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Chapter V

Understanding Advertising Agencies in a Multistakeholder Knowledge Environment: Challenges and Importance

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Abstract

The chapter addresses the position of advertising agencies in integrated marketing communications (IMC) within a multistakeholder knowledge environment. Advertising agencies coordinate and integrate diverse knowledge from clients, consumers, media outlets, and internal teams to create cohesive marketing communication strategies. This involves navigating complex stakeholder expectations and market conditions. Through a historical overview and analysis of the evolution of relationship models, the essence of the problem in the agency-client relationship is pinpointed. The core issue lies in the lack of consensus and clear methodology for assessing the contribution of an agency's work to its client's business results. This topic holds theoretical importance for researchers and practical significance for both clients and agencies involved in the IMC process. Understanding these business landscape, is essential for advertising agencies achieve sustained success within a multistakeholder knowledge environment.

Keywords: advertising agencies; integrated marketing communication; knowledge environment; agency theory.

JEL Classification: D22; L23; M11; M21.

In the era of permacrises, disruptions and tremendously developing technologies, from artificial intelligence to smart machines, alongside emerging market dynamics, have compelled companies to become more innovative and adopt a strategy of change through continuous innovation of their products and services. Knowledge management embraces new approaches. The future is only as unpredictable as we allow it to be. The design of business models needs to shift from traditional static models tailored for stable environments towards radically new dynamic business models (Millar et al., 2018). Management within companies that fail to adopt and adapt their business models finds itself in an unfavourable position.

Business leaders predict that by 2026, half of their organisations' revenue will come from products, services or businesses that have not yet been established. Organisations want to generate 50% of their revenue from new products, services or businesses by 2026. Building new business models is a key way to achieve this endeavour (McKinsey Global Report, 2021; The state of new-business building, 2022). In order to add relevant value and meet the growing expectations of consumers, clients, stakeholders and the community and remain the first choice and sustainable in the long term in a world driven by constant innovation, the organisation should form a strategic vision to face permanent challenges. A clear vision and purpose of the organization and its employees are the basis for continuous reintegration both internally and externally. (Mamula Nikolić, 2023c) Business reintegration answers the question of how to restructure the entire business so that all its parts together create more value than they would individually.

Reintegration is necessary in all sectors and all dimensions of business, whether it is about business processes, resource selection, defining goals, creating business plans or implementing action steps. Like every surgeon who has his own set of instruments at his disposal, the organisation should have its own palette of business tools and methods for a strategic solution in the long term. Within a holistic approach and with the right set of business tools, any of the tools can lead to failure if action steps are not implemented. In management, as in medicine, prescribing without a diagnosis is mistreatment. Therefore, for management, a business diagnosis of a problem is a key tool, because as in medicine, issuing a prescription without a diagnosis is the wrong treatment. Diagnosis can be simple and complex, simple and complicated, qualitative and quantitative. Approaches can relate to the past or attempt to predict the future.

Reintegration is needed when several generations work together in teams. By reintegrating formal and informal knowledge, the employee can progress. Reintegration is also needed when the worlds of analogue and digital collide. All that holistic approach to business strategy, like binoculars, gives organisations the ability to see the broader picture of the future and options for a renewed business model. According to Šķiltere & Bormane (2018) the use of integrated marketing communication tools for sustainability enables a business to create the product consumption value. The implementation of a systemic approach in marketing communication generates feedback from interviews, studies, assessments, reports, and accordingly the public's competence based on the economic, communicational and social effect of integrated marketing communications. (Šķiltere & Bormane, 2018) In regards to brand development, dialogue, co-creation and cooperation between consumers and companies is the only way to succeed in the highly competitive environment. (Mamula Nikolić et al., 2023c).

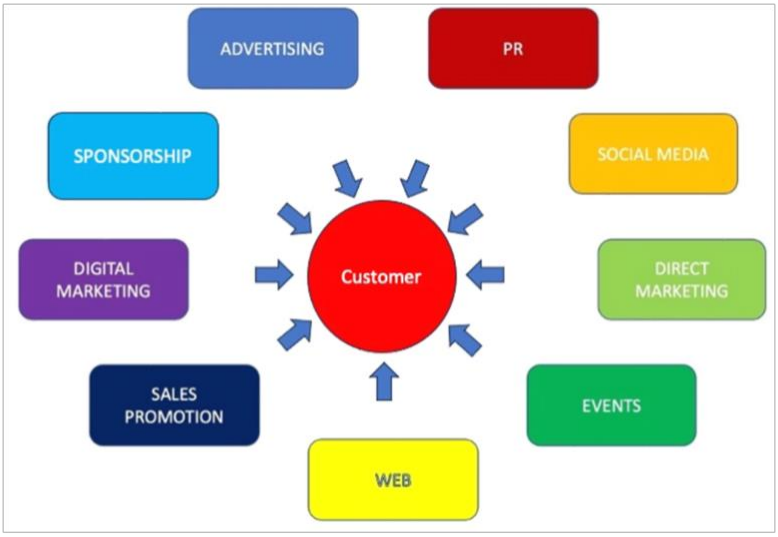
5.1. Changes and Significances of Integrated Marketing. Background Research

The impact of global economic trends and the constant pressure for financial performance growth have led, at the onset of the new millennium, to the inundation of the majority of developed global markets with a multitude of products or services competing for presence in the consumer's mind, heart, and "wallet" (Bendle et al., 2021). In such circumstances, marketing communications (MC) serve as a fundamental instrument for establishing a connection with consumers, differentiating companies and their brands, and achieving business advantages over competitors (Fill, 2013; Chandra et al., 2020). The significance of consumer communication for business is underscored by the fact that, for the purpose of advertising alone, among the myriad elements within the marketing communication mix, a staggering $781 billion was allocated globally in the year 2021, with an annual growth of 8% (Barnard, 2022). Depending on the product or service category and region, companies reinvest between 1.4% and 9.2% of their revenues into media advertising. The global average stands at 3.8% (Nielsen Company, 2022).

Under the influence of social, economic, political, and technological trends, the tasks, goals, and responsibilities of marketing communications have continually evolved. In general, MC followed, and at times constructed, business models applied within specific market conditions, with the fundamental starting point being changes occurring among consumers themselves. Technological advancements have perhaps the most profound impact on marketing communications. Innovations such as artificial intelligence, big data analytics, and augmented reality are transforming how marketers understand and engage with consumers.

The most predominant strategic and managerial tool for fostering company-consumer interaction is represented by integrated marketing communications (IMC). Originating in the 1980s, this concept initially pertained to tactically managing processes of disseminating uniform and consistent messages through available communication channels to desired target groups (Figure 5.1). Primarily relying on traditional, so-called Above-The-Line (ATL) media, professionals in this field were tasked with planning, creating, and implementing communication programs enabling efficient and effective influence on consumer decisions and attitudes, contributing to the successful brand development within the consumer's consciousness (Porcu et al., 2017).

