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## David against Goliath - How creative communication helps small advertising agencies survive in a market led by giant agencies

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### ABSTRACT

#### Purpose

The purpose of the study is to research how national advertising agencies use creativity to compete with larger, global agencies in the advertising market of Sweden, Spain and Portugal.

#### Design/methodology/approach:

To conduct the study, the authors keep a qualitative approach: we first carry out an analysis of previous studies about creativity, communication and entrepreneurial orientation, followed by interviews with one small and one large advertising agency for each country.

#### Findings:

The findings of the study show that smaller agencies have higher levels of competitive aggressiveness and risk-taking, because of the wish to expand and vulnerability to their larger clients. The levels of opportunity recognition are higher in the large agencies because of their resource assets. All agencies are creative and innovative and equally as proactive, but because the speed of the decision-making process can be faster and communication skills better in a small agency, they can reach higher levels of proactiveness

#### Research limitations/implications:

The implications of the study show that the entrepreneurial orientation to some extent can be used by small agencies to gain competitive advantages on the advertising market.

#### Originality/value:

To the best of our knowledge there is no similar study available. This study showed that entrepreneurial orientation, to some extent, can be used by small agencies to gain competitive advantages in the advertising market.

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### 1. Introduction

Creativity is the key to business success. Drucker (1985) reasons that creativity has a huge impact on businesses because entrepreneurship strongly depends on innovation and that requires creativity. Baumol (2002) argues that innovation is one of the main weapons used to compete in a market. The value of innovation and creativity to firms may vary between industries. Due to the nature of the produced outputs, some need it more than others, thus leading to the focus of this study: the advertising industry.

The agencies in the advertising industry must take this into consideration, while managing the inputs that take part in their processes of value creation, to reach the levels of creativity required to succeed on the market. A study conducted by Forrester Consulting (2014) on creativity amongst creative professionals and business decision-makers at large international enterprises found that 82 percent of companies believe there is a strong and

positive correlation between creativity and business results.

Gottzman (2016) mentions that creative environments are created by giving employees enough time to focus on their tasks and by structuring meetings where the staff can mingle and welcome collaboration, while Eadicicco (2014) uses the hiring process of Google as an example, when explaining how to boost creativity.

The selection of employees is peer-based, where general cognitive ability and leadership skills are taken into consideration by the co-workers to further increase creativity and performance. Additionally, Montuori (2011) states that creativity is produced through collaboration in people's everyday lives in contrast to decades ago when creativity was assumed to be accomplished by only some chosen individuals. Creativity is a way of helping an organization expand, improve and stay competitive in the market, which is why also Baryniene and Dauknyte (2015) express the importance of allowing employees to share their thoughts and ideas. Amabile (1988) states that creativity in organizations

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produces innovation. To have a competitive advantage, innovation is needed. At the same time, competition increases the need for innovation (Baumol, 2002). Vossen (1998) has studied the relative advantage that smaller agencies have regarding innovation, which includes faster decision making and internal communication, higher risk taking, faster reaction to market changes, a better position to approach market niches and larger capacity for customization, among others. Based on Sponseller's (2015) study, the advantages include factors such as speed of execution, fast access to business resources and team environment.

The characteristics of advertising agencies management may reveal how they boost their level of creativity. In addition to this, inside the advertising market, small and large firms coexist, leading to the question of how they differ in reaching high levels of creativity, as their resources for doing so are different in size and shape. Previous literature has shown factors that give advantages to firms when it comes to producing creative and competitive outputs. Those factors are part of the Entrepreneurial Orientation (EO) that guides the businesses (Mintzberg, 1973; Rauch & Frese, 2009).

EO describes strategic postures in a firm that shapes the firm's behaviour and is used to gain competitive advantages in the given market (Ibid.). According to Lumpkin and Dess (1996), these strategic postures can be divided into five dimensions: opportunity recognition, proactiveness, competitive aggressiveness, innovativeness and risk-taking. These dimensions can be helpful tools for smaller advertising agencies to gain competitive advantages in a highly competitive advertising market, and boost the firm's creativity. The EO dimensions can be linked to the creative problem-solving process, and the result of this process is creativity (Bedford & McIntosh, 1991). The basic steps of the model are; noticing a problem (opportunity recognition), find a gap and search for solutions (proactiveness), formulate hypotheses (innovativeness), test (and possibly re-test) hypotheses (risk-taking) and then communicate the results (competitive aggressiveness) (Ibid.). With this knowledge, advertising agencies should be able to use the dimensions of the EO to boost creativity and gain competitive advantages in the advertising market.

Huggins and Thompson (2015) argue that a large network capital and great capacity to accumulate and access knowledge will lead to higher rates of innovation. Firms should be aware about their competition, possible outcomes and macro factors, which is why it is argued that opportunity recognition, proactiveness, competitive aggressiveness and risk-taking is sprung out of knowledge and networking. These knowledge based factors would, in agreement with Huggins and Thompson (2015), naturally lead to innovation and creativity, and could therefore be a competitive advantage in a firm.

A review of the literature shows that there is a need to look further into this topic in advertising agencies, to understand if smaller agencies can, as in the David and Goliath parable, overcome the giants. In this case, that would be through benefitting from entrepreneurial orientation to boost creativity and thereby gain competitive advantage in the advertising market.

The purpose of this study is to research how national advertising agencies use creativity to compete with

larger, global agencies in the advertising market of Sweden, Spain and Portugal. We intend to break down the mechanisms of Entrepreneurial Orientation to see how they can be turned into competitive advantages, and analyse if and how they can benefit the smaller advertising agencies. Therefore, our research question is: how do small advertising agencies in Portugal, Spain and Sweden use creativity to gain competitive advantages on the advertising market?

## **2.Theoretical Framework: Entrepreneurial Orientation**

Entrepreneurial orientation is the group of strategic postures that shape a firm's behavior (Khandwalla, 1977; Mintzberg, 1973) and reflects a firm's level of opportunity recognition, proactiveness, competitive aggressiveness, innovativeness and risk-taking (Lumpkin & Dess, 1996). Rauch and Frese (2009) describe EO as the group of firm-level strategic processes used by companies to obtain competitive advantage. As stated in Parkman, Holloway & Sebastiao (2012), EO is positively associated with the Innovative Capabilities of the organization and therefore with the firm-level of creativity. In addition, both EO and Innovative Capabilities are positively associated with competitive advantage in the creative industries (Ibid.).

Furthermore, Huggins and Thompson (2015) state that a large network capital and great capacity to accumulate and access knowledge leads to higher rates of innovation. As mentioned, opportunity recognition, proactiveness, competitive aggressiveness and risk-taking (all of them keystones of EO) are sprung out of knowledge and networking, and due to this, these knowledge based factors would, in agreement with Huggins and Thompson (2015), naturally lead to innovation and creativity and could therefore create competitive advantages in a firm.

### **2.1 Opportunity Recognition**

Opportunity recognition has been shown to help improve and influence small firm performance (Gundry & Kickul, 2002). According to Christensen, Madsen and Peterson (1989), opportunity recognition seeks to improve or change an already existing business or perceive the possibilities of creating new businesses. It is argued that most entrepreneurs recognize opportunities, as opposed to seeking them (Gundry & Kickul, 2002). A good entrepreneur must be a visionary of possible successes and invest in them to start a real one. The first step of a business is always to get an idea and try to implement it. Matthews (2007) states that when starting a business, discovery is linked to idea generation and opportunity development, and exploitation is related to implementing ideas, which both are fundamental steps of the process. If a company wants to act in a smart way, it cannot forget about exploring opportunities to boost its creativity. In tune with that, Mazzei, Flynn and Haynie (2015) suggest that this can be done by giving greater autonomy to employees, which is one of the nine specific High-Performance Work Practices they study.

Hansen, Lumpkin and Hills (2011) describe opportunity recognition as a creative process consisting of five stages - preparation, incubation, insight, evaluation and elaboration. The preparation stage is based on the

skills and knowledge acquired to develop the creative process, such as problem-/gap-finding, identifying market needs, results of experience, among others. Incubation is a subconscious part of the process where knowledge converges to make new associations and combinations. This is where the new possibilities and creative insights emerge. Insight occurs when the incubation process leads to a solution, meaning the actual idea, with or without input from others. In the evaluation stage, the idea is investigated further to evaluate if the idea is worth pursuing, and in the final stage of elaboration, the idea is refined. It is argued that 99 per cent of the elaboration stage is based on creativity, and the remaining 1 per cent derives from inspiration (Ibid.).

## **2.2 Proactiveness**

Proactiveness refers to an opportunity-seeking, forward-looking perspective that involves introducing new products or services ahead of the competition and in anticipation of the future demand, while shaping the environment (Lumpkin & Dess, 1996). To do so, a good entrepreneur must be active and fast at taking decisions, always aware of novelties and with no fear. As Lechner and Gudmundsson (2014) state, proactiveness anticipates competitive moves and maintains first-mover advantage. It is thus a factor for differentiation. Freeman and Engel (2007) suggest that small agencies that differentiate and focus on innovation have strong interests in anticipating the competition to achieve sustained performance.

Entrepreneurs with a proactive personality act, scan for business opportunities and show initiative. They have a strategic orientation and exhibit behaviors including problem-finding and idea development, which will affect how they operate their business and form their competitive strategies (Gundry & Kickul, 2002). It has also been found that proactive entrepreneurs are often linked to transformational leadership<sup>1</sup> (ibid.), which according to Gumusluoglu and Ilsev (2007) shows significant effects on creativity in individuals as well as on organizational levels.

