

Cross-border M&As by Mega Advertising Firms as Means of Global Networking

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Abstract:

Purpose — The aim of this paper is to identify cross-border mergers and acquisitions (M&As) of advertising firms as a means of global networking in situations where they are under pressure to cope with globalization and digitalization. An additional objective is to look into future research directions through case studies.

Originality/Value — Case study analysis used in cross-border M&As research in an international advertising context has been practically non-existent.

Findings — Both WPP and the Dentsu Group reached a turning point in their cross-border M&As strategies in 2019. The expansion of networks through cross-border M&As is not an end, it is more important to create value by interacting with existing networks to client's marketing challenges.

Key words: Advertising Firm, Cross-border M&As, Network Picture, Networking, Globalization, Digitalization

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1. Introduction

The purpose of this paper is to identify cross-border mergers and acquisitions (M&As) of advertising firms as means of global networking in situations where they are under pressure to cope with globalization and digitalization. The background of this research is that globalization and digitalization in the advertising industry have become important issues in corporate marketing activities in recent years. The digitization of the advertising industry has an impact that cannot be underestimated. Zenith Optimedia (2018) reported a forecast of contribution of advertising expenditures growth by medium (see Figure 1). The growth of advertising firms specializing in digital communication that belong to consulting firms (e.g. Accenture, PwC, Deloitte) and solution service companies (e.g. IBM) is remarkable. In 2016, Accenture Interactive (6th in the ranking), PwC's Digital Services (7th), IBM Interactive Experience (8th) and Deloitte Digital (9th) are in pursuit of Dentsu Inc. (5th) (see Table 1).

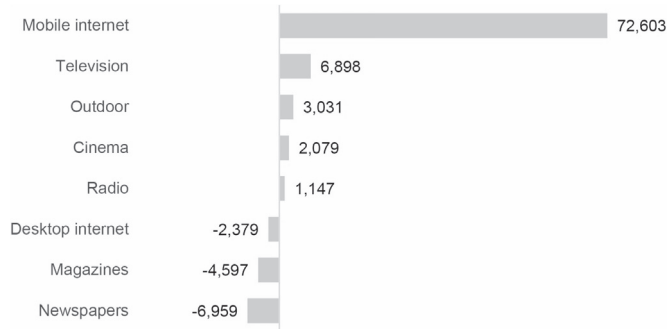


Fig. 1 Contribution to Global Advertising Expenditure Growth by Medium (2017–2020) (US\$ million)

Source: Zenith Optimedia, Advertising Expenditure Forecasts March 2018.

Table 1 Ranking of Total Revenue by Advertising Firms Group (Fiscal Year 2007 and 2016)

Rank in FY 2007	Advertising Firms Group	gross revenue (\$ million)	gross revenue (billion yen)
1	Omnicom Group (New York)	11,377	13,293
2	WPP (London)	10,820	12,642
3	Interpublic Group (New York)	6,191	7,234
4	Publicis Groupe (Paris)	5,872	6,861
5	Dentsu Inc. (Tokyo)	2,951	3,448
6	Havas (Suresnes, France)	1,841	2,151
7	Aegis Group (London)	1,826	2,134
8	Hakuhodo DY Holdings (Tokyo)	1,337	1,562
9	aQuantive (bought by Microsoft in Aug. '07)	442	516
10	Asatsu-DK (Tokyo)	430	502
11	MDC Partners (Toronto, New York)	424	495
12	Sapient Corp.(Cambridge,Mass)	406	437
Rank in FY 2016	Advertising Firms Group	gross revenue (\$ million)	gross revenue (billion yen)
1	WPP (London)	19,400	20,921
2	Omnicom Group (New York)	15,400	16,607
3	Publicis Groupe (Paris)	10,800	11,667
4	Interpublic Group (New York)	7,800	8,411
5	Dentsu Inc. (Tokyo)	7,200	7,764
6	Accenture Interactive (New York)	4,400	4,745
7	PwC's PwC Digital Services (New York)	3,300	3,559
8	IBM Interactive Experience (Armonk, N.Y.)	3,000	3,236
9	Deloitte Digital (New York)	2,600	2,894
10	Havas (Puteaux, France)	2,500	2,696
11	Hakuhodo DY Holdings (Tokyo)	2,200	2,373
12	Epsilon(Irving, Texas)	2,200	2,373
Average exchange rate in 2007 (1 dollar = 116.8 yen), in 2016 (1 dollar = 107.8 yen)			

Note: The source for average exchange rates for US dollars and Japanese yen for 2007 and 2016 are Mitsubishi UFJ Research & Consulting Co., Ltd.TTB.

Source: Ad Age Data center (Agency Report 2008 & 2017).

How do mega advertising firms such as WPP and Dentsu, whose core business is traditional mass media, respond to the rapidly changing market environment in which mobile internet advertising is growing over television advertising? It seems that cross-border M&As can be considered as an effective solution to such major change. This paper attempts to show a roadmap for cross-border M&As as global networking from case study research and examine the tendency of preferred firm type and geographic regions by analyzing cross-border M&As completed in the period from 2006 to 2019.