Figure 5.1. Integration of various marketing communication instruments



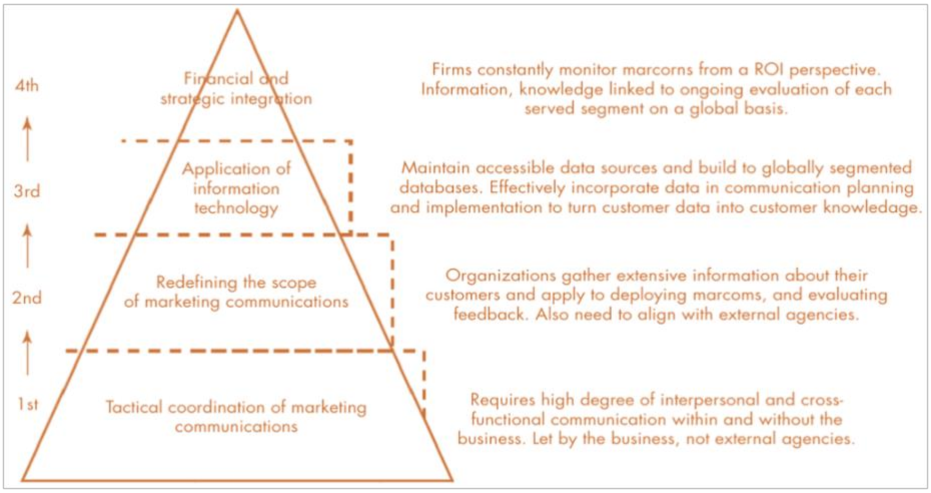
Source*:* Authors', according to research

At the dawn of the 21st century, driven primarily by diverse digital marketing tools, quantitative and qualitative shifts have occurred in the practice of Integrated Marketing Communications (IMC). In addition to that, during last decade, exponentially changing digital technology and renewed market landscape have forced businesses to be more innovative and apply a strategy of change with continuous innovations of their brands, approaching consumers and stakeholders by embedding co-creation as a formula for sustainable development (Mamula Nikolić et al., 2023a). Brands have gained access to an array of additional media channels, including social media, display advertising, search engine optimization, web, etc. which needed to be harmonized within traditional IMC programs (Bruhn & Schnebelen, 2017). Moreover, the inherent nature of the internet environment has opened doors to much deeper brand-consumer interactions, even encompassing product sales. Completely novel concepts have emerged that were either previously unattainable or exceedingly challenging within traditional Marketing Communications (MC) frameworks. For instance: customer journey, customer experience, content marketing, personalization, omnichannel marketing, agile marketing, automation, etc. (Smith & Zook, 2019).

These changes have also influenced the manner in which IMC is employed within professional contexts and explored within scholarly domains. Evolving from early approaches that solely addressed the tactical coordination of sales messages (Duncan & Moriarty, 1997), the practice and theory of IMC have progressively adopted a strategic and consumer-centric perspective, ultimately expanding to encompass not only the customer as a central figure but also all internal and external stakeholders (Kerr et al., 2008).

The evolution of IMC is most aptly described through the proposed "levels of integration" by the renowned theorist and creator of the IMC concept, Professor Schultz (Schultz & Kitchen, 1997; Schultz & Patti, 2009). According to his model (Figure 5.2), the highest level of MC integration involves synchronizing marketing communication activities with data on their financial effects. This entails optimizing the entire consumer journey, ensuring that every potential point of contact with the brand is aligned with the brand's identity and ongoing positioning. Throughout this process, careful consideration is given to the return on investment in such forms of marketing communication.

Figure 5.2. Four levels of integration



Source: Kitchen and Schultz, 2000.

The implementation of modern integrated marketing communications (IMC) constitutes a demanding endeavour, orchestrated through a complex network of stakeholders, engaged resources, objectives, and activities during complete process of planning, creating and realization of IMC.

Among the integral participants in this process are marketing communication agencies. Aligned with shifting market conditions, the business relationships between advertisers and agencies have undergone historical changes and evaluations. While the annals of marketing communications history are replete with successful collaboration instances, recent years have witnessed, according to certain authors, a significant deterioration and perhaps the nadir in the historical dynamics between the two sides (Caplin, 2016; Dan, 2022; Mortimer & Laurie, 2019). The agencies' position degradation is evidenced by the longstanding trend of decreasing compensation levels for their work (Bonn, 2018; Farmer, 2019) and a pervasive sense of substantial underestimation of agencies' importance and contributions (Thomas, 2015). This becomes even more pronounced when recognizing that agencies, once primary business partners, are now frequently positioned as mere suppliers, tasked with increasingly substantial workloads for diminishing remuneration (Farmer, 2019).

In the recent years, a perceptible crisis has emerged within the business model of marketing communications agencies. The value of shares in major holding companies is experiencing volatility or steep decline, prices of agency services are undergoing significant decreases, and issues surrounding equitable compensation for agency work have become central topics in numerous international conferences. Agencies are actively seeking avenues to curtail costs, while research highlights mounting dissatisfaction among agency personnel (Lozovic & Perić, 2021). As the industry grapples with these transformations, it becomes imperative to critically assess the evolving landscape of marketing communication agencies and the broader implications for the field.

5.2. Overview of Current Knowledge and Identification of Research Gaps

Based on the characteristics of the contemporary marketing industry, this paper aims to provide a concise overview of existing scholarly knowledge concerning the role and functions of marketing communication agencies. It seeks to identify specific gaps within theoretical models attempting to explain the scope of their operations and to propose potential research areas deemed relevant for both theoretical understanding and practical collaboration between agencies and clients.

While a plethora of professional and scholarly literature delves into specialized marketing topics focused on consumer behaviour, target audience identification, media mix selection, and the like (B2C), there is a distinct scarcity of sources addressing the managerial facet of the process, particularly in relation to the various stakeholders and their contributions: the management of key resources and stakeholders, the processes of shared value creation in marketing communication, and similar aspects.

To gain a deeper understanding of the roles and responsibilities of agencies in contemporary marketing communications, it is crucial to review past collaboration models between agencies and clients within the context of the evolving industry landscape: how agency tasks and responsibilities have evolved in alignment with the specificities of marketing communication during different periods; the methods of compensation; the goals of their work; modes of evaluation, and more.

One scarcely explored research theme is the assessment of the role and potential contributions of agencies in projects involving multiple stakeholders, a significant characteristic of modern marketing communication planning, creation, and implementation. Drawing upon fundamental principles of project management, we will propose a matrix outlining the processes and participants involved in such programs within the context of marketing communication. This matrix will provide an operational perspective on the planning, creation, and implementation of marketing communication, elucidating the phases and intermediate stages of work, methods of stakeholder engagement, and the evaluation of their potential contributions.

