingly becoming involved in core aspects of their client’s business.

Though varying in sophistication and depth, all cases illustrated the impact that digital has on the planning processes and briefs that lead to the development of creative work. The planning processes have also addressed the discipline blur by clearly outlining roles and responsibilities amongst the disciplines by making the connections between them guided by customer journeys across integrated campaigns and experiences. Social and engagement metrics and measurements have also become woven into the key performance indicators, which traditionally was limited to brand and campaign recall and sales uptake.

With increasing complexity and depth in digital marketing, new disciplines and specialist divisions within the networks are created furthering the realisation of ACAP. Concurrently strategic and operational mandates to increase digital revenue and cross disciplinary integration, along with the industry’s creative award structure, drive digital thinking and adaptation.
Utilising adhocratic client team based organisational forms that bring diverse expertise together from across the group and disciplines fosters integrated thinking and allows for a higher degree of digital sophistication than independent isolated thinking would allow. The project based nature of advertising agencies and the learning that happens within them is a particularly important dimension of organisational learning for advertising agency networks as it pertains to exploring and exploiting digital capabilities.

As pointed to above the CDO plays a central role in this process. CDO’s work to help agency networks build their dynamic capabilities by virtue of having a dual-champion role (Day, 1994) combining a bottom-up product champion and a top-down organisational sponsor who mobilises knowledge, information and power as it relates to digital. The CDO is involved across all components in building Potential and Realised ACAP, particularly in the Assimilation and Transformation components and the Social integration mechanisms in-between. At their best and broadest capacity, CDO’s conform to all of Caldwell’s (2003) classifications of change agent roles and models. They represent the digital voice of organisational leadership as a chief level role and are champions of strategic change. They are very hands-on in the management of strategic change within business units and key functions and they provide consultancy service for strategic and operational level change, and function within the broader teams that have digital ownership and competencies within the agency.

The paper documents how the three global advertising agencies under investigation illustrate that the advertising industry is in a rapid transformation towards embracing digital interactivity. In this environment agencies need to be agile while not losing sight of their core competency, which is creativity. The companies need to assesses their positioning and digital capabilities and mobilise numerous tools simultaneously to overcome and compensate for internal weaknesses. To that end, a central managerial implication is to design CDO positions and ensure that they possess both digital as well as change management competencies. Moreover, the global agencies need to rely on social mechanisms and decentralise digital ownership and through encouraging and facilitating individual and group learning, rely on the creativity and ingenuity of the right people with the right attitude towards learning and experimenting to foster innovation in the digital realm.

The paper also points out further research avenues. Following the discussion and the evident importance of socialisation of digital knowledge in advertising agencies, and in line with Duchek (2013), further study should enhance the understanding of the move to digital interactivity. Specifically, tracking the acquisition, creation and diffusion of digital knowledge using Zollo and Winter’s (2002) dimensions of Experience Accumulation, Knowledge Articulation and Knowledge Codification. This could be conducted using Prencipe and Tell’s (2001) 3x3 inter-project learning mechanisms for project-based organisations with analysis at the individual, group/project and organisational level. This would be particularly pertinent to advertising agency networks as a great deal of the external knowledge is evidently accumulated in the project based teams through learning-by-doing. On a more mundane scale, replicating the research within smaller advertising agencies is needed as are studies investigating the client’s perceptions of the changes.
References


Building dynamic capabilities in large global advertising agency networks


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Building dynamic capabilities in large global advertising agency networks