The structure of this paper is as follows. In Section 2, the related prior studies are discussed and literature of Cross-border M&As of service sector and Networking are reviewed. Section 3 explains research methods of case studies. Section 4 compares and examines cross-border M&As by these two groups, WPP Group (based in UK) and Dentsu Group (based in Japan). Why this paper chose these two companies that WPP Group is the world's largest advertising group with headquarters in Europe. Meanwhile, the world's fifth-largest Dentsu Group, which has its headquarters in Japan, actively pursued cross-border M&As following its acquisition of Aegis Media in 2013. By comparing these two companies, it is expected that the strategy of cross-border M&As of advertising firms will become clear. Section 5 explores networking by cross-border M&As of advertising firms that have been forced to deal with globalization and digitalization. Finally, the implications and future issues of this research are described.

2. Prior Studies

2.1 Cross-Border M&A in the Service Sector

Weinstein (1977) classified the motives for foreign market entry of advertising firms in the service sector. It attempted to identify whether there are differences in the overseas investment of multinational advertising firms compared with the manufacturing industry. And Weinstein (1977) clarified the main motivation of advertising firms to expand their business overseas were influenced by the initial interests of senior executives and the services to their clients. Erramilli and Rao (1990, 1993) focused on the point that entry-mode choice by firms includes the peculiarity of the service industries, and classified and explained the foreign market entry form. Blomstermo et al. (2006) examined that soft-service are more likely to choose a high control entry mode than hard-service firms and suggested that there are significant differences between hard and soft service industries (see Table 2). Blomstermo et al. (2006) appointed that managers tend to underestimate the differences between domestic and overseas markets. Regarding a mode of entry in a foreign market, Kling et al. (2014) pointed out that cross-border M&As are the dominant form of Foreign Direct Investment (FDI) and among one of the most widely executed strategic decisions in pursuit of international diversification.

Ducoffe and Smith (1994) pointed out that M&As by advertising firms among their peers has been effective immediately since the 1960s and has been implemented as the safest growth strategy. According to Ducoffe and Smith (1994), since the 1970s, major consumer goods manufacturers have begun to focus on short term communication strategies to return profits to shareholders, and major advertising firms have become more likely to acquire specialized adver-

Table 2 Characteristics of Firms Entering Foreign Markets

Entry Mode	Variations	Relational Friction	Resource Commitment/Risk	Commitment
Wholly Owned Subsidiary	Subsidiary, Office, Branch, Project Office, Representative Office		High	High
Partly Owned Subsidiary	Minority/majority Ownership		↓	High/Moderate
Joint Venture	Partnership, Consortium, Affiliate	Low/ Moderate		
Contract, Alliances Market	Licensing, Franchising, Correspondent Banking	High/Moderate	None/Little	
		High		Low

Source: Erramilli and Rao (1993) p.21., Blomstermo et al. (2006) p.214.

tising firms such as those in direct marketing and sales promotion in order to supplement their services. In addition, regarding M&As of advertising firms in 1980s, Ducoffe and Smith (1994) pointed out that trend of large M&As to be a mega advertising firm group began to be positively adopted from Omnicom Group which was formed by the merger of BBDO, DDB and Needham Harper in 1986. In 1986, just 10 days after the Omnicom Group’s inauguration, a big M&As deal was struck in which UK based Saatchi and Saatchi acquired U.S. based Ted Bates. Then, in 1990s, the cross-border M&As of the advertising firms accelerated in order to correspond to the globalization of the advertiser. Kang and Johansson (2000) stated that Multinational Enterprises (MNEs) tend to seek complementary intangible assets such as technology, human resources, and brand through geographical diversification. Jung (2004) focused on cross border M&As and joint ventures (JV) as an overseas market entry strategy for U.S. advertising firms from 1981 to 2001. Jung (2004) suggested that the joint ventures (JV) of the U.S. advertising firms are concentrated in Asian countries with the cultural gaps between home (U.S.) and host countries (Asia). Jung (2004) also addressed that if the political, economic, and financial risks are low, U.S. advertising firms adopted cross-border M&As as an effective strategy rather than the joint venture (JV). Shimizu et al. (2004) showed that cross-border M&As can be an opportunity to learn new knowledge and acquire new capabilities by acquiring companies headquartered in other countries. Shimizu et al. (2004) examined M&As from three perspectives, cross-border M&As as a mode of entry in a foreign market, dynamic learning process from a foreign culture, and value creating strategy. Boojihawon et al. (2007) undertakes an exploratory study into the characteristics of entrepreneurial culture of the multinational subsidiary. Boojihawon et al. (2007) suggests that the constituents of multinational subsidiary entrepreneurial culture include global vision, entrepreneurial orientation and entrepreneurial MNEs network management. Drawing on the Resource Based View (RBV), after M&As, the firms can acquire sustainable competitive advantages by knowledge management (Barney, 1991). As described above, the cross-border M&As of advertising firms began as a shortcut of scale expansion and growth, but it has been discussed as an opportunity to acquire intangible assets (e.g. new tech-

nologies and human resources) and to improve organizational capability to cope with the change of market environment such as globalization and digitalization. Birkinshaw et. al. (2002) addressed that effective post acquisitions are task integration limited by the interaction and the success of the human integration between acquired and acquiring units. Ikegami (2019) pointed out that in cross-border M&As research, the emphasis has shifted from what kind of terms for M&As to how to select an acquired company and integrate after M&As.