Beyond these primarily practical inquiries, examined within the framework of current scholarly insights, we will also describe fundamental theoretical models addressing the dynamics between agencies and clients in collaborative processes. We will discuss their scope and limitations in comprehending specific management dimensions in the execution of contemporary marketing communication.

5.3. Historical and Contemporary Framework for Understanding Agency Work

5.3.1. A Historical Perspective

The emergence of agencies as distinctive participants in the advertising industry can be traced back to the latter half of the 19th century and the early 20th century. Originally, their primary role was to act as agents for media houses, selling advertising space and earning commissions from media outlets. Over time, advertising campaigns grew more complex, involving multiple media channels, which necessitated precise planning of where, when, and to what extent advertising messages should appear. Agencies took on the responsibility for this. To avoid conflicts of interest in media selection, advertisers began directly paying agency commissions instead of relying on media houses. This was expected to motivate agencies to prioritize the interests of the client-advertiser and select media outlets based on their potential to enhance product popularity, rather than focusing solely on media houses offering higher discounts and potential profits. Another crucial step during this early phase of agency business development was the expansion of their scope to include the creation of advertising content.

Considering the entire cycle of agency work, from crafting ad content to planning and booking media time and space, the American Association of Advertising Agencies (AAAA) established a standard in 1917, whereby agencies were compensated with a 15% fee from the total advertising budget for providing such services (Perić 2008a, Appel, 2020). This method of agency remuneration, known as commission, has persisted with various changes in calculation methods and percentage rates, forming the basis for media and production services offered by agencies (World Federation of Advertisers, 2019).

During this early phase, the scholarly approach to studying client-agency relationships was largely aligned with other business-to-business (B2B) research paradigms. Exploring business relationships between companies had been sought since the late 19th century, anchored in principles and postulates of economic theories. The emphasis was placed on purely rational and financial analyses of collaboration, with cost and acceptable quality as factors influencing profit, savings, or profit margin serving as the primary parameters for evaluating business transactions or relationships (Hadjikhani & LaPlaca, 2013). It wasn't until the 1960s that a shift occurred in the understanding of this field through the advent of Transaction Theory, which found application in most B2B relationships.

Transaction was defined as a result of mutual searching, where the buyer (company) seeks products and the seller (supplier) seeks buyers. This entails an exchange of information leading to agreement on the product in question. The final contract represents a shared decision in which the buyer agrees to purchase the proposed products, and the supplier agrees to sell them under specified conditions and pricing (Alderson, 1965). With this perspective, the focus shifted from the dominant role of the buyer to a two-way process where both sides' significance is acknowledged. This marked the initial entry of scientific theory into not only quantitative but also qualitative factors influencing corporate collaboration. This was significant for understanding agency-client relationships, opening doors to deeper comprehension of processes such as agency selection, satisfaction with collaboration, or subjective assessment of creative work. A spectrum of social, cultural, interpersonal, and behavioural dimensions was introduced for a more profound understanding of these B2B relationships.

A significant shift occurred in practice and consequently in the scientific approach to studying agency-client relationships following World War II with the development of the concept of branding. In an era of tremendous production and consumption growth, coupled with the expansion of electronic media, brand, brand identity, and positioning became key factors in corporate success. The strategic knowledge and creativity inherent in agencies, foundational to brand management, provided agencies with the opportunity to become primary business partners for the companies they served. While agencies continued to be remunerated with commissions, the constant escalation of media time and space costs led to automatic increases in their earnings, despite modest changes in the scope of work. This era is often referred to as the "golden age" of agency business due to the substantial compensation and importance of agencies during that period.

Considering the strategic significance of agencies in corporate operations, two crucial management themes emerged, which have since remained essential subjects of scholarly inquiry:

- Agency selection, and
- Client-agency collaboration.

A multitude of practical examples and legendary campaigns that shaped many successful global brands validated the belief that brand positioning, communication campaign execution, and the impact of market communication on consumers depended heavily on the creative potential of agencies. Scholars delved into these areas, seeking answers to questions about agency selection criteria and factors determining such selection: the type of product or service being advertised, industry sector, market specifics, technology, timing of collaboration, and more (Wind & Thomas, 1996). Amidst a wealth of diverse insights, recent research has identified fundamental factors influencing agency selection (Turnbull and Wheeler, 2014), client expectations during various stages of collaboration (Fam & Waller, 2008), factors affecting a client's willingness to extend collaboration (Rensburg, 2010), and the collaboration elements prompting clients to pay higher prices for services (Duhan & Sandvik, 2009).

Key elements contributing to client satisfaction include understanding the client's business and sector, brand familiarity, consumer and market knowledge, creativity, understanding practical effectiveness, agency potential in research and planning, ability to evaluate creative ideas, potential for idea realization, process management, and negotiation prowess with subcontractors (Hughes et al., 2018).

Beyond purely functional aspects of agency services, a significant body of literature has explored relational and subjective dimensions of collaboration. For instance, the importance of trust in agencies, their dedication to work, accountability, initiative, honesty, and cooperativeness have been examined (Chenet et al., 2010). Early on, research in this field indicated that while collaboration success greatly depended on agency service quality, it could not be viewed separately from the contributions, characteristics, and behaviour of the clients themselves. A field of relational studies emerged, focusing on role conflicts, opportunistic behaviour on both sides, and information asymmetry (Bryde et al., 2019); the significance of individual team members relationships (Haytko, 2004); mutual sympathies and compatibility of work styles (Davies & Prince, 2010). This underscored that both the process and the success of collaboration were a two-way path where responsibility for leveraging available potentials and achieving outcomes lay with both parties.

Until the 1980s, marketing departments of advertisers most commonly engaged a single agency to execute their entire marketing communication program: market analysis, strategic planning of communication activities, creative concept development and adaptation for primary media channels (print, radio, television, outdoor advertising), and finally, media planning and booking. Consequently, the management theory and related research focused on the dyadic relationship between a single agency and a single client. The prevailing theory explaining the specificities of this collaboration model was the Agency Theory (Mitnick, 2015; Ross, 1973). However, with the rise of integrated marketing communications (IMC), the situation concerning roles began to shift. It became evident that in many cases, smaller or narrowly specialized agencies could provide more effective and efficient services compared to a single full-service agency. Clients increasingly started involving two or more agencies in the execution of their marketing communications, heralding the era of networked collaboration.

The proliferation of external participants in marketing communications necessitated new management and organisational skills within advertising departments. Instead of dedicating their efforts to a single partner, clients became the hub of integrating an entire group of agencies. This mode of operation, which involves a multitude of participants and their interactions, is defined as a network concept. The network concept places considerable emphasis on relationships among network participants, expressed through the notion of interconnectivity. When participants establish closeness during collaboration, relationships are forged, and if successful themselves, this leads to greater efficiency in joint work (Johanson, 1992).