Vossen (1998) has listed key advantages of small agencies related to the level of innovation, thus directly linked to the level of proactivity. The advantages are faster decision making, internal communication, higher risk-taking, faster reaction to market changes, a better position to approach market niches, bigger capacity for customization and the appropriation of rewards from innovation through tacit knowledge. Additionally, Sponseller (2015) displays five ways through which small agencies can innovate better than larger organizations and therefore increase their proactivity; speed of execution, fast access to business resources, team environment, the company-wide innovation support and measure innovation.

## **2.3 Competitive Aggressiveness**

According to Lumpkin and Dess (1996) competitive aggressiveness refers to how firms act, considering the competitors, challenging companies to get outstanding performances by competing for demand with

responsiveness action. Despite being traditional, it pursues the willingness of new behavior. Porter (1985) recommends reconfiguration, redefining the product and market and outspending the industry leader. It is characterized by a strong offensive posture towards overcoming competitors and may also be quite reactive as when a firm defends its market position (Lumpkin & Dess, 2001).

Ajamieh, Benitez, Braojos and Gelhard (2016) states that firms operating in a highly competitive industry face continual and more serious pressure to adapt their course of action by exploiting new business opportunities than do firms that experience low competitive aggressiveness. Lechner and Gudmundsson (2014) argue that small firms are more vulnerable to changes in the market competition and, as a result, they must be more aggressive to beat the market competition to create a safety net for their survival.

## **2.4 Innovativeness and Creativity**

Innovativeness refers to a willingness to support creativity and experimentation when introducing new products, becoming technological leaders, and developing new processes (Lumpkin & Dess, 1996). Innovativeness is required for market development in these environments to deal with the continuous change and uncertainty (Miller, 1983). Holloway, Parkman and Sebastiao (2012) state that creativity and innovation are significantly correlated and are often operationalized interchangeably, which is why it is argued that creativity also holds a significant part of a company's EO.

According to Welsch and Kuratko (2001), innovation represents a marriage of the vision to create good ideas and the perseverance and dedication to stick with the concept through the implementation. They define successful entrepreneurs as being able to blend imaginative, creative thinking with systematic, logical processing abilities. Furthermore, an entrepreneur must know that innovation relies on motivation, confidence and intelligence, but most important on creativity. The greater the environmental dynamism and hostility, the greater the innovation required (Miller, 1983). Creative and innovative firms will outperform other firm types in more dynamic environments (McKee et al., 1989).

Mazzei, Flynn and Haynie's (2015) mention two of the nine High Performance Work Practices to promote innovation, including selective hiring and job security, as fundamental aspects to look for. Recognized as one of the most innovative persons in the history, Steve Jobs once said "Innovation has nothing to do with how many R&D dollars you have. It is not about the money. It is about the people, how you are led, and how much you get it". A good entrepreneur must know their resources and objectives to innovate by means like valuing employees, ongoing success or better environment (Kirkpatrick, 1998).

## **2.5 Risk-taking**

"When you prepare against catastrophic downsides (avoid 'betting it all' or 'mortgaging everything'), it allows you to create a culture where you can take lots of small to mid-

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<sup>1</sup> Transformational leadership is a "style of leadership in which the leader identifies the needed change, creates a vision to guide the change through inspiration, and

executes the change with the commitment of the members of the group." (Business Dictionary, 2017).

size risks, learn, and build”. That is what Richard Branson advised to Chase Jarvis (2016). Risk-taking typically involves bold decisions, such as venturing into new markets or putting resources into projects with uncertain outcomes (Lumpkin & Dess, 1996). Because of the uncertainty of the outcome, failure from risk-taking can lead to large losses in resources, but the rewards can be significantly greater than if no risks were to be taken (Dai, Fernhaber, Gilbert & Maksimov, 2013). High risk-taking is associated with optimistic mindsets where the opportunities are prominent and the threats generally are overlooked. This could potentially lead to a firm over-committing, and therefore not lead to the profitability as desired. Low risk-takers, on the other hand, generally forgo valuable opportunities because they like to be on the safe side, which is why a moderate level of risk-taking usually lead to higher rates of success (Ibid.).

The outcomes produced in a creative industry strongly rely on creativity (Okpara, 2007) and, as it is explained below, there is a positive link between risk and creativity (El-Murad, 2012), it is feasible that in the advertising industry, the position of an agency towards risk-taking is important. El-Murad (2012) carried out an investigation about the relationship between risk and firm-level creativity. It proved (beyond the bias arisen in the possible subjectivity in the quantification and grading of creativity) that there is a positive relationship between them: agencies that encourage higher levels of risk tend to develop more creative outcomes. The implications of that conclusion to the advertising market are huge, since it means that, for instance, displayed together with Kahneman’s “Prospect theory” (1979), larger clients may be more risk-averse and therefore indirectly restricting the level of risk of the firm producing the ads, leading to systematically less creative outcomes. In contrast, smaller clients may be less restrictive towards risk taking, which leads to more creativity. If the weight (above the overall of the company) of small clients is higher in the smaller advertising agencies than in the larger ones, that will be an advantage regarding the level of creativity for the small ad agencies (Ibid.).

**3. Methodology**

In this chapter, we present the methodology of how the research question is answered, including the research design and how the data was gathered.

**3.1 Carrying out a Qualitative Study**

The purpose of this study is to research how national advertising agencies use creativity to compete with

larger, global agencies in the advertising market of Sweden, Spain and Portugal. It was conducted by a qualitative research method, consisting of semi-structured interviews with an employee from every chosen advertising agency. The semi-structured interviews enabled the informant to speak freely about topics that had been based on the theories chosen by the researchers (Bryman & Bell, 2015). From every country, one large and one small company was examined. The criteria to choose the studied agencies was based on their operational scope: if they operated internationally they were considered large, and if they operated nationally they were small. The criteria for the international agencies were that they should be part of an international group, although a limitation appeared concerning the Swedish agency, since they are not part of any global company, but they were still considered since they work with clients operating internationally. However, for Spain and Portugal, the large agencies are parts of the ‘international companies’ group.

The advertising agencies were first contacted by e-mail or by phone, and while the aim was to conduct the interviews in similar ways, they ended up being conducted via phone call, video call, e-mail or by having a physical meeting with the agency, according to the preferences of the advertising agencies. The time of the interviews varied, depending on how much time the informants had set aside for the interview. The interviews were conducted between February 29th, 2017 and April 11th, 2017, and most of the interviews were recorded and transcribed afterwards, providing a basis for making an accurate analysis of the results (Bryman & Bell, 2015). All interviews were translated from the native tongue (Swedish, Portuguese or Spanish), but the interview with the large Swedish agency was transcribed directly and not recorded, which could add a limitation to the analysis. The questions were based on the five dimensions of the Entrepreneurial Orientation, which include Opportunity Recognition, Proactiveness, Competitive Aggressiveness & Communication, Innovativeness & Creativity and Risk-taking. For every dimension, questions were created to receive as much information as possible from the advertising agency.

**3.2 Operationalization**

The presented table shows how each question asked is linked to the theory and dimension connected to the subject. See Appendix 1 for questions.

**Table 1.** Operationalization

<b>Question</b>	<b>Aim to examine</b>	<b>EO-dimension</b>
Question 1	What the agencies do to perceive the opportunity to create new business	Opportunity recognition
Question 2	If the five stages of opportunity recognition (preparation, incubation insight, evaluation and elaboration) affects the company culture	Opportunity recognition
Question 3-4, 6-7	What the agency does to improve or change the business	Opportunity recognition

Question 5	If the five stages of opportunity recognition are implemented with the employees	Opportunity recognition
Question 8	If and how they implement a first-mover advantage	Proactiveness
Question 9	If the agency is forward-looking and opportunity seeking	Proactiveness
Question 10	If the agency scans the market competition	Proactiveness
Question 11-12	How much involvement the employees and the clients have in proactive work	Proactiveness
Question 13	How the speed of the decision-making process can affect the proactiveness of the agency	Proactiveness
Question 14	If the proactive entrepreneurs are linked to transformational leadership	Proactiveness
Question 15-17	If the agency scans the market for competition	Proactiveness
Question 18	If there is higher pressure on acting and exploiting new business opportunities	Competitive aggressiveness
Question 19	If the agency aims to win or expand their market position	Competitive aggressiveness
Question 20-21, 24	How the agency acts to beat competition in the market	Competitive aggressiveness
Question 22	The level of creativity aggressiveness in their self-promotion	Competitive aggressiveness
Question 23	If they outspend their competition	Competitive aggressiveness
Question 25	The significance of innovativeness on the market	Innovativeness and creativity
Question 26	If the agency blends imaginative, creative thinking with systematic, logical processing abilities	Innovativeness and creativity
Question 27-28	The willingness to support innovation and creativity in the agency	Innovativeness and creativity
Question 29	If the agency finds blending imaginative, creative thinking with systematic, logical processing abilities important for an entrepreneur	Innovativeness and creativity
Question 30-31	The role innovativeness and creativity have on market success	Innovativeness and creativity
Question 32, 36	If larger risks equal larger rewards for the agency	Risk-taking
Question 33, 35	The relation between risk and creativity	Risk-taking
Question 34	Entrepreneurial decision making regarding boundaries	Risk-taking
Question 37	If the employees are involved in the risk-taking process	Risk-taking
Question 38-39	If larger or smaller clients equals larger risk for the agency	Risk-taking

Source: Own construction

**3.3 Gathering the Foundations and Designing a Picture**

Our theoretical research was based upon papers that featured creativity and the forms it assumes in the most

varied positions. Adding to that, we gathered studies about entrepreneurship and the characteristics that are necessary for the success of a good entrepreneur.

The EO was divided into five dimensions, and each dimension of the EO was analysed from the perspectives of the large as well as the small agencies. Every dimension contains factors through which small agencies could possibly gain a competitive advantage when it comes to being creative. The information and key words gathered from the analysis were then compiled in one result for each dimension, to see if any dimension is of more significant use to the smaller agencies in comparison to the larger agencies. The result from each dimension was finally compiled into a conclusion for this study, where the significant findings are presented.

