

# An annus horribilis for WPP

By [Sam Swaine](#)

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Last Saturday saw the resignation of advertising titan, Sir Martin Sorrell who's been labelled as "the world's most famous adman". Sorrell, chief executive of WPP stepped down from the helm with immediate effect amidst allegations of 'financial impropriety' and 'personal misconduct'.



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The timing couldn't be worse for the Leviathan industry monopoly that earlier this year reported zero growth for 2018, with Monday putting the agency on the kill line as shares dropped over 5% following the cited "early retirement" of the media mogul. This is truly an annus horribilis for WPP.

## Shutting down the rumour mill

In a statement issued to staff late on Saturday evening, Sorrell said,

*“ The current disruption we are experiencing is simply putting too much unnecessary pressure on the business, our over 200,000 people and their 500,000 or so dependents, and the clients we serve in 112 countries. That is why I have decided that in your interest, in the interest of our clients, in the interest of all shareowners, both big and small, and in the interest of all our other stakeholders, it is best for me to step aside. ”*

To quell the rumour mill circulating around the alleged accusations, it was communicated: “The previously announced investigation into an allegation of misconduct against Sir Martin has concluded,” and that “the allegation did not involve amounts that are material.”

This was an abrupt and rehearsed exit that leaves room enough to question the authenticity of the statement's rationale (despite his pay package tipping the scales at £19m). Is this truly a case of trimming the fat? Possibly, according to an interview with CNBC's *Squawk Box*, the agency had \$2.6m scraped off its revenue stream when Procter & Gamble and Unilever decided to reduce their agency affiliates, this was compounded by Diageo deciding to reduce its media buying and live experience marketing earlier in the year.

## International man of mystery

Sir Martin is known to be a loquacious man, an established player on the London and European social circuits and a perennial attendee at the World Economic Forum in Davos, Switzerland. In 2000, Queen Elizabeth II knighted him and so he was bestowed with a regal title to accompany the flotilla of awards he accumulated during his 33-year career.

## The birthing of a visionary

A bean counter who studied economics at Cambridge, Sorrell slam-dunked his ivy-league education when he graduated from Harvard Business School before taking a position as a financial advisor at James Gulliver Associates. The investment company had shares in The Compton agency, which was contemplating integrating with Saatchi & Saatchi. As Sir Martin ingratiated himself in the business of advertising acquisition and mergers, his fascination with the industry's Mach 1 work approach piqued, as did his respect for Charles and Maurice Saatchi; and so the legendary career of an iconic visionary was born.

Sorrell proved himself as an industry heavyweight in 1989 when he pounced on Ogilvy and Mather with a hostile \$825m takeover and continued to acquire competitor agencies, including Young & Rubicam, Grey Group, Ogilvy & Mather, JWT among others and a meaty portfolio of digital agencies.

## Breaking up is hard

There have been some rumblings regarding WPP's future prospects; some analysts already think a break-up is inevitable according to the *Financial Times*. Alex DeGroote of Cenkos pointed out on Sunday that WPP's holding company structure, and the way Sir Martin maintained the independence of his various operating companies, should make sales or demergers relatively simple despite the advertising industry downturn. "Just as WPP was constructed so it can be deconstructed," Mr DeGroote said. "Think of WPP as a bank... it's a financial engineering exercise." The likelihood that the businesses will be dismantled and sold is high, with speculation that an external restructuring expert could possibly take over full-time.



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## Garden leave

However, don't despair for Sorrell, he's wily enough to have not signed a restraint of trade and is set to receive a £20m payout in the next few years. Will he go out to garden at age 73 or strike up a competitor agency? Assumptions are running rife.

In the interim, until there's a candidate to fill his shoes, Roberto Quarta, WPP chairman, has taken the role of executive chairman and two longstanding WPP executives from ad group Wunderman, namely Mark Read and Andrew Scott have

been appointed as joint chief operating officers.

## ABOUT SAM SWAINE

Sam Swaine is a freelance consultant with over 20-year's experience in marketing and PR. She also specialises in social media and digital marketing trends. Sam is a journalist for business, marketing and consumer publications.

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