This transformation led to modifications in the traditional full-service agency model. A plethora of international, regional, and local agencies began offering specialized services within the client's marketing communication mix. To address this trend, major holding companies established networks of independent business entities specializing in creative services, below-the-line (BTL) marketing, public relations (PR), media planning, direct marketing, and more. As exclusivity, characteristic of full-service collaboration, waned, agencies gained the freedom to undertake specific tasks within the broader marketing mix and work with mutually competitive clients. It became increasingly common for agencies working for the same advertiser to be competitors in other cases. Consequently, compensation for agency work began shifting from percentage-based fees to project-based fees.

Shifted into the realm of academia, research endeavours have begun to delve into the domain of business that involves a multitude of participants, encompassing both internal departments within firms and external entities: diverse agencies, subcontractors, intermediaries, media outlets, consultants, financial institutions, as well as governmental bodies and other institutions. These entities are often referred to as stakeholders in the literature, as they collectively pursue the goal of effectuating efficient and effective integrated marketing communications (IMC), while simultaneously advancing their own business and personal interests within this undertaking (Clarkson, 1995).

Fundamental concepts underpinning this network include: a) Actors – individuals, groups, parts of companies, companies, or groups of companies; b) Activities – processes by which actors manage resources; and c) Resources – varied skills, knowledge, information, or technology each participant possesses, controlled, consumed, or modified by actors (Axelsson & Easton, 1992). Under the theoretical framework of Service-Dominant Logic (SD-Logic), many aspects of value co-creation have been explored, encompassing these dimensions.

The emergence of information technologies in the early new millennium has presented novel challenges for Integrated Marketing Communications (IMC). These challenges include expanded interaction possibilities with consumers and the requisite management approaches to facilitate their implementation. The evolution from monologue-based communication (traditional communication) to dialogue-driven interactions (digital channels, CRM) has led to increased interactivity, heightened consumer engagement, extensive utilization of consumer data, and media channel fragmentation. Additionally, the potential for rapid consumer conversion from target audience to product purchaser has necessitated a reevaluation and enhancement of each element of the traditional IMC model.

Co-creation, as an innovative approach to value creation, involves the collaboration of all stakeholders (Ind et al., 2012). The value of co-creation can be significant for organisations in various aspects. Co-creation can strengthen resources, enhance economic efficiency, reduce risks, improve relationship marketing, foster better understanding, and inspire diverse consumer experiences (Kim et al., 2020; Fernando & Chukai, 2018; Hajli et al., 2017; Raza et al., 2020; Ho & Wang, 2020).

These changes have significantly impacted agencies and their modus operandi. Initially regarding new digital and online technologies as mere additional communication channels, agencies approached them employing analogous work patterns utilized in traditional IMC. It soon became apparent, however, that the digital and online sphere harboured potentials extending beyond advertising. The prospect of encompassing all consumer touchpoints through the digital realm, promoting and selling products or services, endowed these activities with the distinction of digital marketing. Agencies commenced offering an array of digital services, culminating in over 60% of agency revenues in the United States deriving from this category (Tripathi, 2023). Moreover, the nature of their operations enables a diverse array of participants, from so-called "garage" agencies to major holding companies, to partake in digital IMC campaigns.

In terms of compensating, both commission-based and fee-based compensation models are prevalent. Yet, the advent of online effectiveness and efficiency metrics has enabled a more precise and objective approach to agency remuneration based on achieved results.

Academic literature and research on the impact of digitization on marketing management predominantly concentrate on topics tied to consumer behaviour in the B2C context. This tendency is logical considering the multitude of variables and voluminous real-time data, offering a plethora of material ripe for analysis through advanced statistical techniques, suitable for publication in high-ranking journals. Conversely, studies elucidating and explaining the management of processes, resources, and participants during the planning, creation, and realization of contemporary marketing communications are fewer in number. Concerning agencies, research efforts have predominantly focused on topics pertaining to client selection and quality of collaboration, predominantly observed through the lens of customer experience management (CEM) within the B2B realm.

Recent trends in the agency-client relationship involve the internalization of certain functions within advertisers' organisations, as well as the engagement of agencies on a project basis. Leaning on the automation of specific processes and the application of artificial intelligence, many advertisers intend to assume certain digital marketing tasks from agencies and allocate them to in-house structures (Hughes & Vafeas, 2019). Consequently, and in line with the growing prevalence of agile project management, there is a rising tendency for agencies to be engaged on a project-specific basis, as opposed to long-term collaboration contracts. Consequently, the compensation for agency services increasingly takes the form of ad-hoc fee.

5.3.2. A Contemporary Theoretical Framework

Agencies are organisational structures whose primary role is to contribute to the achievement of business and other objectives for their clients by leveraging their knowledge, experience, creativity, skills, and technologies from various domains of expertise. The types of tasks they undertake fall under the category of professional services, characterized by the following characteristics (Díaz-Méndez & Saren, 2019):

- It predominantly involves intellectual activities encompassing analysis, advice, opinions, and actions of professionals or teams with specific qualifications.
- A high degree of adaptability in work models to specific objectives is essential.
- A strong relational component involving multiple participants is consistently present.
- Intensive exchange of asymmetric information occurs during the course of work.
- Due to its intangible and subjective nature, evaluating outcomes, even retrospectively, presents challenges.

All participants face a high perceived risk associated with decision-making.

Numerous activities can be executed by businesses relying solely on their internal resources. However, the creation and execution of integrated marketing communications do not fall within this category. Skusa (2021) outlines fundamental reasons for this: establishing in-house departments to handle the entire planning, creation, and execution cycle of integrated communications would be financially impractical considering initial and ongoing costs of personnel, equipment, and training; relying solely on in-house staff would compromise flexibility in adapting to the ever-evolving approaches in integrated communications; retaining motivation among creative experts would be challenging if they exclusively served a single brand; external agencies provide a critical "outsider" perspective, mitigating subjectivity, compromise, and bias in decision-making; agencies propose a considerably elevated level of creative "output" due to access to a diverse network of collaborators; agencies possess and transmit knowledge and experience from other fields to work with specific clients; agencies deliver cost savings to clients regarding third-party service expenses (media and production). By working with multiple clients, agencies accumulate budgets and wield stronger negotiation positions to achieve favourable rates.

As observed in the preceding section, the organisation of agency business, its objectives, and client relationships have undergone and continue to undergo dynamic evolution. In response to these changes, the scholarly community has endeavoured to address various ongoing and essential questions pertaining to the purpose and model of agency operations. This study will succinctly mention two interconnected and significant theories aiming to address questions concerning the role and operational methods of agencies within the contemporary business environment.

