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Ten Years of 'Social Investment':

WPP Group 1999-2008

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Background

- Over the last ten years a number of major corporate ethical and financial disasters has resulted in many organisations taking steps to improve their corporate governance, ethical practice and social responsibility.
- In particular, there has been a growing attention to Corporate Social Responsibility (CSR) in which there is a "concern for the impact of all of the corporation's activities on the total welfare of society".
- As organisations formalise their corporate social responsibility (CSR) activities, a growing number are voluntarily disclosing these activities in their annual report.
- Advertising agencies, for example, have been discovering the benefits of undertaking pro bono work and reporting them.



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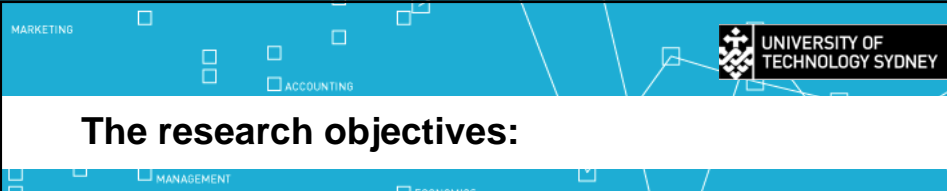
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This paper will use a longitudinal approach to observe the content of annual reports of the largest advertising agency holding company in the world, WPP Group.

From annual reports (1999-2008) the amount of “social investment” has been reported providing details of the financial amount of pro bono activities and the types of organisations that are the recipients.



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The research objectives:

- (1) to determine the importance of pro bono work to the WPP Group;
- (2) discover the amount of “pro bono activities” that are disclosed over ten years of reports; and
- (3) identify the types of organisations that are the recipients.



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The corporate annual report

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- It is a mandatory requirement for public companies in most countries to produce a financial report on a periodic basis for relevant regulatory bodies and shareholders.
- However, they may also contain non-mandatory information, and use it as a communication tool for voluntary disclosure of non-financial information to their various stakeholders, including shareholders, employees, customers, suppliers, media and the government, and to develop a particular brand image for the organisation (Stanton and Stanton 2002)
- More recently many companies have been including sections on governance, ethical practice and social responsibility.



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Corporate Social Responsibility and Disclosure

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- As companies undertake CSR activities, there is also a desire to communicate these activities.
- Jenkins (2006) categorised the CSR activities of SMEs in the UK as: Environmental, Employees, Supply Chain/Business to Business, and Community/Society;
- Waller and Lanis (2009) analysed annual reports of advertising agency holding companies and found CSR disclosed in the following general categories: work output, HR activities, social/community commitment, and environmental initiatives.
(An example of social/community commitment is the undertaking of pro bono work for various charities or nonprofit organisations).

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Why do companies disclose this information?

- A number of theories have been proposed to explain why corporations voluntarily disclose CSR information, such as political economy, legitimacy and stakeholder theories (Wilmhurst and Frost 1999; Deegan 2002; Campbell, Craven and Shrivs 2002).


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The diagram illustrates the relationship between a firm, relevant publics, and political economy within society. It features a large outer circle labeled 'SOCIETY'. Inside this circle is a rectangular box representing the 'FIRM' (e.g., Ad Agency). Within the firm box, there are three ovals representing 'RELEVANT PUBLICS': 'Clients' at the top, 'shareholders' at the bottom left, and 'employees' at the bottom right. Arrows indicate interactions: a double-headed arrow between the firm and its clients; single-headed arrows pointing from the firm to its shareholders and employees; and single-headed arrows pointing from the shareholders and employees back to the firm. Surrounding the firm box are three areas labeled 'POLITICAL ECONOMY': 'regulatory bodies' to the left, 'industry associations' to the right, and 'government' at the bottom. The entire diagram is set against a background of a grid pattern.

Figure 1: The Inter-Relationship Between the Firm, Relevant Publics, the Political Economy and Society

Waller and Lanis, 2009




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- A number of advertising agencies have begun to disclose their pro bono activities in their annual reports or specialised CSR reports, listing the nonprofit organisations they have done work for and identifying the estimated cost of such work.
- Pro bono work in relation to the advertising industry can be defined as “the provision of creative, production and/or media placement services by agencies to community or nonprofit organisations at a reduced or no fee” (Waller, 2009).
- Organisations such as WPP Group, Publicis Groupe, Dentsu and Havas have placed a significant amount of effort into this kind of “social investment” (Waller and Lanis, 2009).
- Publicis Groupe, for example, was involved in developing more than 300 “pro bono” campaigns representing a total of approximately \$US50 million (Publicis, 2009).