2.2 Networking and Cross-border M&As

Oberg et al. (2006) addressed that M&As cause a dramatic change of business network. And Oberg et al. (2006) analyzed changes in networking activities following M&As with constructs of “network picture” and “networking” (see Table 3). This “networking” does not simply mean a network structure, but includes activities that initiate strategic options, new exchanges or discontinue existing exchanges, build trust and develop reliance and contract that will be implemented after an M&As.

Table 3 Construct and Variables of Network Picture and Networking

Construct	Variable for Case Analysis
<i>Network Pictures</i>	Actors included (e.g. suppliers/customers, competitors, alternative exchange partners)
	Activities (exchange and interaction characteristics)
	Resources (organizational competences, offering characteristics, relational and contract elements)
	Network boundaries (inclusion/exclusion of actors)
	Network power (actor’s perceived influence on each other)
	Network centre/periphery composition
<i>Networking</i>	Strategic options proposed or implemented/strategic orientation regarding focal exchange network
	Exchange structures that are enacted
	New exchange that are instigated/existing exchange that are discontinued
	Value and risk in exchange relationships
	Trust and reliance (contract) developments

Source: Oberg et al. (2006) p.5.

Weick et al. (2005, 49) addressed that sensemaking is the activity that enables us to turn the ongoing complexity of the world into a comprehended situation that serves as a springboard into action. Oberg et al. (2006) defined “Network Picture” as subjective devices germane to sense making by managers and “Networking” as post M&As activities which managers and organizations try to interact with to influence their environment.

The networking (post M&As activities) may not follow the network pictures. Oberg et al. (2006) also addressed that M&As situations are very specific incidents of networking. Colville and Pye (2010) examines the concept of network pictures through the lens of the organizational sensemaking perspective and Colville and Pye (2010) addressed that the crafting and enacting

of network pictures as exercises in sensemaking. Kim (2015) reveals that the international expansion of large transnational advertising firms is motivated by market forces and that major advertising firms continue to perpetuate and dominate the global industry with leverage such as integrated networks, capital and research resources within the conglomerates.

3. Research Method

This paper adopts a case study approach. The approach of case studies is particularly suitable for new topic areas, and it is meaningful to derive theories (Eisenhardt, 1989). It is necessary to shape hypotheses from multiple case comparisons (Glaser and Strauss, 1967; Yin, 1981; Strauss, 1987; Eisenhardt, 1989). As prior studies have suggested, if the political, economic, and financial risks are low, advertising firms would adopt cross-border M&As rather than the joint venture (JV). Cross-border M&As can be an opportunity to acquire new knowledge and new capabilities. In recent years, an increasing number of companies have made mergers and acquisitions that produce results without integrating their operations and human resources in businesses (Kale and Singh, 2009; Christensen et al. 2011). This paper compares two case studies of cross-border M&As by advertising firms WPP and Dentsu Group. The constructs of network picture and the networking which are presented in the paper of Oberg et al. (2006) are adopted for the comparison and verification. The Annual and Integrate reports, publications such as news releases published by each firm are used as secondary sources.

4. Two Case Studies

4.1 WPP Group

According to WPP history in its website, there is an introduction as “WPP is a creative transformation company”. In 1985 Sir Martin Sorrell took a controlling stake in a small UK manufacturer of wire baskets and teapots called Wire and Plastic Products, as the foundation on which to build an international advertising and marketing services group. The company was renamed simply “WPP”, with Sir Martin as its Chief Executive. WPP grew rapidly over the following three decades, initially through large acquisitions and subsequently through organic growth alongside smaller-scale M&As. Today WPP is a world leader in communications, experience, commerce and technology of advertising industry. Through several cross-border M&As, WPP Group has established a huge organization with a global network of 10 major companies as of 2019 (See Figure 2).

WPP’s award-winning integrated creative network consists of companies such as Ogilvy, Grey, Wunderman Thompson, AKQA, VMLY&R and Geometry. WPP’s GroupM is the world’s leading media investment company responsible for more than \$45 billion in annual media investment through its agencies. Mindshare is a global media agency with 116 offices in 86 countries and billings of \$16.5 billion. In addition, WPP have the world’s leading marketing data, insight and consultancy company (Kanter) and Public Relations agencies (BCW: BURSON COHN & WOLFE), Finsbury. HILL+KNOWLTON STRATEGIES, and brand consulting and de-

sign (LANDOR, SUPERUNION), WPP Health Practice is a leading global health marketing communications company.

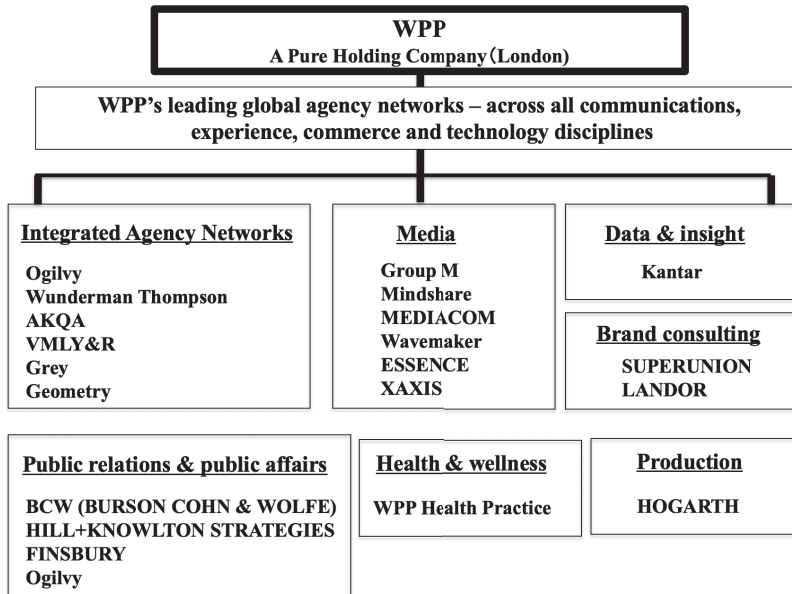


Fig. 2 Organizational Structure of WPP Group with Leading Global Firms
 Source: By author based on WPP website.