Agency Theory

The agency theory emerged in the 1990s as an endeavour to elucidate the distinctive nature of a business relationship where a principal/client engages a subcontractor/agency to perform specific tasks on their behalf that significantly influence profitability or sales outcomes (Spake et al., 1999; Vargo & Lusch, 2004). It is important to note that this theory transcends the literal interpretation of the client-agency relationship within the realm of communication business and finds broader application in situations where companies rely on subcontractors as integral components of their market operations, including distribution, sales, franchising, and the like.

Central to this theory is the assumption that the agent acts rationally and, in the client's, best interest while being adequately compensated for their services. In such collaborations, the primary objective of the client is the profit growth. The agency expects a negotiated compensation for rendered services, thus aligning its goals with either maximizing price or minimizing labour input for a defined cost (Coughlan & Sen, 1989; Perić, 2008a). In this relationship, each firm holds its own business interests, and the insufficient balance of these factors introduces varied risks, often leading to conflicts.

Agency theory outlines several pervasive issues encountered by clients. The first is the Hidden Characteristics Problem, arising during the selection of an agent. Uncertainty surrounds whether a prospective agency truly possesses the characteristics and resources essential to the client. Conducting tenders featuring tasks representative of future collaboration offers a means to address this concern, yet inherent risks remain.

The second issue, known as the Hidden Action Problem, arises during the course of work between the agency and the client. Once an agency wins a contract and begins collaboration, it becomes uncertain whether the agency remains fully motivated to act in the client's best interests or if a moral hazard may emerge. During the competitive bidding phase, agencies might agree to a low price but later seek to recoup costs through additional earnings, which may not always align with the client's objectives. Thus, it is crucial to precisely define contracts that protect the interests of both parties. This challenge is exacerbated by differing fundamental goals, varying risk assumptions, information asymmetry (Bergen et al., 1992), the unpredictability of external influences (Umanath et al., 1996), and the often costly and impractical nature of continuous agency monitoring (Holmstrom, 1979).

In its pursuit of implying effective collaborative directions benefiting both agencies and clients, the agency theory holds significant relevance. Contemporary research in performance assessment, work evaluation, relationship quality, outcome-based payment, and more is rooted in its tenets. The agency theory notably contributes to understanding the business dynamics of a model where a single agency is accountable for all TK (technical knowledge) activities - a predominant modus operandi prior to the advent of integrated marketing communications.

However, the theory falls short in providing definitive answers regarding the contemporary operational model involving an interdependent network of stakeholders. The theory does not fully account for the dynamic and often ambiguous nature of these relationships, making it difficult to isolate and assess the specific contributions of individual participants within the network. This lack of clarity is particularly problematic in today's business environment, where the success of integrated marketing communications (IMC) initiatives relies heavily on the seamless collaboration and interaction of multiple parties, each bringing their own resources, expertise, and perspectives to the table.

Service-Dominant Logic (SD-Logic)

The execution of these activities involves an extensive network of external and internal participants. The collective output of their collaborative efforts transcends the mere aggregation of intellectual, creative, or financial resources they bring forth and invest in this process. The resultant outcome represents a qualitatively novel value creation. Various mid-level concepts and theories furnish theoretical frameworks for the examination of this domain. These include the value co-creation (Bharti et al., 2015), Complexity Theory (Allen et al., 2011), social exchange theory (Homans, 1961), service-dominant logic theory (Vargo & Lusch, 2004), stakeholder theory (Bourne & Walker, 2006), and numerous others. Hence, we have elected to scrutinize Integrated Marketing Communications (IMC) activities through a highly pertinent and contemporary concept, Service-Dominant Logic (S-D Logic). The Delphi Group has conceived five pillars of value co-creation which categorize fundamental themes in S-D Logic research (Bharti et al., 2015):

- *Process Environment:* To successfully create value, establishing an entire ecosystem in which various B2B, B2C, and C2C relationships foster high-quality interactions is imperative. Research themes encompass the significance of interaction, dialogue, resource exchange, information exchange, norms and roles in relationships, and informal communications contributing to the development of such a system.
- *Resources*: Resources encompass all material and immaterial assets, knowledge, processes, information, and capabilities a company employs to achieve market effectiveness and efficiency. Explorations in this realm encompass all segments that can be attributed to resources, such as relationship-building skills, knowledge and abilities, technology, influence networks, customer communities, trust, and more.
- *Co-Production*: The participation and engagement of the client, the cultivation of partnership-based relationships, and collective efforts are studied as vital variables in the value creation process.
- *Perceived Benefits*: The perception of the benefits derived from participating in the value creation process constitutes a crucial dependent variable in numerous studies. It can

be defined as distinct individual senses of gain, experience, knowledge acquisition, anticipated benefits, or problem-solving.

- *Management Structure*: Managers play a pivotal role in shaping and overseeing the value creation process. Consequently, research addresses top managers' approaches, leadership challenges, corporate values and ethics, organisational agility, and related areas.

The application of this theory is most conspicuous in complex processes featuring an intricate network of participants. One such instance is the creation of integrated marketing communications, where diverse structures within a company, along with external specialized agencies (creative, strategic, media, research, digital, PR, promotional, etc.), engage in its realization. This network further encompasses an array of subcontractors and agency collaborators (media houses, production companies, printing presses, casting agencies, banks), alongside macro-level actors shaping rules within specific markets (governments with their legislations, professional organisation norms, etc.). Members of the project team actually do what they should be doing, and that metrics and measurements for defining how well they are doing are clearly connected to organisational success (Mamula et al., 2020).

While effectively describing the phenomenon of collaborative work, this theory, however, does not provide explicit answers to questions regarding the internal dynamics of this process, as well as the contributions of various participants and the quality of their engaged resources to the achieved outcomes. As a result, S-D Logic still does not propose instruments for quantifying the contributions of individual actors in complex activities composed of multiple interconnected, successive phases of work, as is the case with the creation of marketing communications.

5.4. Managing Integrated Marketing Communications

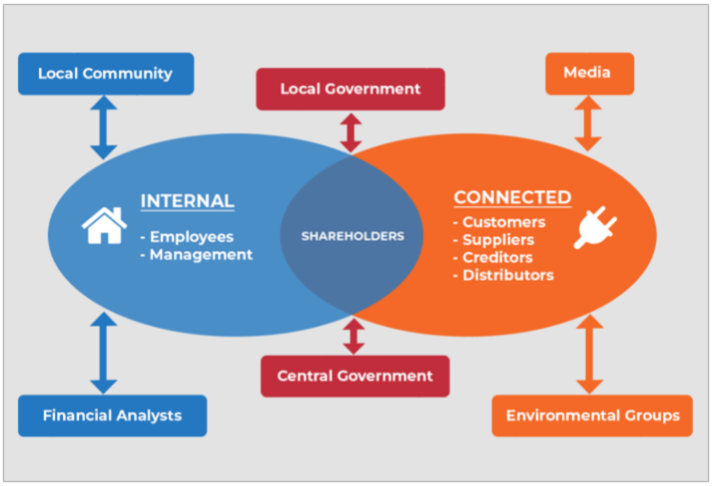
Managing Integrated Marketing Communications (IMC) involves coordinating and harmonizing various communication tools and channels to deliver a consistent message to the target audience. The planning, creation, and implementation of IMC programs constitute a complex process necessitating rigorous managerial engagement. This endeavour presents a challenge both for professionals in the field and the academic community seeking to characterize and comprehend its nuances. This section of will elucidate two salient dimensions of marketing communication management.