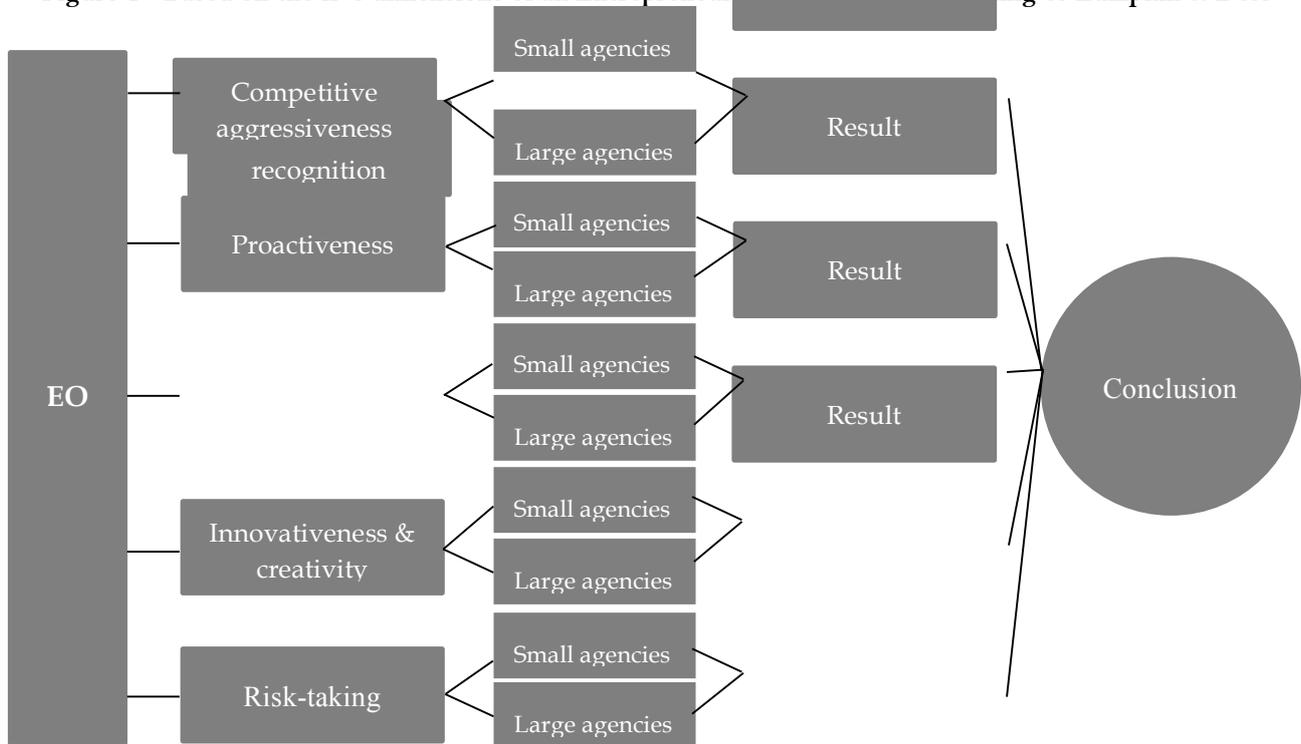
**3.4 Analysis Model**

To help understand the purpose and the implementation of the EO in our investigation, a visual analysis model was

We established a map of how small agencies could get a competitive advantage over the “giants” of advertising. After carrying out the interviews, results were compiled and correlated with the map to ensure an accurate description of reality. Even though results could not imply a direct generalization due to a qualitative study (Bryman & Bell, 2015), they served as hints about the proper shape of the map we intended to establish and verify.

Result  
map of how small agencies could get a competitive advantage over the “giants” of advertising. After carrying out the interviews, results were compiled and correlated with the map to ensure an accurate description of reality. Even though results could not imply a direct generalization due to a qualitative study (Bryman & Bell, 2015), they served as hints about the proper shape of the map we intended to establish and verify.

**Figure 1 - Based on the five dimensions of an Entrepreneurship according to Lumpkin & Dess**



Source: Own construction

**4. A brief outlook on the advertising industry**

The advertising industries within Portugal, Spain and Sweden are presented below, along with a short description of the large and small agencies that have been interviewed in each country.

**4.1 Portuguese Advertising Industry**

In the last few years, due to the depressive economic cycle, Portugal's industry not only lost about 40% of its volume as it crushed margins and destroyed value that can hardly ever be recovered. Still, and in this scenario, the advertising market in Portugal had the capacity to adapt to technological changes and changes in organizational, human, technological and business models (in *Imagens de Marca*, 2016).

According to Alberto Rui Pereira, CEO IPG Mediabrands, Portugal has been able to adapt, reconvert

and create new structures, invest in technology and new tools, innovate and develop new services and skills, form resources and create new functions, change organizational and business models. All this, with very limited resources and in a market without size and scale at a global level, which is the biggest limitation and handicap (in 2015 the Portuguese advertising market was worth around 520 million euros being the smallest market in all of Western Europe). Despite being the smallest advertising market in Western Europe, according to a study from Magna Global, Portugal presents a scenario of recovery and growth: In 2016, investment in the advertising market has increased by 4,7% (in *Jornal Económico*, 2016).

Television remains the media with the most weight, with a growth of 4.6%. Digital investment outstrips press coverage in Portugal, in 2016, digital recorded a growth of 20%, affirming itself as the second media, since in 2015

the press closed the year with 618.1 million euros, ahead of digital, with 541.8 million. The traditional media, including cinema, had a growth by 5.8% (in Meios e Publicidade, 2016).

Alberto Rui Pereira considers that the size of the Portuguese market does not prevent a competitive growth compared to the rest of Europe, and in spite of the forecasts for 2017 indicate a limited growth, investment has been growing steadily from year to year (in Marketeer, 2016).

#### **4.1.1 BBDO Portugal**

Batten, Barton, Durstine & Osborn (BBDO) is a worldwide advertising agency network with headquarters in New York City. The agency was born in 1891 as George Batten's Batten Company, but converted to BBDO via a merger in 1928. It is one of the largest three global networks (BBDO, DDB, TBWA) with more than 15,000 employees in 289 offices around 80 countries. BBDO has been rewarded several times the "Global Agency of the Year", the "Network of the Year" or the "Most Awarded Agency Network in the World". In Portugal, the company employees one hundred people. Some of their clients are Mercedes Benz, Jumbo, Gallo and Sogrape.

#### **4.1.2 NYLON**

Nylon, is a small-medium-sized publicity agency, it was founded 5 years ago and its main services are: Marketing, digital marketing and brand management, but they embrace any type of project because they are a very ambitious agency. It has been awarded nine times including "Agency of the Year", with only 16 employees. Some of their clients are Super Bock, Água das Pedras, Lx Boutique Hotel and international companies such as Absolut, Sony, Hugo Boss and Global Malibu.

#### **4.2 Spanish Advertising Industry**

The Spanish advertising industry is in expansion since 2014 and currently has more than 15,000 competing firms (in ReasonWhy, 2015). Dividing the market into sizes we find that large agencies offer the full set of advertising services, and as the size of the agency decreases, the agencies tend to specialize. The main ad works offered are "advertising/marketing plans", "graphic design, copywriting and painting", "media purchasing", "web marketing" and "tracking results" (in El Publicista, 2017).

According to "ElPublicista.es" (2017) the firms that ranked the highest in the Spanish market in 2016 based on its results in national and international advertising festivals, contests and awards were DDB Spain, Llorente & Cuenca, McCann Spain, Proximity Spain and Lola MullenLowe.

When it comes to the evolution of the industry, since 2014, the yearly growth of the spending in advertising has been of around 1.4% and 2.2%, and is expected to increase at a yearly rate of 2% in the next two years. The main channels through which the advertising campaigns are carried out can be grouped into media advertising. In 2015 and 2016 the total media ad spending in Spain expanded, growing at 5.8% and 5% respectively. The main channels of spending were TV (with a 6.1% growth in 2016), newspapers, digital display (with the highest

growth of 2016 with a 9.9%), radio, outdoor and magazines (in Statista & eMarketeer, 2016).

It is believed that digital media is the future of marketing. A January 2016 report by ZenithOptimedia, in which executives in Spain were surveyed and asked to speculate that year's spending growth, found that it expected digital media to be the sector with the highest growth, mainly due to mobile advertising and digital signage (in Performics, 2016).

#### **4.2.1 Saatchi & Saatchi BCN**

Saatchi & Saatchi is an international network of global communications and advertising agencies, with more than 6,500 employees (31 in their agency in Barcelona) distributed in 140 offices spread across 76 countries (Saatchi&Saatchi.com). The agency is part of its parent group, Publicis Groupe (one of the largest marketing and communications companies in the world). Their set of services include, between others, "brand strategy/content/design", "digital/direct/mobile marketing" and "Social Media". Between their clients we can find notable international firms such as Caixabank, Nestlé, GSK, Nissan and Kellogg's.

#### **4.2.2 GrupoAnton Alicante**

GrupoAnton is a medium/small mostly national agency with around 60 employees. Their set of services include the whole development of marketing campaigns and media, public relations and online communication management. Their most notable clients are Burger King and El Corte Inglés.

#### **4.3 Swedish Advertising Industry**

The first Swedish advertising agency started in 1877, and the first advertising association was formed in 1919. Up until 1965, the agencies were paid in commission by the companies that provided the advertising space in magazines and newspapers. The system was heavily criticized and led to the change where the client started paying for the ads (Komm, 2017).