This paper collects cross-border M&As data for 7 years from 2006 to 2012 and from 2013 to 2019. The reason for this is that Dentsu's acquisition of Aegis Media in 2013 led to a dramatic increase in profits in overseas markets. 2013 is as a year of significant change for cross-border M&As by advertising firms. From 2006 to 2012, WPP Group had 143 deals. As for the business types of acquired companies, Digital Marketing or Digital Creative account for 39.2% and full-service advertising agency account for 18.9% (see Table 4).

From 2006 to 2012, companies acquired by WPP Group M&As with headquarters in Europe account for 20.3%, North America (East and West coasts) account for 17.5%, and China and Southeast Asia total account for 28.7% (see Table 5). The fact that UK-based WPP has a high ratio of M&As in Europe is thought to be due to the ease of access of information on acquired companies and negotiation.

In the business type of the acquired company from 2013 to 2019, the most abounding is digital related marketing companies among the total 148 cases, making up 61 companies (41.2%). The effects of digitalization of advertising are appearing in the business types of acquired companies (see Table 6). Headquarters locations (home) of acquired companies from 2013 to 2019 are summarized (See Table 7). This will reveal the regional distribution of responses to globalization. Regarding the head office location of acquired enterprises, North America (East Coast)

Table 4 WPP Group M&As Business Type of the Acquired Companies in 2006–2012

Business field of the acquired company	2006	2007	2008	2009	2010	2011	2012	Sub Total	
Digital Marketing/ Digital Creative	2	10	9	2	5	11	17	56	39.2%
Full Service Advertising Firm (Independent)	7	3	5	1		6	5	27	18.9%
e-Commerce Agency					1			1	0.7%
Media Agency	1	2	4			2	1	10	7.0%
Retail Marketing Agency							1	1	0.7%
Sports Marketing/Event Marketing	1	1					2	4	2.8%
Marketing Reserch/Data Analytic	3	2	2	2	1	1	3	14	9.8%
PR Agency/Communication Consultancy		1	2	1	1	4	1	10	7.0%
Public Affairs Firm/Advocacy Firm	1						1	2	1.4%
OOH (Out of Home) Media Agency		2						2	1.4%
Healthcare Agency		4		1				5	3.5%
Brand/Design Consulting Firm		2						2	1.4%
Video Game Developer/In-game Advertising			2					2	1.4%
Data Analytics and Metrics Consultancy	1	2	1				2	6	4.2%
Creative Agency					1			1	0.7%
	16	29	25	7	9	24	33	143	

Source: By author based on WPP news release.

Table 5 WPP Group M&As; Headquarters Locations (Home) of Acquired Companies in 2006–2012

Home of the acquired company	2006	2007	2008	2009	2010	2011	2012	Sub Total	
North America (East Coast) and Canada	4	7	3		3	6	2	25	17.5%
North America (West Coast)	1	3	2		1	1		8	5.6%
Europe (UK, France, Germany, etc.)	1	9	6	3	1	1	8	29	20.3%
Russia and Eastern Europe			2			1	3	6	4.2%
Latin America	1	1	1			2	3	8	5.6%
China (Including Hong Kong)	6	3	4		1	3	4	21	14.7%
Korea	2	1						3	2.1%
Southeast Asia (including Taiwan)		1	3	4	1	7	4	20	14.0%
Australia and Oceania		1					2	3	2.1%
Africa			1		1	2	1	5	3.5%
India, Middle East and Central Asia	1	3	3		1	1	6	15	10.5%
	16	29	25	7	9	24	33	143	

Source: By author based on WPP news release.

was 13.5%, North America (West Coast) was 2.7%, and Europe (UK, France, Germany, etc.) was 29.7% during the 7 years from 2006 to 2012 (148 cases). In these periods, it should be noted that acquired companies are expanding geographically in Latin America (10.1%), South East Asia (including Taiwan) (10.1%), India, Middle East and Central Asia (9.5%), and Africa (6.8%).