5.4.1. Participants in Modern Integrated Marketing Communications Implementation

As previously mentioned, modern IMC involves the influence or engagement of diverse stakeholder groups (Figure 5.3). Some of these stakeholders assume direct roles in IMC execution through formal collaboration agreements.

Moreover, contemporary literature identifies numerous other stakeholders who wield substantial influence over the operational process, although they may not be formal participants in the business network. Examples include local and central governmental entities, professional associations, environmental group, different suppliers etc. Joint cooperation through co-creation is necessary for the ecosystem to be sustainable. Just as creating value for stakeholders requires performance on multiple dimensions, the global challenges associated with sustainable development are also multifaceted, including economic, social and environmental issues (Mamula Nikolić, 2023b).

Figure 5.3. Stakeholder map



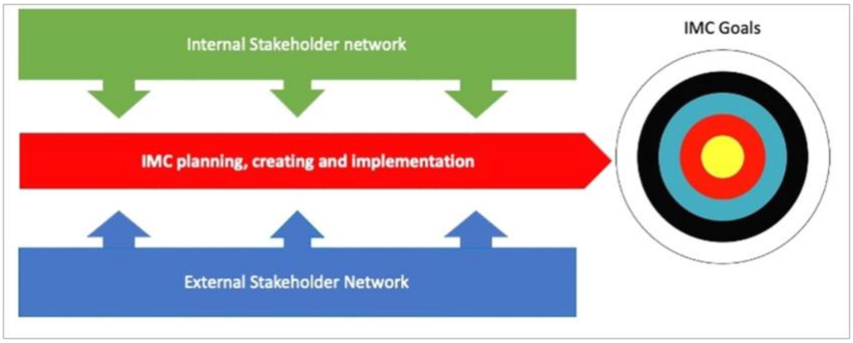
Source: Professional Academy (2023)

In recent years, practice underscores the escalating significance of consumer involvement in IMC creation. While consumers were previously passive recipients of communication efforts, modern business practices often integrate consumers into marketing teams responsible for IMC development. The digital landscape magnifies consumer relevance, enabling them to create, control, and even have own media channels.

Narrowing our focus to understanding B2B participants in IMC execution, marketing communication (marcom) teams within companies are at the forefront. These teams harness specialized knowledge and skills from the field, primarily orchestrating a network of internal and external entities, each with distinct roles in specific segments of TK project realization (Gök & Hacioglu, 2010). Foremost among these are departments and managers spanning hierarchical levels within the company. Collectively, they constitute the primary network of IMC implementation participants. It is posited that as the level of IMC integration within a firm, as defined by Schultz (2009), rises, an increasing number of internal structures wield influence or contribute to the process. Effectively, beyond marketing, every department and manager within the company holds the potential for engagement: top management, finance, procurement, sales, legal affairs, production, as well as regional and international departments in companies operating across diverse markets.

Beyond harmonizing interests and the impact of primary network participants, marketing communication departments collaborate closely with a multitude of external organisations. Primarily, these comprise agencies specialized in various facets of marketing communication. These agencies constitute the secondary network of IMC implementation participants. Such entities, singular or multiple, offer services encompassing creativity, media planning and buying, digital activities, research, PR, direct marketing, event organisation, and more. These agencies assume a pivotal role in this process, possessing knowledge, skills, talents, and technology vital for comprehensive marcom activity realization, a domain that companies themselves may eschew in favour of outsourcing (Skusa, 2021).

Figure 5.4. Influence of internal and external participants



Source: Authors', according to research

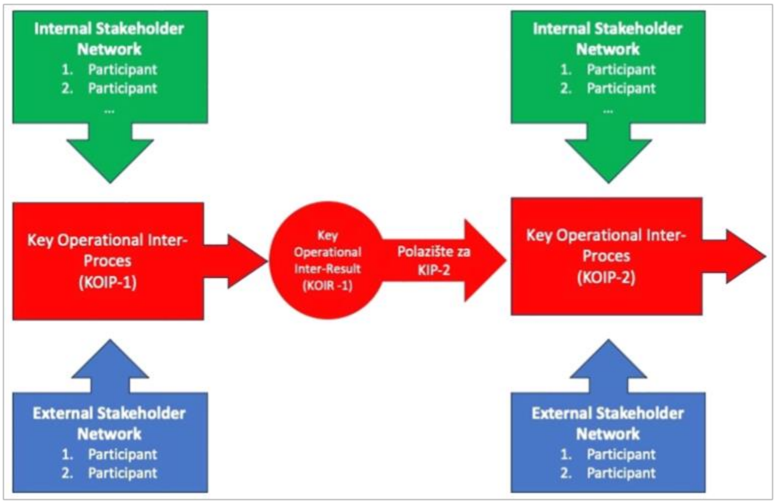
The primary and secondary networks of participants directly shape, devise, and make decisions regarding the overall approach and specific components of IMC implementation (Figure 5.4). Additionally, a tertiary network emerges, composed of companies or individuals engaged as subcontractors for specific tasks. This includes production houses, printing companies, media houses, animators, bloggers, influencers, and others.

Marcom departments perpetually navigate between consumer needs and attributes, the diverse communication opportunities of the present era, management expectations, and the approach to working with external suppliers. This is by no means a simple task, as evidenced by the fact that the average tenure of a marketing director in their role spans a mere 43 months (Ives, 2019).

5.4.2. Key Processes in Integrated Marketing Communications

In literature discussing the development of IMC programs, the focus typically rests on fundamental functional marketing activities, encompassing market analysis and planning, creation of sales messages, delineation of target audiences, media mix selection, and the like. From a project management perspective, the execution of an entire program or individual marcom campaigns entails a more intricate process. This process involves all aforementioned activities, yet they emerge through an array of specific and successive phases. These operational phases may be termed Key Operational Inter-Processes (KOIPs), while the outcomes emanating from them may be denoted Key Operational Inter-Results (KOIRs). In each phase, representatives from the client, agency, and other involved stakeholders play distinct roles. The output of each phase serves as a springboard for the subsequent phase, directly influencing its content and quality, thereby shaping the form and content of the ultimately realized IMC program, as well as the attained commercial or communicational outcome (Figure 5.5.).