The total investments in marketing communication in Sweden during 2016 was 34,9 billion SEK (approx. €3,5 billion). Digital advertising is the quickest growing category within the Swedish advertising market, with a 21% growth compared to 2015 (Thor, 2017).

Swedish enterprises generally spend 3.3% of their turnover on advertising. Smaller agencies spend a greater part of their turnover on advertising than middle size and large size agencies do (IRM, 2016). According to 18 criteria, which are evaluated by the clients of ad agencies; Forsman & Bodenfors was the "Agency of the Year" in Sweden for the fifth year in a row, last year. They have developed successful commercials for companies such as Volvo and received "high scores" from the clients regarding successful market analysis, communication and the best value for money (Dunér, 2016). Overall, the Swedish ad agencies are also successful in International competitions such as the "Grand London International Advertising Awards 2016". Apart from Forsman & Bodenfors, other Swedish winners were Ingo Stockholm, Acne, Åkestam Holst, CP+B, Edelman Deportivo, Nine, Prime and River (Ek, 2016).

#### **4.3.1 Valentin&Byhr**

Valentin&Byhr is one of the major advertising agencies in Sweden with 60 employees, and are situated in Gothenburg. It is an independent agency founded in 1988 by Magnus Valentin & Christer Byhr. They are known for their long relations, and they work with both Swedish and international clients. They offer a variety of solutions for communication, such as PR, movies and digital solutions. Some of their clients are Volvo, Dr. Oetker and Santa Maria (Valentin&Byhr, nd.).

#### **4.3.2 Care of Haus**

In 2006, the communication agencies Care of and Haus merged together and created Care of Haus. Now, it is a full-service agency that offers solutions in digital, marketing and communications. Public, Digital, Loyalty and College are the cornerstones in their business model, and they describe themselves as simple, engaged and with a big heart. They are a national company with 35 employees located in Västerås and Stockholm, Sweden, and have received both national and international awards. Their clients include Ladbrokes, Wayne's Coffee and Bauhaus. (Care of Haus, nd.).

### **5. Analysis**

To answer the research question 'How do small advertising agencies in Portugal, Spain and Sweden use creativity to gain competitive advantages on the advertising market?', the findings of the interviews were analysed based on the theoretical framework. Every dimension of EO is analysed separately, comparing the findings among the large and small agencies.

#### **5.1 Opportunity Recognition**

Both the small and large agencies were asked about the main origin of their clients, if they work with international or home clients. We were answered positively; nowadays all work with either international or home clients. While small agencies usually use official procurements to get a client and work project after project, large agencies tend to work with more factors and steps, and specialize in anticipating their moves, providing new ideas and with the aim to solve future problems. Those answers align with the theory of Gundry and Kickul (2002), who stated that most entrepreneurs recognize opportunities as opposed to seeking them.

Regarding how opportunity recognition affects the company and its culture, small agencies tend to seek and try to advance clients' needs, while large agencies tend to possess opportunity recognition in their veins and DNA. Moreover, the affection in the company culture for small agencies is not seen as relevant, while the way of working is most relevant. In large agencies, the company culture is more affected by the size and recruitment process, also by the development of knowledge and innovation. For instance, Nylon, when asked about the affection of opportunity recognition to the company culture responded that they do not think that happens, as it affects more how an agency works (Pedro Garcia, personal communication, February 29, 2017).

All agencies interviewed in this project asserted that they enhance the culture of their agency by improving the team spirit with, for example, after work initiatives or celebrations. Similarly,, it is noticeable that the large

agencies tend to have a higher correlation of their company culture with their results. If results are good, the environment of the company will be better. If they are not, a rare climate can cloud over the company. As an example, BBDO Portugal stated that when they do not achieve their intended results, they are not gentle with themselves (Rui Silva, personal communication, April 11, 2017).

In terms of recruitment, small and large agencies do not differ significantly. They both look for people with commitment, organization, creativity, adaptation, talent and who can manage the work. Another important feature is team spirit and trust. The theory from Mazzei, Flynn and Haynie (2015) is therefore reinforced; they stated that giving greater autonomy to employees is another way of opportunity recognition. Furthermore, our interviewees said that they do not rely solely on studies but also on experience and cognitive abilities. Asked about this, Saatchi&Saatchi Barcelona replied:

*"There is a lot of people that probably show their best once they interact and find their favourable environment to make their talent come up"* (Alba Guzmán, personal communication, March 16, 2017).

When it comes to the promotion of new ideas, both the small and large agencies tend to promote conversations, either privately or in group, with an open climate. The difference lies in how they reward; the small agencies use more simple rewards and no money, the large agencies have more tools, also monetary rewards. Large agencies tend to reward with better payments and scholarships, but also with career plans, training and mobility programmes to attract, grow and maintain talent. GrupoAnton said they do not reward their employees in a special way, only with the gratitude of the group (Alicia Baró, personal communication, April 3, 2017), whereas BBDO mentioned it obvious that the people who have consistently better results are better paid (Rui Silva, personal communication, April 11, 2017).

#### **5.2 Proactiveness**

All agencies are working proactively. As Freeman and Engel (2007) states, small firms focusing on innovation have strong interests in anticipating the competition, to achieve sustained performance. The small agencies in this study consider interest in new trends and conducting continuous research as a way of creating innovative ideas. According to Lumpkin and Dess (1996), proactiveness refers to an opportunity-seeking and forward-looking perspective. The large agencies continuously follow trends and market changes, focusing on curiosity of the outside world. Proactivity is promoted by enhancing and supporting the interest of the employees and by creating a comfortable working environment.

The agencies continually undertake market research, as well as keeping up to date with the competition's work on websites and social media. They involve their clients in proactive work by suggesting new ideas and by caring and nurturing their relationship. One of large agencies measure their client's satisfaction level, which shows that the proactive activities that Vossen (1998) states are true for small agencies, also apply to the large agencies taking part in this study.

Gundry and Kickul (2002) state that proactive personalities have strategic orientations when scanning

for business opportunities. For all the agencies, continual meetings and planning are important to work proactively. It is therefore assumed that the team environment is of importance to them, in accordance with Sponseller (2015). Robert Brodén from Care of Haus says that:

*"We always challenge ourselves on how we drive the company forward. It does not matter if we are doing really well and everything's going according to plan, we always question what we do and try to form ourselves towards something we think will happen or be." (R. Brodén, personal communication, March 14, 2017).*

The leadership is somewhat differing among the agencies. The most common is a democratic way of leading, which includes the employees in the decision-making process. Among large agencies, the style of leadership is supportive, collaborative and informal. Gumusluoglu and Ilsev (2007) state that transformational leadership affects creativity, which seem to be true in this study as well.

### **5.3 Competitive Aggressiveness**

All agencies consider the advertising market as very competitive because many people jump from one agency to another, taking their client portfolio and methods of working to their new agency. According to Ajamieh et al. (2016) firms operating in a highly competitive industry face continual and more serious pressure to adapt their course of action by exploiting new business opportunities than do firms that experience low competitive aggressiveness.

Lechner and Gudmundsson (2014) argue that small agencies are more vulnerable to changes in the market competition and, as a result, they must be more aggressive to beat the market competition to create a safety net for their survival, so there is no surprise that all small agencies plan to expand. Care of Haus expects to be twice as large in a couple years if their five plan follows through (Robert Brodén, personal communication, March 14, 2017). Lechner and Gudmundsson (2014) found that small agencies are more vulnerable to changes in the market competition and, as a result, they must be more aggressive to beat the competition to create a safety net for their survival. On the other hand, the large agencies do not plan to expand because they are already a well-known brand.

Channels used to communicate, such as Facebook, LinkedIn and Twitter, seem to be the common keystone of self-promotion between the small and large agencies. Also, for the small agencies, creativity and the prizes that come from it are considered of the keystones of their self-promotion. For the large agencies, the keystones go from strategic planning to a good customer relation. According to Lumpkin and Dess (1996), competitive aggressiveness refers to how firms act, considering the competitors, challenging companies to get outstanding performances by competing for demand with responsiveness action. Despite being traditional, it pursues the willingness of new behaviour. When it comes to the communication strategy, large agencies seem to have a more defined way of thinking which consists of many platforms for communication and making always a new and well-produced work; BBDO Portugal argues:

*"As you can see, we take care of our channels, we take care of our opportunities and, of our 'speaking opportunities' while*

*we collaborate with organizations and associations too. That is why we have quite clear what target we want to pursue."*

*(Rui Silva, personal communication, April 11, 2017).*

Both the small and large agencies think that all agencies are creative, so no agency is more creative than the other. According to Nylon, all agencies are creative and they all have their own DNA in terms of working (Pedro Garcia, personal communication, February 29, 2017). Neither the small nor large agencies rely on self-promotion to overcome their rivals; they also define their self-promotion as non-aggressive. BBDO Portugal stated that their self-promotion is not very aggressive, and the merit of their work does not rely on the success of their client (Rui Silva, personal communication, April 11, 2017). Nylon, one of the small firms, even argued that aggressiveness and advertising are two things that do not match (Pedro Garcia, personal communication, February 29, 2017).

### **5.4 Creativity & Innovation**

Welsch and Kuratko (2001) stated that innovation represents a marriage of the vision to create good ideas and the perseverance and dedication to stick with the concepts through its implementation. When it came to how the agencies worked with the clients, both large and small agencies answered that they adapt the creation of the ad to the strategy and desire of the clients, and keep the main idea (strategy) as the centre of the whole process when creating the ad. The small agencies also gave more details about that process, displaying the steps of it: first, they make a strategy or follow the one already planned by the client, then they make a briefing about the ad in which they explain the meaning of it, and afterwards they create the ad and measure/monitor its effects.