Table 6 WPP Group M&As Business type of the Acquired Companies in 2013–2019

Business field of the acquired company	2013	2014	2015	2016	2017	2018	2019	Sub Total	
Digital Marketing/ Digital Creative	13	16	10	13	7	2		61	41.2%
Full Service Advertising Firm (Independent)	1	2	2	1	2	7		15	10.1%
Creative Agency	1	2		1	1	1	1	7	4.7%
Media Agency	1	2	2		1			6	4.1%
OOH (Out of Home) Media Agency			1					1	0.7%
Healthcare Agency		1	3	2				6	4.1%
Social Media/Social Marketing	2	1		1				4	2.7%
Ad server platform		1						1	0.7%
Marketing Automation Services Firm.	1							1	0.7%
Marketing Reserch/Data Analystic	3	1	2	1				7	4.7%
Contents/Experience Marketing	2	1	1	1				5	3.4%
Brand/Strategic Consulting Firm	3	2		2		1		8	5.4%
Corporate Communications Agency.	1							1	0.7%
CRM (Customer Relationship Marketing)		1	1					2	1.4%
Sports Marketing/Event Marketing			1	1				2	1.4%
Integrated Direct Marketing Services			1					1	0.7%
e-Commerce Agency	1	1	1	1	1	1		6	4.1%
Public Affairs Firm/Advocacy Firm								0	0.0%
PR Agency/Communication Consultancy	1	1	1	1				4	2.7%
Diverse Skill Sets including Robotics					1			1	0.7%
Data Analytics and Metrics Consultancy		1						1	0.7%
Mobile Content Creation/Platform	1		2	1				4	2.7%
Branding Design/Promotion		1	1	2	1	1		5	3.4%
	31	34	29	27	13	13	1	148	

Source: By author based on WPP news release.

Table 7 WPP Group M&As; Headquarters Locations (Home) of Acquired Companies in 2013–2019

Home of the acquired company	2013	2014	2015	2016	2017	2018	2019	Sub Total	
North America (East Coast) and Canada	3	2	6	6	1	2		20	13.5%
North America (West Coast)	1		1	1	1			4	2.7%
Latin America	4	5	2	2	2			15	10.1%
Europe (UK, France, Germany, Nordic etc.)	4	10	10	12	4	3	1	44	29.7%
Russia and Eastern Europe	3	3	1		1			8	5.4%
India, Middle East and Central Asia	3	3	3	2	2	1		14	9.5%
China (Including Hong Kong)	3	3		2	2			10	6.8%
Korea	1			1				2	1.4%
Southeast Asia (including Taiwan)	5	2	1			7		15	10.1%
Africa	3	5	1	1				10	6.8%
Australia and Oceania	1	1	4					6	4.1%
	31	34	29	27	13	13	1	148	

Source: By author based on WPP news release.

4.2 Dentsu Group

Dentsu is a Japanese advertising company and ranks No. 1 in the domestic advertising market, with a market share of 28.8%. Gross profit was 932.6 billion yen in fiscal 2018, with operations in 145 countries, accounting for 60.4% of gross profit. The digital advertising segment accounted for 23.9% of gross profit in fiscal 2018 in Japan and 60.6% overseas. It has 62,804 employees worldwide (Dentsu Annual Report 2019). According to Sugiyama and Andree (2011), the 11th CEO Takashima clarified digitalization and globalization as management issues since 2007. Dentsu hired Tim Andree as their first foreign board member. It was given as a mission to positively establish M&As and to rebuild the overseas networks. In October 2010, the Global Solutions Center was established to build a global network in the Tokyo head office for strengthening and expanding business in Europe and the United States, and to promote the sharing of systems and know-how to cooperate with each other, and Dentsu Network West (DNW) was established to supervise business companies and control companies in the Americas (North America and Latin America) and Europe (excluding Russia). The capital and business alliance with Publicis Groupe (based in France) was dissolved in February 2012, and Dentsu completed the acquisition of Aegis Media (based in U.K.) in March 2013. At the same time, the Dentsu Aegis Network, headquartered in London, was established. The Dentsu Group underwent a major organizational change through the acquisition of Aegis Media in 2013 (See Figure 3).

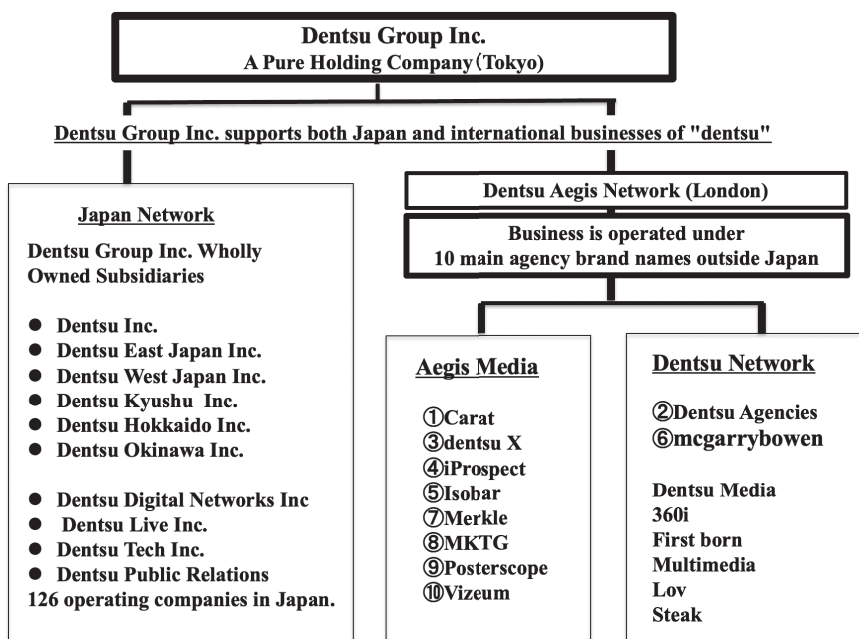


Fig. 3 New Organizational Structure through Dentsu's Acquisition of Aegis Media

Source: By author based on Dentsu group website.