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- Having a pro bono client can help an agency a number of ways, including staff relations, creativity and status (Pratt, 2003; Lister, 2008; Rappoport, 2008).
- Waller (2009) identified six main advantages for advertising agencies in doing pro bono work: civic responsibility, creative opportunity, motivate staff, gets exposure, increase profile & prestige, and attract paying clients.

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WPP Group

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The context for this paper is the advertising agency holding company, WPP Group.



The slide features a blue header with the University of Technology Sydney logo and the text 'MARKETING', 'ACCOUNTING', 'MANAGEMENT', and 'ECONOMICS'. The main content area is white with the text 'The context for this paper is the advertising agency holding company, WPP Group.' and a black box containing the 'WPP Group plc' logo.

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- WPP (Wire and Plastic Products) describes itself as “the world leader in marketing communications services” (WPP, 2009).
- It comprises of more than 150 companies, including some of the best known advertising agencies, such as the Ogilvy Group, J Walter Thompson, Young & Rubicam, and Grey. There are over 135,000 people (including associates) who work for WPP companies out of 2,400 offices situated in 107 countries (WPP, 2009).
- According to the Advertising Age list of top agencies, in 2009 WPP was ranked number one with worldwide revenue of \$13.60 billion, followed by Omnicom Group, Interpublic Group, and Publicis Groupe (Advertising Age, 2009).
- The London-based company was first listed on the NASDAQ in 1988, and so, as a publically listed company, is required to produce an annual financial report for shareholders and regulatory bodies.
- Also recognised good corporate citizen

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Methodology

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- This paper uses a descriptive, case study approach to observe the pro bono activities in the advertising industry
- Two methodologies were used to obtain data for this study on pro bono activities at WPP Group:
 - (1) personal correspondence with a senior executive involved in the CSR decision making (Vanessa Edwards, Head of Corporate Responsibility);
 - (2) a content analysis the annual reports over a ten year period (1999-2008).

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Findings

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- **Importance of Pro Bono Work**
 - *“Our pro bono work and support for charities and community organizations reinforces our reputation for making a positive contribution in society” (WPP, 2009, p. 118).*
 - Explaining the benefits of their pro bono work, it says:
“Our companies have a long tradition of pro bono work – providing creative services to charities at little or no cost. This work can be invaluable – helping raise money and awareness for hundreds of good causes every year. It also benefits WPP by showcasing our creative skills and ability to create compelling communications on a wide range of social and environmental issues. Our people gain a breadth of experience and the chance to contribute to their communities.” (WPP, 2009, p. 125)
 - As for the relationship between WPP and the pro bono clients:
“Pro bono projects are agreed between WPP companies and the charities concerned. Many of our companies have long-standing relationships with their pro bono partners. WPP the parent company helps to coordinate pro bono projects involving multiple WPP companies or cross-Group collaboration.” (WPP, 2009, p. 118)

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- To obtain a more personal insight into WPP's attitude to its pro bono work contact was made with Vanessa Edwards, Head of Corporate Responsibility.
- Regarding the importance of pro bono work:
“... our companies do an enormous amount of pro-bono work and have done for many years. I think it is tremendously important to our agencies. It allows people to work on causes very close to their hearts and they perhaps have a wider brief/can be more creative with these projects. As WPP's operating companies are autonomous, it is up to them to choose the pro-bono work that they do.”
- As for the main benefits of pro bono work:
“To the charity, this work can be invaluable by helping raise money and awareness. Internally as I said before, it is very empowering for staff to be able to work on a cause that they feel passionately about.”
- Finally, as for a reason that WPP publically communicates the pro bono work:
“We tend to detail this in the annual report and CR report as we see it as a significant part of our CR commitment.”