Figure 5.5. Description of key operational inter-process



Source: Authors', according to research

Although the adopted workflow may vary across companies, the overarching theory of project management identifies five fundamental successive work phases inherent to every project: initiation, planning, preparation, execution, and evaluation. In the context of IMC creation, these phases encompass several additional inter-processes and concurrent activities.

A company's comprehensive marketing communications program typically entails an array of mutually integrated activities. The planning and execution of these activities usually occur in annual cycles, which can be either static (aligned with the calendar or fiscal year) or dynamic (revised at shorter intervals, monthly or quarterly).

To illustrate the work process and the role of agencies within this intricate matrix of activities and objectives, we will focus on detailing the implementation process of an integrated communication campaign (Arens & Weigold, 2020). The primary KOIPs that transpire during its planning, creation, and implementation, exerting an impact on its content and outcome, are as follows (see also Figure 5.6):

1. KOIP: Development of annual marketing communications strategy. The final output (KOIR) of this process is the annual strategy itself, encompassing a calendar of activities and tactics that the company will implement throughout the upcoming year to effectively communicate with the target market. This strategy involves defining IMC objectives, an approach to channel selection, target audiences, core messages, allocation of necessary professional and financial resources, as well as other factors influencing the realization of the IMC program in the forthcoming period (Perić, 2008b).
2. KOIP: Development of campaign implementation plan. The adopted plan provides a more precise definition of the objectives of a specific campaign and its fundamental elements. Based on this plan, responsibilities are allocated and tasks are prepared for all engaged participants. A crucial task involves orchestrating the synchronization of activities between external and internal stakeholders. For instance, during a media campaign, it is imperative to increase production of advertised products and distribute them to retail outlets; online sales must align with distribution; financial resources must be available, and so forth.
3. KOIP: Definition of specific tasks for engaged agencies. The KOIR of this phase is the client brief, a document containing comprehensive information about the product or service, campaign objectives, desired message, target audience, competition, campaign budget, and more. This document serves as a foundation for guiding agency work in crafting the communication strategy and campaign content.
4. KOIP: Campaign preparation. Campaign preparation involves several parallel processes, overseen by specialized agencies or departments within full-service agencies. While each entity conducts activities within its own domain, ensuring coordination and synchronization of their efforts during campaign preparation is essential. Only through such harmonization can the synergy of sales messages and approaches be achieved. A typical IMC campaign involves the following KOIPs:

- Creative work and communication material development. This KOIR involves drafting a creative brief for the creative department, generating creative strategies and conceptual solutions, prototyping, aligning with the client, and eventually producing the materials themselves (video recording, billboard printing, banner preparation, and more). All materials must be ready prior to the campaign launch.
- Media planning and buying. Based on the client brief, media planning experts within agencies create concrete plans for placing communication materials in various media channels and outlets, along with an assessment of the required budget to achieve specific media metrics. Upon client approval of proposed plans, media buying is executed (Perić, 2008a).

- Digital activities preparation for IMC execution involves planning display advertising, SEO, online content and blogging, web PR, social media management and listening, mobile marketing activities, and various others (Perčić & Perić, 2021).
- Planning other Marcom activities. Depending on product or service characteristics, marketing goals, and chosen strategies, a wide array of marketing communication tools can be employed: BTL, PR, direct sales, experiential marketing, and more. In some cases, these tools may have a fundamental role.

5. KOIP: Campaign implementation. Throughout the campaign duration, diverse agency and client teams undertake myriad activities to ensure its successful execution: adapting core creative materials to media requirements, distributing materials to media outlets and monitoring media performance, engaging with audiences on social media, generating content for digital platforms, tracking user reactions. A pivotal task involves monitoring campaign performance based on available information to enable timely adjustments if necessary.
6. KOIP: Campaign results evaluation. Upon campaign completion or at defined intervals, an evaluation of achieved results in relation to set objectives is conducted. A multitude of parameters can be assessed, encompassing financial-commercial effects, communication outcomes, media efficiency metrics, return on investment, and more. While this phase concludes within the campaign, it forms the basis for future planning. In a traditional approach, insights gained inform strategic planning for the next period, while in an agile IMC implementation, results guide immediate responses.

Figure 5.6. Key operational inter-processes

Source: Authors', according to research

As previously mentioned, each of these KOIPs yields its own KOIR, which serves as the starting point for the subsequent work phase. For example, the annual strategy shapes the direction of specific campaigns; agency project briefs define the form and content of communication assets or the media planning approach; and so forth. A single misstep or flawed decision at any phase can trigger a chain reaction ultimately leading to campaign failure.

5.5. Evaluating the Role of Agencies in Integrated Marketing Communications: A Multistakeholder Perspective

In the preceding pages, we have endeavoured to describe the fundamental characteristics of the contemporary model of marketing communications implementation. It is characterized by a broad network of participants and influences, parallel and successive processes, an array of intercompany and interpersonal relationships and objectives. When discussing the roles and significance of agencies in this context, it becomes evident that they cannot be fully elucidated by the traditional agency-client dyad, typical of the period until the end of the 20th century and expounded upon in the agency theory.

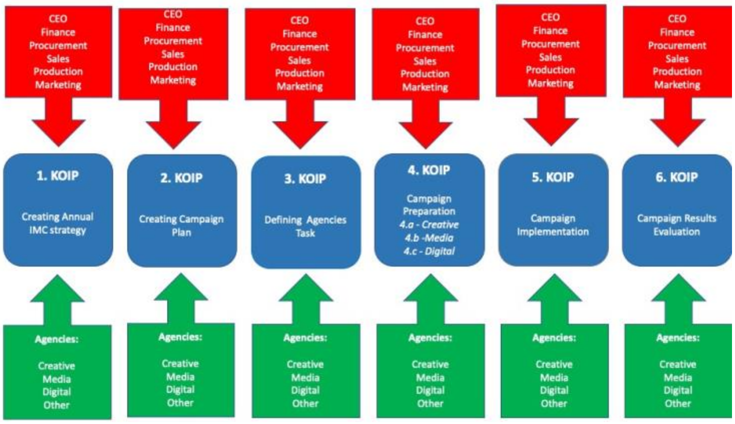
The role of an agency can only be comprehended within the broader network of participants engaged in collective value co-creation. The mutual interaction of numerous actors, the exchange of resources and knowledge, serves to blur the demarcations of traditional roles and responsibilities. The achieved results of IMC are considered collective.

The theoretical framework of Service-Dominant Logic (SD-Logic) acknowledges the complexities of value co-creation by identifying key participants, resources, services, and the creation of additional value. However, it falls short in offering a method to isolate and evaluate the contributions of specific agents, such as agencies, within this collaborative process. The SD-Logic model presents value co-creation as a "black box" where inputs - actors and their resources - are transformed into marketing communication programs, whose outcomes on consumers remain difficult to trace back to individual contributors.