In terms of the formality of the inside-the-company framework, there were no patterns for smaller or larger agencies, as quite as many agencies follow an informal framework for its internal processes and pursue family relationships with their clients as the ones that follow a more formal communication structure with both their employees and their clients. We also discovered that agencies following an informal or formal structure did it for both their employees and clients. GrupoAnton stated that their working processes are normal, keeping a formal framework with their clients (Alicia Baró, personal communication, April 3, 2017), whereas Nylon expressed their internal processes as very informal and seek family relationships in their clients (Pedro Garcia, personal communication, February 29, 2017).

Regarding the promotion of creativity, as Lumpkin & Dess (1996) stated, innovativeness refers to a willingness to support creativity and experimentation when introducing new products; both larger and smaller agencies encourage this. However, a difference was found in the way they do it, as the larger agencies just try to raise creativity from values such as curiosity and an attitude to do things differently implied in its workers, but the smaller ones are more proactive. Nylon motivate and inspire their employees with videos and by challenging them (Pedro Garcia, personal communication, February 29, 2017), and Care of Haus arrange creative gatherings for inspiration, and carry out individual conversations

with their employees (Robert Brodén, personal communication, March 14, 2017).

Regarding the role of creativity and innovativeness in success in the advertising market, both smaller and larger agencies agreed that they consider it a very important factor. As for the concrete role, each company had its own view that did not differ significantly between smaller and larger agencies. When queried about the qualities a good entrepreneur must have, all agencies answered differently, which may be due to the broadness of the question. There was no pattern for small or large agencies, however, there was an answer matching the theory, concretely from GrupoAnton:

*“An entrepreneur must have to ability of knowing where and how one begins, and of which resources he disposes”*

*(Alicia Baró, personal communication, April 3, 2017).*

This is very close to Kirkpatrick’s (1998) definition of a good entrepreneur as someone who knows his resources and objectives to innovate by a set of different means.

### 5.5 Risk-taking

From the perspective of a small agency, the smaller clients require more administrative work in relation to the revenue they hold for the client, because they usually acquire smaller projects. From the larger agencies perspective, this is not as obvious. Robert Brodén from Care of Haus states that smaller agencies usually have lower budgets, and that most of their budget go to single projects, which leads to one focal point at a time instead of creating a flow (personal communication, March 14, 2017). GrupoAnton adds another significant difference by saying that

*“Small clients, because they have less resources, they require bigger creativity doses to obtain good results with the minimal investing.” (Alicia Baró, personal communication, April 3, 2017)*

All advertising agencies in this study adapt themselves to their clients and their demands. Every client holds a unique case that the agencies nurture with communication and relations. Whether the clients are involved in the creative process or not, they do not affect the creativity level of the employees, but when it comes to managing their employees, the smaller agencies tend to adjust their leadership according to the demands of their clients. This implies that the smaller agencies exercise transformational leadership; according to Gumusluoglu and Ilsev (2007), this type of leadership has shown significant effects on creativity in individuals as well as in the organization. For the larger agencies, the clients' demands do not seem to affect the way of managing the employees.

Employee risk-taking is encouraged in most agencies and is not related to agency size. New ideas seem to be synonymous with risk-taking in most of the agencies, and even though many agencies encourage risk-taking and new ideas, they also have a safety net that keep the risks "safe". The general company culture tends to be taking small- to medium-sized risks to learn and build the company (Chase Jarvis, 2016). Larger agencies seem to have a more open climate towards internal risk-taking, where Nylon explains that their employees will not be punished for failing (Pedro Garcia, personal

communication, February 29, 2017) and Saatchi&Saatchi means that taking risks is being proactive (Alba Guzmán, personal communication, March 16, 2017). The small agencies experience larger clients as more knowledgeable and less flexible than smaller clients, which implies that the smaller agencies are more vulnerable to their larger clients compared to their smaller ones. This provides a larger risk to take on a large client, but the small agencies prioritize the larger clients because the reward outweighs the risk. According to El-Murad (2012), there are positive correlations between risk and firm-level creativity, which could imply that the risk of taking on a large client generates higher levels of creativity in the smaller agencies, simply because they are required to exceed the expectations of the demanding, large clients.

When it comes to the large agencies, they do not find any correlation between size and flexibility in their clients, but do value the recognition and revenue they generate from their larger clients. This could be explained by company size, and that the agency is not as vulnerable to losing a large client as the smaller agency is. Because the smaller agencies are more vulnerable to losing their large clients, their risk-taking level is higher than the larger agencies' levels, which according to Dai, Fernhaber, Gilbert and Maksimov (2013) could lead to higher rates of success, if done on a moderate level.

### 6. Conclusion

The purpose of this study was to research how national advertising agencies use creativity to compete with larger, global agencies in the advertising market of Sweden, Spain and Portugal. To do so, we considered the Entrepreneurial Orientation of the agencies as it included a substantial number of factors that potentially would explain that phenomenon using creativity.

So, how can the Davids beat the Goliaths in the advertising markets of these countries?

The findings of the study show that smaller agencies have higher levels of competitive aggressiveness and risk-taking, because of the wish to expand, and vulnerability to their larger clients. The levels of opportunity recognition are higher in the large agencies because of their resource assets. All agencies are creative and innovative and equally as proactive, but because the speed of the decision-making process can be faster and communication skills better in a small agency, they can reach higher levels of proactiveness.

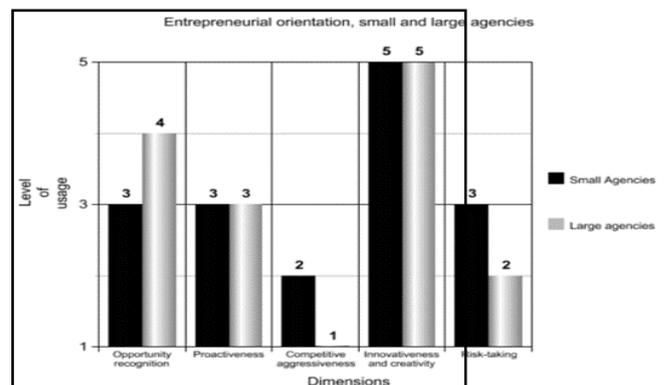


Figure 2. Entrepreneurial orientation, small and large agencies.

Source: Own construction

Regarding opportunity recognition, we found that all agencies work with international and home clients and look for the same type of employees, including qualities searched such as creativity, commitment, team spirit, adaptation and talent. The company culture is seen differently for them. Large agencies have a more structured company culture than small agencies, who are more oriented to the way they work. Moreover, large agencies rather than small are more used to be advanced to clients' needs and solve their problems, which makes it more difficult for the smaller ones to find opportunities. While promotion of ideas in the company is done mostly by promoting a better communication both in Davids and Goliaths, small agencies do not have as many mechanisms to reward employees as the large ones. Goliaths can take advantage of that, as they can use more instruments and monetary support to pay better or offer career plans or training programs to their workers. This forces the Davids to use creativity and communication to compete with the giants.

Both large and small agencies work proactively, by continually looking for market changes and adapting to them. The clients of all the agencies are involved in proactive work by listening to their ideas as well as nurturing the relationship between the agencies and clients. The leadership in all the agencies is transformational, thus supporting the creativity of the employees. There is no significant difference to be found in how the large and small agencies work with the factors of proactivity. This means that all agencies in this study already have a functioning proactive mindset; however, this also leaves an opening for the smaller agencies to take proactivity to another level in order to gain competitive advantage in the advertising market. By having the tools of good communication and faster decision making, the small agencies can reach higher levels of proactivity than the larger agencies.

Both small and large agencies consider the advertising market as very competitive and use channels like Facebook, LinkedIn and Twitter to communicate. Neither small nor large agencies rely on self-promotion to overcome their rivals; in addition, all agree that no agency is more creative than the other and that their self-promotion is not aggressive. When it comes to their self-promoting strategies, the creativity and the prizes that come from it are the keystone for small agencies, and for large agencies the keystones are a good relationship with the client and good strategic planning. The explanation to this may be that the smaller agencies are aiming for expansion, while the larger agencies want to maintain their position in the market.

When it comes to innovativeness and creativity, the small agencies can gain a competitive advantage in having a more supportive company culture, arranging periodical meetings and inspirational events to boost creativity, to overcome the fact that the larger agencies can offer higher monetary rewards.

Advertising agencies in Sweden, Spain and Portugal, disregarding of size, encourage internal risk-taking amongst their employees, which is correlated to innovation and proactiveness. At the same time, smaller advertising agencies are more vulnerable to their large

clients than the large advertising agencies. It is also noticeable that larger clients generate higher risk-taking and less flexibility than their smaller clients, but the rewards can be good sustainability and large revenue. On the other hand, smaller clients require higher creative levels and administrative work in relation to their size, but they are more flexible and less of a risk for the agency. Small advertising agencies can therefore find competitive advantages in being more vulnerable to larger clients, because that forces them to exceed their expectations of clients and therefore be more creative.

The implications of this study show that the entrepreneurial orientation, to some extent, can be used by small agencies to gain competitive advantage in the advertising market. When approaching the factors included in entrepreneurial orientation, it is shown that small advertising agencies take a more creative and supportive management, due to their lack of resources in comparison to the larger agencies. The study also shows that because of larger vulnerability and higher risk-taking, the smaller agencies may feel the need to over-deliver and thereby foster their creativity. Regarding competitive aggressiveness, smaller agencies rely on creativity and relations, to gain acknowledgements and prizes, to be able to expand their business.

The findings can be useful for future research concerning the general management of advertising agencies, the management of creativity and/or the differences of management in large and small agencies (whether if it is in the advertising industry, in creative industries or in any industry). This study contributes with several behavioural patterns and relations with those; the results can be a starting point for new investigations and/or complementary studies that at some point require qualitative explanation of differences in small or large agency behaviour. Our findings are also of use to those managing employees at any level inside of the advertising industry, as they can dispose of information for improving their management strategies.