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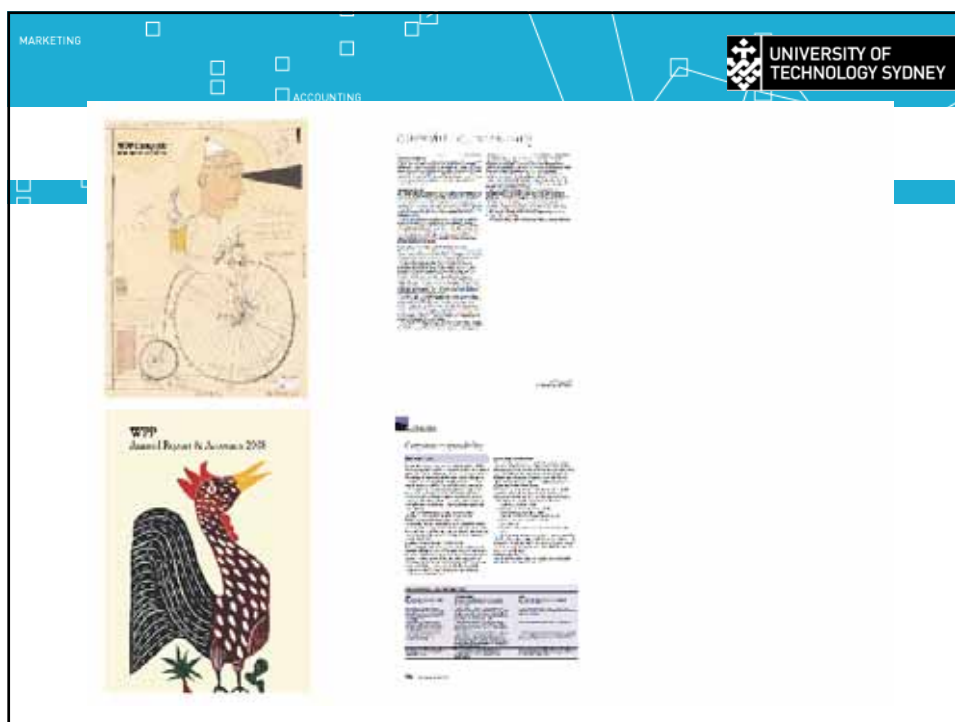
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Annual Reports 1999-2008

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Annual Report	Report Date	Published
Annual Report 2008	31/12/2008	14/04/2009
Annual Report 2007	31/12/2007	24/04/2008
Annual Report 2006	31/12/2006	15/05/2007
Annual Report 2005	31/12/2005	11/05/2006
Annual Report 2004	31/12/2004	10/05/2005
Annual Report 2003	31/12/2003	10/05/2004
Annual Report 2002	31/12/2002	14/05/2003
Annual Report 2001	31/12/2001	9/05/2002
Annual Report 2000	31/12/2000	4/05/2001
Annual Report 1999	31/12/1999	10/05/2000



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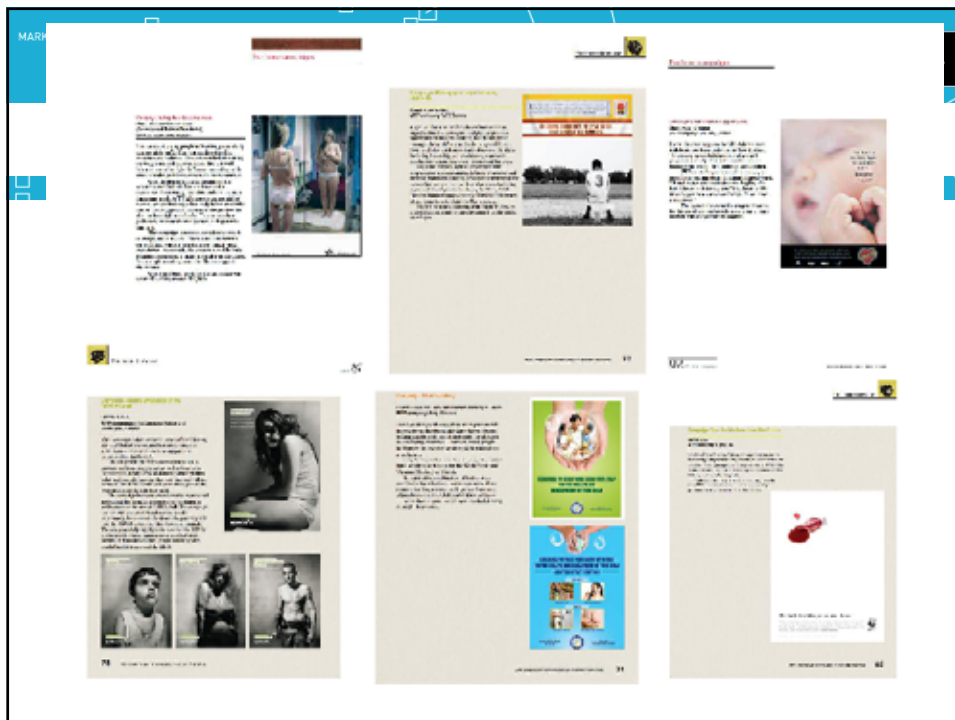
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Table 2: CSR Activities Reported by WPP Group
 + based on the fees the benefiting organizations would have paid for our work