This multistakeholder model of IMC implementation undoubtedly brings considerable benefits to advertisers. However, for agencies confronted with a decline in their reputation and the perceived value of their work, and who must substantiate their significance, this poses a substantial difficulty. Within this intricate network of participants, it is demanding to disentangle the contribution of an individual agency to the achieved outcomes. This conundrum is deemed a significant challenge for the entire marketing industry (ANA, 2022). On one hand, the responsibilities of several agencies overlap within the same KOIP, and on the other hand, diverse structures within advertisers invariably hold the final say. The question arises: What indeed constitutes the final product of an agency, and how can its significance to the attained outcomes be appraised?

To orient ourselves within the management structure of marketing communication project implementation and to more clearly elucidate the position of agencies, we propose a Structured Matrix of Processes and Participants. This matrix succinctly synthesizes the fundamental work phases and participants, whose engagement can contribute to specific work phases and the overall project realization (Figure 5.7).

Figure 5.7. Structured matrix of processes and participants



Source: Authors', according to research

The question arises as to how it is possible to quantify the contributions of individual participants (agencies or others) within this matrix to the realized KOM-R and final campaign outcomes. Two approaches emerge. One is classical and is based on the hours contributed by each participant in a given phase. Correlating the number of engaged hours with the level of achieved outcomes could potentially indicate the significance of individual contributors in working on specific KOIPs, while correlating the quality of KOM-R with the ultimate campaign effects would provide weight to the overall importance of that contribution. The utilization of Structural Equational Modelling would contribute to creating a comprehensive depiction of the impact of each individual actor.

Given that evaluating contributions through the lens of executed hours is characteristic of routine tasks, and this is not the case in marketing communications, an alternative approach could involve the subjective assessment of contributors' contributions by the primary executors of the work. While such an approach entails a lesser degree of precision, it can be highly advantageous for the topic at hand. The evaluation of individual contributions would encompass an estimation of the added value that specific participants bestow upon the processes of IMC campaign implementation. Furthermore, any disparities in evaluating the same processes by different participants could prove useful in identifying key areas where perceptual discrepancies among participants arise.

This holds profound significance within the contemporary discourse surrounding agency evaluation and performance-based remuneration. The model we propose constitutes an endeavour to synthesize insights gleaned from literature and practice. It is by no means universal or static, given the plethora of its practical variations. Nevertheless, it furnishes us with a conceptual framework for conducting research that could shed light on the following inquiries:

- What is the extent of involvement and contribution of individual actors in the process of IMC creation?
- Which KOIPs wield the most considerable influence on final campaign outcomes?
- Which participants hold the most pivotal role in attaining the ultimate result?
- Is there a variance in the perception of contributions to the final IMC outcome among distinct participants?
- Does an optimal management model for participants and resources exist, contingent upon set objectives?
- Does the distinction of a client be an international or local enterprise bear significance?
- What is the role of agencies in specific KOPs in cases of international or locally tailored campaigns?
- Depending on actual participation in the process, what criteria should be employed in evaluating agency performance?

Conclusion

The contemporary framework of marketing communication implementation is profoundly intricate. This complexity is manifested through the presence of numerous participants, overlapping roles, parallel processes, and multifaceted, sometimes contradictory, expected outcomes. These dynamics unfold within an environment saturated with communication channels and mediums. Given that a substantial portion of the efforts concerning the planning, creation, and execution of marketing communications constitutes a collaborative endeavour involving multiple participants, it becomes imperative to specify and unearth avenues for quantifying each participant's contribution. This endeavour would be advantageous for all involved stakeholders as it would render the value creation process of IMC more lucid and optimized.

While not delving into a comprehensive analysis of the underlying reasons, empirical evidence underscores that within such circumstances, traditional marketing communication agencies face a myriad of challenges. A fundamental quandary revolves around demonstrating the significance of their work in attaining clients' business outcomes. To achieve this, a preliminary step necessitates delineating the areas in which agencies currently exert their most substantial influence, and subsequently identifying domains in which they could effectuate more significant strides. This entails the standardization of a model for quantifying an agency's contribution to a client's business. Only upon discerning the spheres where agencies can make their mark can their efforts be aligned with the achieved success of their core endeavour, namely, the creation of integrated marketing communications. Such a transition likely entails departing from conventional organisational and operational paradigms.

Credit Authorship Contribution Statement

Nenad Lozović confirms sole responsibility for the following aspects of the work: writing the original draft, conceptualizing the study, developing the methodology, and contributing to the writing. His efforts were helpful in shaping the overall direction and content of the research. Nenad Perić was involved for the following: refining the methodology, providing supervision throughout the research process, and contributing to the writing through review and editing. His expertise ensured the methodological rigor and the overall quality of the manuscript. Tatjana Mamula Nikolić confirms responsibility for writing through comprehensive review and editing. Her contributions were in refining the manuscript and ensuring its clarity and coherence.

Conflict of Interest Statement

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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This volume represents a collaborative effort by researchers, academics, and practitioners from various disciplines, united in their exploration of how knowledge management can enhance organizations, processes, and innovations across multiple sectors. It is structured into key sections covering various aspects of knowledge management, including Theoretical Foundations and Concepts, Practices in Organizations, Educational and Technological Aspects, as well as Challenges and Future Directions. The content is characterized by its high quality and relevance. The articles are authored by experts with significant experience in knowledge management, offering thorough and well-supported analyses.

PhD Professor Teodora Ivanuša, Faculty of Organizational Sciences, University of Maribor, Slovenia

This monograph is highly compelling, both in its scientific rigor and practical approach throughout the chapters. The editors have carefully structured the content to logically cover a wide range of topics within the field of knowledge management. Given the shift towards a knowledge and creative economy, where consumption and production increasingly rely on intellectual capital, the management of knowledge has become a key factor for development and success. This reality affects not only companies and organizations but also nations, making this monograph invaluable for theorists, researchers, and professionals across various industries.

PhD Professor Nevena Krasulja, School of Engineering Management, Belgrade, Serbia

The thematic volume, "*Knowledge Management in Economy, Technology, and Media*", is a significant contribution to the field of knowledge management, covering key aspects and challenges across economics, technology, and media. Through diverse studies and research, the volume explores how knowledge management is applied in these dynamic and often interconnected fields. Grounded in contemporary theoretical frameworks and supported by empirical data, the research is both timely and applicable. The volume provides practical examples and clear recommendations for implementing knowledge management strategies effectively. The quality of research, diversity of approaches, and practical usefulness make this volume an essential resource for scholars, researchers, and professionals in the relevant fields.

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