From 2006 to 2012, Dentsu Group conducted 10 deals. The business type of acquired companies were Digital Marketing or Digital Creative account for 50.0% (see Table 8).

Table 8 Dentsu Group M&As Business Field of the Acquired Companies in 2006–2012

Business field of the acquired company	2006	2007	2008	2009	2010	2011	2012	Sub Total	
Digital Marketing/Digital Creative					1	3	1	5	50.0%
Full Service Advertising Firm (Independent)			1				2	3	30.0%
Creative Agency		1					1	2	20.0%
	N.A	1	1	0	1	3	4	10	

Source: By author based on Dentsu news release.

From 2006 to 2012, acquired companies by Dentsu Group M&As with home in North America (East and West coasts) accounts for 70.0%, Europe accounts for 20.0% (see Table 9). This period cross-border M&As was made by mainly Dentsu Holdings USA for clients in U.S. and Europe.

Table 9 Dentsu Group M&As; Headquarters Locations (Home) of Acquired Companies in 2006–2012

home of the acquired company	2006	2007	2008	2009	2010	2011	2012	Sub Total	
North America (East Coast) and Canada			1		1	1	2	5	50.0%
North America (West Coast)		1					1	2	20.0%
Europe (UK, France, Germany, etc.)						2		2	20.0%
India, Middle East and Central Asia							1	1	10.0%
	N.A	1	1	0	1	3	4	10	

Source: By author based on Dentsu news release.

In the business type of the acquired companies from 2013 to 2019, the most abounding is digital marketing, of the total 137 cases from 2013 to 2019, 67 companies (48.9%) were involved. As the effects of digitalization of advertising are appearing in the acquired companies. According to a Dentsu news release dated May 2, 2013, the Canadian company NV Eye based in Montreal, is described as having “Strengths in the development of advertising communications services using performance-based marketing methods on online media”. And according to a Dentsu news release dated March 4, 2014, the French mobile marketing agency Lesmobilizers in Paris as “Especially strong in mobile app development, video streaming, and mobile commerce (e-Commerce using smartphones and tablets)”. According to a July 28, 2015 Dentsu news release described the acquisition of Redirect Digital Marketing as “Wide range of services, including performance marketing and SEO (Search Engine Optimization)”. All the acquired digital communication companies will be merged into the Aegis Media network. The purpose of cross-border M&As from 2013 to 2019 seems to be to strengthen the competitiveness in the digital marketing and creative service domain (see Table 10).

Table 10 Dentsu Group M&As Business type of the Acquired Companies in 2013–2019

Business field of the acquired company	2013	2014	2015	2016	2017	2018	2019	Sub Total	
Digital Marketing/Digital Creative	8	6	8	16	14	8	7	67	48.9%
Full Service Advertising Firm (Independent)	2	5	2	3	2			14	10.2%
Creative Agency			6	4	2	4	2	18	13.1%
Media Agency			1	1		2		4	2.9%
OOH (Out of Home) Media Agency		2	2	1				5	3.6%
Social Media	1	3						4	2.9%
Marketing Research/Data Analytic			1	2		1	1	5	3.6%
Contents/Experience Marketing			1	1	1	1		4	2.9%
Brand Consulting Firm	1			1	1			3	2.2%
CRM (Customer Relationship Marketing)				1	1			2	1.5%
Sports Marketing/Event Marketing				2		1		3	2.2%
e-Commerce Agency			1	1			1	3	2.2%
PR Agency	1			1				2	1.5%
Branding Design/Promotion	1		1			1		3	2.2%
	14	16	23	34	21	18	11	137	

Source: By author based on Dentsu news release.

Headquarters locations (home) of acquired companies from 2013 to 2019 are summarized (see Table 11). This will reveal the regional distribution of responses to globalization. Regarding the head office location of acquired enterprises, North America (East Coast) was 13.9%, North America (West Coast) was 3.6%, and Europe (UK, France, Germany, etc.) was 29.9% during the 7 years from 2013 to 2018 (137 cases). The total of these 3 areas is as high as 47.4%. In these periods, it should be noted that acquired companies are expanding geographically in South East Asia (including Taiwan) (14.6%), India, Middle East and Central Asia (8.8%), and Africa (4.4%). This is in response to the needs for service provision accompanying the expansion of

Table 11 Dentsu Group M&As; Headquarters Locations (home) of Acquired Companies in 2013–2019

Home of the acquired company	2013	2014	2015	2016	2017	2018	2019	Sub Total	
North America (East Coast) and Canada	2	3	1	8	1	3	1	19	13.9%
North America (West Coast)		1			2	1	1	5	3.6%
Latin America		2	2	5		2	1	12	8.8%
Europe (UK, France, Germany, etc.)	6	4	6	7	8	8	2	41	29.9%
Russia and Eastern Europe	2	1	1	1		2		7	5.1%
India, Middle East and Central Asia	1	2	3	2	3		1	12	8.8%
China (Including Hong Kong)				2		1	1	4	2.9%
Southeast Asia (including Taiwan)	2	1	6	4	4		3	20	14.6%
Africa	1	1	2	1	1			6	4.4%
Australia and Oceania		1	2	4	2	1	1	11	8.0%
	14	16	23	34	21	18	11	137	

Source: By author based on Dentsu news release.

the area of marketing activities of their advertisers.