The size of the sample may limit the strength of our findings, we thus encourage further investigations in the topic of study, including the inclusion of more firms and countries, which would give a broader view of the different markets and agencies. We also remark that a deeper analysis of the differences between the markets of the countries could complement the comparison. That can also be applied to the models of the interviews; despite our decision to make them homogeneous between the countries, they could be designed differently.

Moreover, we believe these limitations do not hinder the value of the findings of this research in three countries. The fact that the answers were derived from three different markets can be seen as a strong validation of the results. Other future researches could explore the differences between the specific advertising markets, and it would be interesting to overlap those findings with ours. Nevertheless, the conclusions drawn from this study are robust and fitting to the initial proposition.

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**Appendix I**

**Operationalization of research question**

Questions for the semi-structured interviews with the ad agencies were created based on the theoretical framework of Entrepreneurial Orientation, consisting of the 5 dimensions: Opportunity Recognition, Proactiveness, Competitive Aggressiveness & Creative Communication, Innovativeness & Creativity and Risk-taking.

Below, the questions are presented, with connections to the theory.

<b>Question</b>	<b>Aim to examine</b>	<b>EO-dimension</b>
1. Describe what kind of clients you have. How do you get new clients/lose clients?	What the agencies do to perceive the opportunity to create new business	Opportunity recognition
2. How does opportunity recognition affect the success of your company? How does it affect the company culture?	If the five stages of opportunity recognition (preparation, incubation insight, evaluation and elaboration) affects the company culture	Opportunity recognition
3. What characteristic does your company consider in the hiring process and why?	What the agency does to improve or change the business	Opportunity recognition
4. What kind of competences do you think your employees have? (What do you consider the best qualities a worker can have to work in an advertising agency?)	What the agency does to improve or change the business	Opportunity recognition
5. How do you promote new ideas and initiatives from your employees?	If the five stages of opportunity recognition are implemented with the employees	Opportunity recognition
6. How do you work with improving the culture of the company (and the final results)?	What the agency does to improve or change the business	Opportunity recognition
7. How do you reward new ideas and initiatives? (success vs failure)	What the agency does to improve or change the business	Opportunity recognition
8. Describe the goal of your company. How do you plan your business?	If and how they implement a first-mover	Proactiveness
9. Would you consider your company to be proactive or reactive? Meaning, do you act beforehand, or do you react to market changes/client requests?	If the agency is forward-looking and opportunity seeking	Proactiveness
10. How do you handle changes in the market competition?	If the agency scans the market competition	Proactiveness
11. How does your company promote/boost proactivity?	How much involvement the employees and the clients have in proactive work	Proactiveness
12. Do you involve your clients in this process?	How much involvement the employees and the clients have in proactive work	Proactiveness
13. How can the speed of the decision-making process affect the level of proactiveness? In which way?	How the speed of the decision-making process can affect the proactiveness of the agency	Proactiveness

14. Describe your leadership? How do you work with leadership?	If the proactive entrepreneurs are linked to transformational leadership	Proactiveness
15. How do you keep company updated on changes in the market?	If the agency scans the market for competition	Proactiveness
16. How do you conduct market research? With what aim?	If the agency scans the market for competition	Proactiveness
17. How much do you know about your competitors? Do you follow their progress?	If the agency scans the market for competition	Proactiveness
18. How competitive is the advertising market?	If there is higher pressure on acting and exploiting new business opportunities	Competitive aggressiveness
19. Are you going to expand your business? If yes, how?	If the agency aims to win or expand their market position	Competitive aggressiveness
20. What are the keystones of your self-promotion?	How the agency acts to beat competition in the market	Competitive aggressiveness
21. How does your communication strategy differ from other companies?	How the agency acts to beat competition in the market	Competitive aggressiveness
22. Is it more creative than the other companies?	The level of creativity aggressiveness in their self-promotion	Competitive aggressiveness
23. Define how aggressive your self-promotion is?	If they outspend their competition	Competitive aggressiveness
24. How much do you rely on communication (self-promoting) to overcome competitors?	How the agency acts to beat competition in the market	Competitive aggressiveness
25. How would you describe your firm's environment?	The significance of innovativeness on the market	Innovativeness and creativity
26. How does the process look like when working with the clients?	If the agency blends imaginative, creative thinking with systematic, logical processing abilities	Innovativeness and creativity
27. Are your internal processes formal or informal?	The willingness to support innovation and creativity in the agency	Innovativeness and creativity
28. How do you promote innovation within the organization? How do you promote creativity?	The willingness to support innovation and creativity in the agency	Innovativeness and creativity
29. Which qualities do you think are the most important for successful entrepreneurs? Why?	If the agency finds blending imaginative, creative thinking with systematic, logical processing abilities important for an entrepreneur	Innovativeness and creativity
30. What roles do innovation and creativity play in the advertising market?	The role innovativeness and creativity have on market success	Innovativeness and creativity
31. How important are innovation and creativity to succeed?	The role innovativeness and creativity have on market success	Innovativeness and creativity
32. What differences are there between "big" and "small" clients when it comes to the help they wish for?	If larger risks equal larger rewards for the agency	Risk-taking
33. How do your clients affect the creativity level of the ads/campaigns you produce?	The relation between risk and creativity	Risk-taking

34. Does it affect your way of managing the employees? In which way?	Entrepreneurial decision making regarding boundaries	Risk-taking
35. If yes, do you think that it affects the creative capabilities of your employees?	The relation between risk and creativity	Risk-taking
36. Do you think that working with big clients ends up shifting the company to suit them better at the expense of suiting the smaller ones worse?	If larger risks equal larger rewards for the agency	Risk-taking
37. How do you encourage your employees to take risks? How do you reward employees who take risks?	If the employees are involved in the risk-taking process	Risk-taking
38. How do you think the degree of flexibility of your clients is related to their size?	If larger or smaller clients equals larger risk for the agency	Risk-taking
39. How does the size of the client influence the decision of taking them into your portfolio?	If larger or smaller clients equals larger risk for the agency	Risk-taking

**Appendix II**

**Themes and findings, small and large agencies**

For each interview question, every answer was analysed to find the keywords and themes for each agency. The themes were then concluded into findings, one for the small agencies and one for the large agencies in every question.

Advertising agencies:

S1: Care of Haus, Sweden

S2: GrupoAnton, Spain

S3: Nylon, Portugal

L1: Valentin&Byhr, Sweden

L2: Saatchi&Saatchi BCN, Spain

L3: BBDO Portugal

Question	Aim to examine	Theme small agencies	Finding small agencies	Theme large agencies	Findings large agencies
<b>Opportunity recognition</b>					
1. Describe what kind of clients you have. How do you get new clients/lose clients?	What the agencies do to perceive the opportunity to create new business	S1: Around 129 clients, big and small, foreign and home. Official procurements of 4 years (2+1+1). Collaboration can end for dissatisfaction and natural causes. S2: International and local clients. S3: Project by project. Varied portfolio, mainly Portuguese now.	Small clients have both international and home clients. Official procurements.	L1: Pitching ideas for new clients. Offer new ideas to existing clients. Projects might be finished because of time/financial issues. L2: We work by projects and not just clients, trying to reach 360 and to solve problems, we are not just advertising agencies anymore. Everything is changing and we have clients from all around Barcelona, surroundings and even world. L3: All kinds of clients. Anticipating the moves of the competition. Very anticipated strategic planning and try to capture as many clients as possible.	Big agencies tend to have all types of clients, international and home. They work by anticipating their moves, solving problems and with new ideas for both new and existing clients.
2. How does opportunity recognition affect the success of your company? How does it affect the company culture?	If the five stages of opportunity recognition (preparation, incubation insight, evaluation and elaboration) affects the company culture	S1: Costumers' and market perspective. Strategy meetings to see our offer vs the rest of the market decide on novelties. We try to advance the costumers and satisfy them. S3: No, it is how an agency works.	Small agencies tend to advance and satisfy client's needs. It affects but it is not as relevant as how the agency works.	L1: Creative ideas to the missions of clients. Development of knowledge/innovation within the agency. L2: DNA, crucial. Innovation part of us, we motivate and we're proactive with our clients or with the one's we still don't have. L3: If we win a big client it forces us to restructure and recruit people to equip that client. It	Big agencies tend to have opportunity recognition on their DNA and putting creative ideas to the missions of their clients. Affects the size and recruitment of the agency and also on the development of knowledge/innovation.