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Year of Report	Social Investment	% of reported pre-tax profit	Charitable Donations (Parent Company)	Charitable Donations (Total)	Pro Bono +
2008	£14.6 million	2%	£201,000	£4.3 million	£10.3 million
2007	£16.3 million	2%	£218,077	£3.5 million	£12.8 million
2006	£24.9 million	3.7%	£238,000	£3.9 million	£21.0 million
2005	£17.3 million	2.9%	£379,000	£3.4 million	£13.9 million
2004	£14.1 million	3.1%	£202,000	£2.7 million	£11.4 million
2003	£14.9 million	4.3%	£120,000	£2.6 million	£12.3 million
2002	£12.3 million	2.9%	£210,000	£3.6 million	£8.7 million
2001			£205,000		
2000			£191,000		
1999			£159,036		
1998			£138,928		



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Table 3: Pro Bono Work by WPP


Type of Organization	2003	2004	2005	2006	2007	2008
Health	31.8%	28.0%	23%	38%	26.9%	19%
Local Community	23.5%	22.6%	21%	30%	21.1%	25%
Education	12.8%	12.1%	14%	10%	11.5%	11%
Arts	9.7%	9.6%	7%	4%	14.0%	8%
Environment	9.3%	4.3%	13%	4%	6.9%	6%
Alcohol/Drug Abuse	0.6%				1%	
Illegal Drugs		1.2%	5%			
Alcohol Abuse		0.7%		1%	0.8%	1%
Other	12.2%	21.5%	17%	13%	18.8%	30%
Value of Pro Bono Activities *	£12.3 million	£11.4 million	£13.9 million	£21.0 million	£12.8 million	£10.3 million

* based on the fees the benefiting organizations would have paid for the work
 Note: The 2002 report did not break up figures based on type of organization, but based on the amount of work by the main agency brands: WPP businesses pro bono work value £8.7m - J. Walter Thompson: £2,097,262; Ogilvy & Mather: £1,560,076; Burson-Marsteller: £1,021,582; Red Cell: £930,718; Young & Rubicam: £758,146; Landor Worldwide: £520,483; Hill & Knowlton: £414,865; and Balance of WPP companies: £1,386,717.
 Source: WPP Annual Report and Accounts 2003-8.

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Discussion

- From the descriptive discussion of the contents of the annual reports 1999-2008 from the WPP Group it is observed that there has been mention of its 'corporate citizenship' and charitable donations from their reports in 1999.
- However, since 2002 the amount of disclosure has increased with details of pro bono work, including the financial value, identifying recipients and the publishing of a separate CSR report.
- This increased disclosure coincides with changes in corporate governance rules (Agrawal and Chadha, 2005).



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- The financial amounts are presented in Table 2. This answers the second research objective.
- Further, in disclosing the pro bono activities, since 2003 WPP has identified the types of organisations that are the recipients. While in the body of the reports WPP has mentioned the arts and education as key beneficiaries of its social investment, according to the figures disclosed in the annual reports, the top type of organisation was generally health, followed by local community, and then education, arts, and the environment. This answers the third research objective.



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This analysis of WPP's annual reports has raised some important points in the area of CSR disclosure:

- this study has confirmed that the disclosure of CSR activities is not new, and for over ten years WPP has been reporting its behaviour relating to its 'corporate citizenship'.
- the detail disclosed has increased since 2002 due to changes in corporate governance rules.
- stakeholder theory is clearly a strong practical framework to help understand CSR activities by large organisations. Discussion in the annual reports can be seen targeting the interest of certain stakeholders, and the first CSR report in 2002 identifies the main stakeholders (investors; employees; clients; consumers; business partners and suppliers; charities; and the environment – WPP, 2003b p. 7).



- WPP is an organisation that strongly believes in the value of social investment, which includes pro bono work and charitable donations. The benefits gained are not just for the charitable organisation, but WPP also recognises the benefits for their staff.
- while WPP is a regular supporter of many charities, it is noted that the amount given in pro bono work is much larger than what is given in donations. Further, while donations are fairly constant in amount, the pro bono amount, while larger, is influenced by market conditions, such as busy workloads for regular clients, and the global financial crisis.
- as a major player in social investment, WPP can be seen as a benchmark on how to disclose CSR activities, for example, setting goals, identifying benefits, detailing figures, and presenting examples of pro bono work. It is hoped that this paper, by observing the practice of one organisation, will promote discourse in this area for future studies.



Conclusion

- This paper has presented a case study of the largest advertising agency holding company in the world, WPP Group, focusing on its disclosure of pro bono activities.
- As organisations recognise the win-win benefits of undertaking pro bono work and publicly communicate them, it is hoped that more organisations will be encouraged to do pro bono work for the community.