Notably, the cross-border M&As by the Dentsu Group (Dentsu Aegis Network) have significantly changed the ratio of Dentsu's overseas sales. The ratio of overseas sales for 5 years from 2008 to 2012 was 10.8% on average. On the other hand, the average of the overseas sales ratio for 5 years from 2013 to 2017 was 56.5%, which increased by about 5 times more. The number of cross-border M&As by the Dentsu Group from 2006 to 2012 were 10 cases totally, and from 2013 to 2019 were 137 cases which increased by about 13.7 times. It can be suggested that the cross-border M&As by the Dentsu Group was effective for expanding their overseas business.

5. Case Analysis and Integration of Findings

This paper analyzes how WPP and Dentsu Group expanded their global business network and geographical areas through cross-border M&As during the 14 years from 2006 to 2019. Dentsu Group acquired Aegis Media in 2013 and began to actively pursue cross-border M&As. As a Japanese advertising Firm, Dentsu has achieved remarkable globalization. On the other hand, in April 2018, the biggest transition for WPP happened, in which Sir Martin Sorrell (founder) stepped down as Chief Executive Officer of WPP after 33 years with immediate effect. This paper summarized the findings by comparing the cases of cross-border M&As of WPP and Dentsu groups (see Table 12).

6. Conclusion

Both WPP and the Dentsu Group reached a turning point in their cross-border M&A strategies in 2019. The WPP Group conducted only one cross-border M&A in 2019. This suggests that the WPP Group has shifted its strategy from merely expanding its existing business areas and geographic networks and grouping promising acquired companies to simplifying its existing networks. According to a CNBC report on July 12th 2019, -WPP group recently announced it will sell a 60% stake in its marketing data and research business Kantar to private equity firm Bain Capital for around \$4.0 billion. CNBC reported also that advertising firm holding companies have faced intense competition from digital companies and increasingly from consultancies like Accenture thus WPP will need to continue to “readjust itself.” WPP is shifting its focus from “take over” to “sale” to change the network structure and create greater customer value.

Dentsu has been steadily expanding its global network since 2013, but according to the financial statement for the 1st quarter from January to March in 2019, it posted a net loss of 2.5 billion yen (Profit of 10.7 billion yen in the same period of the previous year). Financial costs related to cross-border M&As increased. The cost of digital businesses, such as Internet advertising, and the transition to a pure holding company in January 2020 will also increase. Dentsu Group's revenue rose 3% to 250.5 billion yen. The company's digital-related business saw a sharp increase in revenue by the integration of online advertising firm VOYAGE GROUP, while its revenue for television and other mass media declined. Dentsu group adopted a method known as “earn-out” for cross-border M&As execution, Dentsu must pay a portion of the price

Table 12 Overview and Integration of Principal Findings from Case Studies

Network Pictures	Case study 1: WPP Group	Case study 2: Dentsu Group
Number of Cross-Border M&As	2006–2012:143, 2013–2019:148 <u>total: 291</u>	2006–2012:10, 2013–2019:137 <u>total: 147</u>
Actors	<ul style="list-style-type: none"> • WPP’s wholly-owned operating company such as Grey Group, Kantar Media, J. Walter Thompson, VML, Ogilvy & Mather, Burson-Marsteller, Group M, Wunderman etc. • Global Clients include adidas, Coca-Cola, Duracell, Gillette and Johnson & Johnson, Unilever, Philips, Nestlé. • Service Capability for Global Clients is key driver of Crossborder M&As • Google and Facebook and Consulting Firm as Accenture, IT Solution Firm as IBM etc. 	<ul style="list-style-type: none"> • After 2013, Dentsu Aegis Network (London) is key actor of Cross-border M&As. • 10 Dentsu Aegis Network companies: ①Carat ②Dentsu Agencies ③dentsu X ④iProspect ⑤Isobar ⑥mcgarrybowen ⑦Merkle ⑧MKTG ⑨Posterscope ⑩Vizeum
Activities	<ul style="list-style-type: none"> • Digital Marketing/Digital Creative (40.2%) centralized. • Independent Full Service Advertising Firm (14.5%) • Data Analytics and Metrics Consultancy involved • e-Commerce Agency involved • Network Coverage by Southeast Asia (including Taiwan), India, Middle East and Central Asia, Latin America 	<ul style="list-style-type: none"> • Digital Marketing/Digital Creative (49.5%) centralized. • Creative Agency (16.6%) • Independent Full Service Advertising Firm (20.1%) • OOH (Out of Home) Media Agency (3.6%)
Resources/ Key Competences	<ul style="list-style-type: none"> • Expertise (Digital Marketing Creative Research, etc.) • Multi-national regional network organizations • Local account and business relationship of Global clients 	<ul style="list-style-type: none"> • Expertise (Digital Marketing Creative Research, etc.) • Multi-national regional network organizations • Local account
Network Boundaries	<ul style="list-style-type: none"> • Need to Expand boundaries but Shift to a strategy of narrowing the boundary from 2019 • Mobile Content Creation/Platform 	<ul style="list-style-type: none"> • Enlargement of network boundaries related to Digital Marketing and Digital Creative and Media (mobile advertising)
Network Power	<ul style="list-style-type: none"> • Expert team with experience in cross-border M&As • Ample acquisition capital • Organizational capacity and intelligence to search for potential takeover candidates for network 	<ul style="list-style-type: none"> • Dentsu Aegis Network’s ability to gather information on potential acquirers • Bargaining power • Quick decision-making in the London office
Network Centre/ Periphery Composition	<ul style="list-style-type: none"> • WPP will take the initiative to make the growing network of organizations closer 	<ul style="list-style-type: none"> • Dentsu Aegis Network (London) is more centralized