		Monthly covenants.		always affects the size of the agency.	
3. What characteristic does your company consider in the hiring process and why?	What the agency does to improve or change the business	S1: Abilities: sell themselves, competences, curiosity, engagement and interest. No need to just high studies but to handle and to be precise. better with experience. S2: Adaptation. Not only education, also experience. S3: focused, objective, creative and good team spirit.	Small agencies tend to rely in cognitive acknowledges, experience and adaptation; not only in studies. Abilities include sell oneself, curiosity, engagement, interest, adaptation, creativity and team spirit.	L1: Curiosity and commitment/interest of the world/society L2: We look for people that can make their talent come up. Not definitive process. Day to day work. L3: It depends on the place, the position or function. Looking for people with a commitment to themselves.	big agencies tend to look in general for people with commitment, curiosity and talented. Of course, depending on the position.
4. What kind of competences do you think your employees have? (What do you consider the best qualities a worker can have to work in an advertising agency?)	What the agency does to improve or change the business	S1: Depends. Sell themselves, competence, take place, curiosity, engagement, interest. Humbleness and big hearts, understanding of business. S2: creativity in all the phases and teamwork. S3: Different skills. Making creative pairs (creator + detailed). Team player, trust, analytical side.	Small agencies tend to have creative and trustful teams, with humbleness and big-hearted people but also with an analytical side.	L1: Curiosity and commitment/interest of the world/society L2: Multidiscipline, organization and adaptation. L3: Organization, focus, creativity and intelligence	Big agencies tend to have organization, creativity, commitment and multidisciplinary people that can also adapt.
5. How do you promote new ideas and initiatives from your employees?	If the five stages of opportunity recognition are implemented	S1: Open climate. Group sessions and separate conversations. Connect	Small agencies tend to promote conversations (private and group) in an open climate.	L1: Encouraging them to describe the challenge and solution. L2: We have departments of creativity,	Big agencies tend to promote by encouraging employees, by having a great connection

	with the employees	progress company-employee, creative gatherings. More difficult than Big Agencies. S2: Working in team with internal and external sessions. S3: Encourage to participate in prizes and give freedom to grow.		accountancy, health affairs, public relations and digital. We are super connected, hierarchical architecture. L3: The promotion is given by the creative context in which we are inserted and in the creative culture of the agency. Our business model is based on creative originality and strategic intelligence. The creative culture comes from recruiting.	and specialized departments and giving them constant briefings.
6. How do you work with improving the culture of the company (and the final results)?	What the agency does to improve or change the business	S1: Unified group. Celebrations, but not much promotion of company culture. S3: Team spirit, best climate. After Work Initiatives.	Small agencies tend to promote the team spirit with after-work initiatives and celebrations.	L1: Focus on interests/commitment and curiosity. Caring about each other. Comfort important. L3: maintain a criterion of maximum demand. When we do not achieve the intended results, we are not gentle with ourselves.	Big agencies tend to focus on interests and commitments, caring for comfort and looking for maximum demand.
7. How do you reward new ideas and initiatives? (success vs failure)	What the agency does to improve or change the business	S1: No monetary rewards. Promote ideas and suggestions and then evaluate. Solving the problem with creativity, not just being creative. S2: Gratitude, no specific way. S3: Encourage and challenge, no idea thrown away.	Small agencies promote ideas and uncourageous people, but there's no monetary reward. More simple rewards like gratitude.	L1: By giving attention/scholarship to interesting ideas. L2: We focus on talent, that's what we only have, so we have a department to attract it, make it grow and retain it. Training programmes, mobility programmes. Our most important tool is to offer a career plan to the person. L3: People with better results are better paid. If you do a great job, that same	Big agencies tend to reward ideas and initiatives by offering future with training and mobility programmes, even career plans! The difference relies on monetary rewarding, which happens either with scholarships and better payment.

				job will call another equal or greater. Being competent has other advantages without being the financial part!	
<b>Proactiveness</b>					
8. Describe the goal of your company. How do you plan your business?	If and how they implement a first-mover	S1: Growth and improving competence. 5-year plan, revised twice every year. S2: Goal is to strengthen leadership in Levante and expand to the rest of Spain. Annual study and annual marketing plan. S3: Make brands the next great leaders in modern time. Monthly meetings, analysing bills, talking about how to make the agency grow.	Small agencies aim to grow and expand by having continual meetings where plans are revised.	L1: Happy employees/clients most important. Satisfaction of clients measured yearly. L2:? L3: It depends on the client. Anticipate the steps we are going to take. Know what the competition is doing.	The goal depends on the client, happy clients and most important, employees. One of the agencies measure the clients' satisfaction yearly.
9. Would you consider your company to be proactive or reactive? Meaning, do you act beforehand, or do you react to market changes/client requests?	If the agency is forward-looking and opportunity seeking	S1: Proactive as a company. Question what they do and are curious. S2: Try to be proactive. S3: Proactive by reaching clients in new ways.	Small agencies are proactive.	L1: Only proactive, basis for ad agencies. L2: Up-to-date, proactive L3: Pretty proactive. we try to be one step ahead	All of the big agencies are proactive.
10. How do you handle changes in the market competition ?	If the agency scans the market competition	S1: Fast on adapting to changes S2: Try to predict the changes,	Small agencies adapt to changes.	L1: Check trends, changes in society. Help clients develop their organisation as well (inhouse	Changes in the market are handled by following trends and be competitive.

		otherwise be reactive S3: Adapt to the changes		communication) L2:? L3: Try to be more competitive than the others, so that part of the changes will stop here.	
11. How does your company promote/boost proactivity?	How much involvement the employees and the clients have in proactive work	S1: S2: They carry out anticipatory proposals to the needs of the clients. S3: Be best friends with clients. Having lunch, talking openly, sharing news and opinions.	Small agencies suggest new ideas to clients and take care of relationship with clients.	L1: Commitment/interest important. L2:? L3: The type of work you do and the environment you live in the agency gives you that.	Proactivity is promoted by enhancing interest of the employees and having by working in a suitable environment.
12. Do you involve your clients in this process?	How much involvement the employees and the clients have in proactive work	S1: Yes S2: Yes. S3: Yes.	Clients of small agencies are involved in the proactive work.	L1: Clients want proactivity L2: ? L3: Try to make the clients happy and involved, since they are part of the culture	Clients are being a part of the proactivity by making them satisfied and involved in the project.
13. How can the speed of the decision-making process affect the level of proactiveness? In which way?	How the speed of the decision-making process can affect the proactiveness of the agency	S1: Owner group meet every month and management team meet every week. Agency divided into three business segments where decision making is done separately. S2: Decision-process as short as possible in order to be anticipatory. S3: Planning is most important.	For small agencies, continuous meetings and planning are important.	L1: Faster decision making enhances proactivity and creative ideas. L2: ? L3: Speed in decision can affect productivity. Depends on the decision-making process	Faster decision making enhances proactivity, productivity and creative ideas.
14. Describe your leadership? How do you work with leadership?	If the proactive entrepreneurs are linked to transformational leadership	S1: Listening and rational. Good at catching people. Does	Among small agencies leadership was differing. They had a democratic view in common.	L1: Show direction and create positive conditions. Support interest and curiosity. L2: Collaborative,	Among big agencies, the style of leadership is supportive,

		not interfere with creativity. S2: We do not work on it. S3: Democratic but decisive in the end.		shared decisions. L3: It's not such formal, there is no need for this formality when there is respect.	collaborative and informal.
15. How do you keep the company updated on changes in the market?	If the agency scans the market for competition	S1: The commitment and interest of every individual is important. Cannot be controlled by the management. S2: Training processes. S3: A Skype group where national & international news are shared.	Among small agencies, both the individual commitment and group meetings are important.	L1: Curiosity. Reading news, social media, being a part of it. L2: Research a lot of things. L3: Everybody is extremely motivated and informed	By being overall curious and by doing a lot of research, big companies kept themselves updated on the changes in the market.
16. How do you conduct market research? With what aim?	If the agency scans the market for competition	S1: Only on the behalf of the client, one or twice a year. S2: Once a year objectives and strategic guidelines are established for the next year. Qualitative research grading the satisfaction of clients and the market trends. S3: Everybody do market research constantly. The director writes articles, checks LinkedIn, researches, contacts clients.	The small agencies do market research, but in different ways.	L1: Every client/project get a market research. Can be focus groups / interviews /surveys. L2: It depends on what we need. L3: Constant research in the market of the best professionals. Lots of attention to the competition and who's penetrating the market.	Market research is done continuously depending on the client's needs.
17. How much do you know about	If the agency scans the	S1: Nothing, they are not "part of the	It differs among small agencies. The majority do	L1: A bit. See the offers of other agencies, mingle with	Among large agencies, competition is

your competitors ? Do you follow their progress?	market for competition	game". S2: As much as possible; websites and social media. S3: Follow competitors work.	check the work/website/social media of competitors.	people within the industry. L2: A lot of competition, a lot of time is put on the competition. L3: They are all big multinationals.	followed by being in contact with people within the industry, as well as following the offers done by the competitors.
<b>Competitive Aggressiveness</b>					
18. How competitive is the advertising market?	If there is higher pressure on acting and exploiting new business opportunities	S1: Top 10 is in a league of its own. S2: Every time. S3: Quite a lot.	All small agencies consider the advertising market as competitive.	L1: Very competitive. Easy for clients to change agency. L2: ? L3: Very competitive. Even more because the market contracted a lot with the economic crisis.	All large agencies consider the advertising market as competitive.
19. Are you going to expand your business? If yes, how?	If the agency aims to win or expand their market position	S1: If our five-year plan follows through, we will be twice as big in a couple years. S2: We have planned to expand it in our area of external advertising with the acquisition of new supports and concessions. S3: I always plan to expand with more new customers and reach new markets. But to expand an agency it takes more clients in different areas. This is also part of the recruiting process done at LinkedIn	All small agencies plan to expand, but in different ways.	L1: No expansion. L2: Well-known brand, we don't need to remake that.	None of the large agencies are planning to expand.
20. What are the keystones of your self-promotion?	How the agency acts to beat competition in the market	S1: Channels, good relations and good job S2: Creativity	The common keystones to all small agencies in their self-promotion are: channels and	L1: Website, blog, visiting clients, having lectures, existing ads for clients. L2: We take	Channels, existing ads, good relationship with clients, strategic