Networking		
Strategic Options	<ul style="list-style-type: none"> • Enhance services for global enterprises (e.g. Unilever, etc.) that are clients of WPP by enhancing acquired companies and networks under the control of leading companies with global networks. • Winning against Consulting Firms in Digital Business 	<ul style="list-style-type: none"> • After acquiring Dentsu Aegis Network, aggressive M&As increased Billing's share of the international market to more than 60%. • Utilize global networks for communication services to Japanese global companies (e.g. Toyota, etc.)
Exchange Structures	<ul style="list-style-type: none"> • Since most cross-border M&As have 100% or majority ownership, WPP is the management lead, but often the management of the acquired company continues to be in charge of operations. 	<ul style="list-style-type: none"> • Dentsu's domestic business in Tokyo will not be affected. Cross-border M&As are carried out under the control of Dentsu Aegis Network. In many cases, the management of the acquired company continues to be in charge of operations.
Value and Risk	<ul style="list-style-type: none"> • The network is too big, resulting in inefficient aspects such as communication. 	<ul style="list-style-type: none"> • Overseas billing reached more than 60%, but Dentsu's advertising business in Japan, has not benefited from crossborder M&As. Domestic and overseas operations are not integrated and remain separate.
Trust and reliance	<ul style="list-style-type: none"> • A new management shift created by Martin Sorrell's resignation in 2018 (A move to shrink the network could undermine trust) 	<ul style="list-style-type: none"> • Maintain the relationship between Dentsu Aegis Network and the management of acquired companies

Source: By author.

according to the acquired company's performance. Dentsu recorded an unrealized loss of 7.2 billion yen. On the February 12th 2020, Dentsu group announced that it expects to post a consolidated net loss of 80.8 billion yen (Net income of ¥90.3 billion in the previous fiscal year) for the year ending December 2019. In addition to deteriorating earnings from overseas operations, the costs of cross-border M&As are higher than expected.

The expansion of network through cross-border M&As is not an end, it is more important to create value by interacting with existing networks and providing solutions to client's marketing challenges. From now on, the key management issues for the WPP and Dentsu Group will be organizational restructurings. As Colville and Pye (2010) argued that sense making is more significant in cross-border M&As. It is necessary to establish a process for sensing (observation), rating (orientation) and determining (decision), what is not expected (unexpected), foreseeing and anticipating the experience or future by cross-border M&As.

7. Implication and Future Issues

This paper examines the cross-border M&As of mega-advertising firms on the global level and the structure of the international advertising industry to illustrate strategy from networking perspective.

7.1 Theoretical and Managerial Implication

This paper adopts a case study approach and contributes to shaping hypotheses from multiple case comparisons (Glaser and Strauss, 1967; Yin, 1981; Strauss, 1987; Eisenhardt, 1989). The theoretical implication of this paper is that it presents the relationship between cross-border M&As of advertising firms and major changes in the advertising industry caused by digitalization and globalization. In prior studies, cross-border M&As is has been seen as an opportunity to learn new knowledge and acquire new capabilities (Kale and Singh, 2009; Christensen et al. 2011), and this paper suggested that it is not only necessary to expand the network, but also, to develop a strategy and execute the strategy by network picture to activate the acquired company for networking. Few studies have addressed the issue of Japanese advertising firms' globalization, and this paper has made a small contribution to the research of globalization of advertising firms.

A managerial implication of this paper is that by comparing data on the business types and headquarters locations of the acquired companies by WPP and Dentsu Group between 2006 and 2019. It shows that addressing the digitalization of the advertising industry is the most important and impactful change. In addition, this paper presents that business types related to digital communication, such as digital marketing, digital campaign, digital media, and digital services etc., are becoming specialized and diversified. This paper also shows that Dentsu Aegis Network (London), which was functions as a core actor in cross-border M&As of the Dentsu Group, and presents a successful model for Japanese companies to expand their global network with organizations, acts as a limited point of contact (like Dejima in Nagasaki in the Edo period,) that collects information on takeover candidates, negotiates with them, and incorporates them into the existing network. Dentsu' head office (Tokyo) needs to carefully consider human resource management issues such as close communication with top management of Dentsu Aegis Network (London) to whom authority and the compensation system has been delegated.

7.2 Future Issues

As a future research subject of this paper, firstly, it is necessary to dig deeper into the network for searching acquired companies of cross-border M&As. From the perspective of international knowledge transfer, there is a need to examine how the process of expertise of cross-border M&As is accumulated, shared and utilized in the network. Secondly, it is necessary to investigate the effects of cross-border M&As by WPP and Dentsu Group by conducting semi-structured interviews. Such interviews will provide new insights into the globalization of advertising firms and the management issues of cross-border M&As and the enhancement of networks that contribute to client services.

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