		S3: Channels and prizes	creativity (prizes).	care of our channels, we take care of our "speaking opportunities" while we collaborate with organizations and associations too. L3: In a large group this thinking is well thought out and analysed by many people.	planning. It differs from one agency to another.
21. How does your communication strategy differ from other companies?	How the agency acts to beat competition in the market			L1: Use many platforms for communication; PR, movie, events. L2: ? L3: Good work, well-produced, new things and payable by our budget.	The strategies differ from one agency to another. Different channels to communicate; good, new and well-produced work.
22. Is it more creative than the other companies?	The level of creativity aggressiveness in their self-promotion	S2: Values to communicate. that is in what lies the difference between one company and another. S3: I don't think it differs much, all agencies are creative.	Different opinions, one considers the values to communicate as the major difference, but the other says there's not much differences.	L1: ? L2: ? L3: I don't consider more creative, but we consider ourselves creative.	Not more creative than the other. Just creative.
23. Define how aggressive your self-promotion is?	If they outspend their competition	S1: No. S2: It is not the aggressiveness that define us. S3: It isn't very aggressive. intrusive advertising doesn't work nowadays.	Small agencies have a non-aggressive style.	L1: Humble. No Google Ads. Focus on satisfaction of existing clients. L2: ? L3: It is not very aggressive, but they make sure the market knows that they were the ones that "that campaign"	The opinion of the large agencies is that their self-promotion it's not aggressive.
24. How much do you rely on communication (self-promoting) to overcome competitors ?	How the agency acts to beat competition in the market	S1: We don't do much marketing. S2: is another tool inside the actions that are carried out to capture clients. S3: We do not depend on	The opinions amongst the small firms differ when we talk about self-promotion, but none of them depends only on self-promoting.	L1: Humble. No Google Ads. Focus on satisfaction of existing clients. L2: ? L3: I don't depend on self-promotion.	Do not depend on self-promotion.

		self-promotion			
<b>Innovativeness &amp; Creativity</b>					
25. How would you describe your firm's environment?	The significance of innovativeness on the market	S2: Fellowship.	Not enough information.	L1: Changing. Communication must be more meaningful today. L2: Adapting. Everyone helps everyone with hierarchical structure. L3: Great, informal, but also a lot of commitment.	The opinion of large firms over their external environment is that this is constantly changing. When it comes to the internal environment that is quite informal and of fellowship.
26. How does the process look like when working with the clients?	If the agency blends imaginative, creative thinking with systematic, logical processing abilities	S1: Defined process: make a strategy or follow the one brought by the client, make a briefing about the ad, create it and then monitor and measure. S2: professional and trust. Standard creative process. S3: great relationships (like family). Same process as S1.	They all have a structured creative process.	L1: Focus on the people and the feeling of the project. L2: Professional and adapting to the client. L3: Depends on customer to customer, but our process is always the same.	The process is adapted to the client and focuses on the people.
27. Are your internal processes formal or informal?	The willingness to support innovation and creativity in the agency	S2: Normal working processes. Formal framework with clients. Standard creative process. S3: internal processes very informal. Family relationships with clients.	The formality of the framework inside the company and with employees differs some of them have normal framework with clients and others have more informal internal processes and family relationships with clients.	L1:? L2: No answer. L3: Quite informal	Only one large firm (the Portuguese) answered that question, and they said that their internal processes were quite informal.
28. How do you promote innovation	The willingness to support	S1: creative gatherings for	Small companies have the will of promoting	L1: Encourage curiosity and the will	Large firms encourage curiosity and

<p>within the organization? How do you promote creativity?</p>	<p>innovation and creativity in the agency</p>	<p>inspiration, constant group sessions and individual meetings with employees. S3: motivating and inspiring the employees with videos and challenging them.</p>	<p>creativity, and they carry out activities or individual meetings with employees to make them think and give them proper stimulus to be more creative.</p>	<p>to change! L2: They didn't get the right answer. L3: We must always do something new and different.</p>	<p>underlying attitude of doing thing in a different way.</p>
<p>29. Which qualities do you think are the most important for successful entrepreneurs? Why?</p>	<p>If the agency finds blending imaginative, creative thinking with systematic, logical processing abilities important for an entrepreneur</p>	<p>S1: curiosity, energy to carry out projects, fearless to challenge your safety and security. You need to challenge your traditional thoughts. S2: having the ability of seeing where one begins and what resources one has. S3: fearless of failing, having the ability of researching and focusing on your goals.</p>	<p>The opinions differ in terms of the adjectives used to describe how a successful entrepreneur must be. In general, they must be full of energy, challenge their own beliefs and skilful to carry out projects (having the abilities of doing research, of seeing where they are and how can they get where they want to be.</p>	<p>L1: Having insights about the challenge. Independent. Meet expectations. L2: No answer. L3: Believe in your knowledge and idea.</p>	<p>Large firms' opinions differ, but in general they agree that a successful entrepreneur must believe in his skills and ideas.</p>
<p>30. What roles do innovation and creativity play in the advertising market?</p>	<p>The role innovativeness and creativity have on market success</p>	<p>S1: the business is the most important part and so creativity is just a tool to achieve the business goals. Creativity is also problem solving. S2: there's a need to be creative every time you</p>	<p>The small companies give a different role to creativity. That role can be just a tool of problem solving for achieving business goals, or of the factor that gives differentiation to the agencies' outcomes, or also, being aware of what happens in the market (customers and</p>	<p>L1: They are important, but also emotional value! Creating feelings! L2: No answer. L3: There is no greater added value than creativity.</p>	<p>Both companies agree that it is very important, but the Swedish one adds to the key factors to succeed in the ad market the ability of linking emotions to the ads.</p>

		<p>approach something, as it turns into differentiation and that is an attraction factor regarding clients. S3: ensuring the message is in tune is almost as important as the business part, knowing what the customers think/want and knowing what your competitors are doing.</p>	<p>competitors) and take advantage of it.</p>		
<p>31. How important are innovation and creativity to succeed?</p>	<p>The role of innovativeness and creativity have on market success</p>	<p>S1: very important role. S2: fundamental. S3: very important.</p>	<p>All small companies consider that creativity is a key to success.</p>	<p>L1: They are important, but also emotional value! Creating feelings! L2: No answer. L3: There is no greater added value than creativity.</p>	<p>Both companies agree that it is very important, but the Swedish one adds to the key factors to succeed in the ad market the ability of linking emotions to the ads.</p>
<b>Risk-Taking</b>					
<p>32. What differences are there between “big” and “small” clients when it comes to the help they wish for?</p>	<p>If larger risks equal larger rewards for the agency</p>	<p>S1: Lower budgets and single projects for small clients. More continuity for larger clients. S2: Lower budget requires more creativity to succeed. S3: Adaption to the size. More pressure with larger clients</p>	<p>Smaller clients require more administration in relation to their budget.</p>	<p>L1: No, depends on the brand. L2: The budget decides. L3: Not many differences.</p>	<p>No significant difference in demand from small or large companies.</p>

<p>33. How do your clients affect the creativity level of the ads/campaigns you produce?</p>	<p>The relation between risk and creativity</p>	<p>S1: Nothing, there is a fixed process. Clients rely on our knowledge. S2: The more creative a campaign, the larger the impact. S3: It differs, but the client always has the last word.</p>	<p>Clients demands and involvements are different (no relation between risk and creativity).</p>	<p>L1: Clients expect proactivity. L2: Large vs smaller budget is affecting the work. L3: They affect a lot because we work for them.</p>	<p>Clients have high expectations and involvement.</p>
<p>34. Does it affect your way of managing the employees? In which way?</p>	<p>Entrepreneurial decision making regarding boundaries</p>	<p>S1: No, there is a fixed process for them to work from. S2: Liberal clients allows more creativity. S3: Again, it differs because of the client.</p>	<p>Differs from the clients demands (transformational ).</p>	<p>L1: Curiosity and commitment is supported (as always) L2: No, we always try to motivate people. L3:?</p>	<p>Clients demand doesn't affect entrepreneurial decision making.</p>
<p>35. If yes, do you think that it affects the creative capabilities of your employees?</p>	<p>The relation between risk and creativity</p>	<p>S1: No. S2: No. S3: No</p>	<p>Clients involvement doesn't affect the creativity levels of the employees.</p>	<p>L1: L2: - L3: Do not affect the creativity but the output of the work.</p>	<p>Clients involvement doesn't affect the creativity levels of the employees.</p>
<p>36. Do you think that working with big clients ends up shifting the company to suit them better at the expense of suiting the smaller ones worse?</p>	<p>If larger risks equal larger rewards for the agency</p>	<p>S1: We try to treat them equally. S2: We are adaptive. S3: We treat everyone equally</p>	<p>Adapting to the client is the key (no risk-taking)</p>	<p>L1: L2: - L3: No because all costumers have their own profile.</p>	<p>No.</p>
<p>37. How do you encourage your employees to take risks? How do you reward employees</p>	<p>If the employees are involved in the risk-taking process</p>	<p>S1: We encourage new ideas, but filters reduce the risks. S2: We don't. S3: We want them outside of the box.</p>	<p>Often, employees are allowed to take risks</p>	<p>L1: We enhance security and encourage curiosity. L2: Provoke them to new ideas. Taking risk=being proactive. L3:</p>	<p>Safe risks are encouraged.</p>

who take risks?		No punishments for failing		The risk has to be always taken	
38. How do you think the degree of flexibility of your clients is related to their size?	If larger or smaller clients equals larger risk for the agency	S1: Not much, but larger clients usually have more knowledge and demands. S2: Larger client, less flexibility. S3: Larger client, less flexibility.	Larger clients have more knowledge and are less flexible (larger risk).	L1: No, same challenges for big and small. L2: They require more flexibility from us L3: It's not connected to its size.	Not connected to size.
39. How does the size of the client influence the decision of taking them into your portfolio?	If larger or smaller clients equals larger risk for the agency	S1: Large clients are prioritized and wanted, but we want the mix. S2: Larger clients are preferred, but smaller are safer. S3: Pleasurable to work with larger clients, as well as more visibility for us.	Prioritizing larger agencies thus larger risk. Reward of larger client weighs over.	L1: The revenue affects the decision. L3: Work with big firms gives tremendous respect and recognition.	Revenue and recognition affects the decision.