

Making a Difference

IPG's Values

An Interview with Michael I. Roth,
Chairman and Chief Executive Officer, Interpublic Group

EDITORS' NOTE In July 2004, Michael Roth was appointed Chairman of Interpublic Group (IPG), and was named CEO in January 2005. Under Roth's leadership, IPG has delivered industry-leading shareholder returns and organic growth, posted long-term operating margin improvement, significantly upgraded the company's portfolio of agency offerings and presence in high-growth markets, and established a record of industry-leading corporate governance.



Michael I. Roth

COMPANY BRIEF Headquartered in New York, IPG is one of the world's largest advertising and marketing companies. From global communications networks like McCann and FCB to domestic advertising agencies like Hill Holliday in Boston, The Martin Agency in Richmond, as well as Deutsch, to global specialists like the events marketer Jack Morton, sports marketer Octagon, and public relations experts Weber Shandwick, Interpublic agencies span the globe, employing 50,000 people in more than 100 countries, working with clients like L'Oréal, Unilever, General Motors, and MasterCard.

How is IPG positioned for continued growth?

We just reported on the year end results recently and we had one of the best performances we've had in years, although the past three years have been strong as well.

We continue to lead the industry on organic growth largely because of what we've done with our people. I strongly believe that a differentiator for IPG in the marketplace is how we deal with our people, the type of talent we're able to recruit as a result of it, and our policies and values, in terms of what we stand for. That has a tremendous effect on a worldwide basis. When we have the best people in the business and we have the right tools and capital to invest in those people, it results in positive performance.

That said, we have to continually do it all over again. This marketplace is changing every second, and we have to stay ahead of the game. Our business model has to change. Digital is one major driver of this. We also have new competition and transparency issues in our industry, and with so many competitors in a fragmented market, price is an important factor, so we have to be efficient in all we do.

What is impressive about our results for year end is that not only did we lead our peer group in terms of organic growth, but we expanded margin by 50 basis points.

Is size and scale important or is it more about talent and creativity?

We need to have size and scale to compete in a global marketplace. If we want to service global clients, we need to have global distribution. On the media side, we need to have a seat at the table and, in order to do that, we need scale.

What is great about IPG is we have the seat at the table. We have the scale and global reach, but we're also not so gigantic. We can be nimble, and we know each other and the field teams – we all work together well. We're like a small company in a giant marketplace and, other than the three peers that are larger than us, we're bigger than everyone else. We're also growing more organically than some of our competitors, who have grown by acquisition.

Rather than simply making large acquisitions, we are returning money to our shareholders – \$3 billion to be precise.

How important is having a collaborative culture?

That's what it's all about. Everyone in our business is putting together special purpose agencies dedicated to a single client. We have been operating as an open-architectural model for years. We have always said there needs to be an integrated offering and that people need to collaborate across silos, but we didn't need to restructure the whole company to do that. We have been doing it for 10 years, and it's part of the DNA of the company. When we want to service our clients in a client-centric environment, we take the best assets at IPG to meet those needs and, if it's not within one particular network, we bring in other IPG offerings. We see the results in the award-winning and market-moving creative work we deliver for our clients.

How critical is diversity within IPG?

Early on, we decided as a company that we needed to have diversity and inclusion as a core part of our DNA and of our values in order to reflect our world and our clients' marketplace. If our people don't represent the marketplace, how can our clients rely on us to help them with their messaging in a diverse world?

We put diversity and inclusion high on the list of objectives, and our culture embraces that.

Fifty-four percent of our managers are female. We have to do more work on including people of color and have made that a crucial objective in 2017. We hold our managers accountable for diversity and inclusion, have a comprehensive set of programs on D&I, and we regularly survey our people about which programs are working and where we need to improve efforts.

You also focus on corporate responsibility and community engagement.

We want to be the number-one place where people want to work, as well as the number-one place clients want to come to. In order to do that, we need to have people who are happy, engaged, and content within the organization. Social responsibility is a key tool to keep our people invested in spending their careers with us, which is why we do as much as we do in this area. Companies that participate in corporate responsibility programs perform better and have happier people within the organization because they feel good about the company. Our clients share this commitment, and they want to do business with an organization that has the same values they do. It's nice to have collaboration between clients and our company in that way.

Our most recent large-scale IPG commitment involves the United Nations Strategic Development Goals – we have adopted Goal #6, access to water and sanitation for all. We assembled a cross-agency, cross-disciplinary team and created a video to capture our commitment and work in this area. Clients are involved in it as well. Our agencies are doing a lot of work in the area so it's a good thing to rally around issues affecting the state of the world right now.

Part of this is also indicative of the kind of company we are and how our people rally around that. We want to be a good corporate citizen because it creates an environment where people want to work.

Are your social responsibility efforts generally IPG-driven programs?

Our agencies have very distinct cultures. We don't want to disrupt their local culture so we have many programs that we let our agencies evolve themselves, whether it's because of their local clients or the local issues at the workplace. They do a great deal of purpose-driven work, and much of this work revolves around their agency culture and local communities.

On top of that, we have IPG-wide directives such as the effort around water that we encourage our agencies to participate in. We don't handle it as a command-and-control type of issue because we want our agencies to feel empowered to do what is best for their communities and their people, but we also have a global responsibility and the ability to bring a lot of resources to bear to attack very tough problems.

Is it less about the money you put into it and more about expertise and talent?

For some time, our corporate philanthropy was a bit haphazard in that it was not tracked. Each of the operating units would do things on their own, so we decided to take an inventory of what the entire company was doing. Once we started measuring that, we realized that we hadn't been looking at pro bono hours and volunteerism. I participate in CECP, and I pushed for this type of measurement because we were up against some companies that make huge cash contributions. While we couldn't necessarily do that, we can make a world of difference by donating our creative expertise and talent.

We started by simply taking inventory of the work that IPG did in terms of local PSAs, volunteerism, and cash contributions, and now we have a benchmark against which to measure its progress. It's not insignificant, and it is growing.

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Take something like hand washing, for example – we do tremendous work in countries like India where clean water is critical, as is education about the importance of hand washing. One of Unilever's products in India is soap, so our work there to educate moms about the importance of hand washing ties into what they're doing to support clean water, and supports SDG #6.

This is a win-win environment because it does social good, and it helps the company rally around something that is very important, particularly in emerging economies like India. We also have other clients involved in similar projects, so it's very impactful.

Do shareholders understand that doing good can also be good for the business?

Yes. Charitable work is consistent with an organization that is able to recruit talent and to stand for something in the marketplace. When Paul Newman worked with CECP, he would call the business folks "suits," and he'd say, "How come you suits aren't getting credit when you do so much? No one knows about it." This was the foundation of CECP because big business often does big, wonderful things and no one hears about it. There is a lot of negativity toward big business in the media, some of which is warranted. However, businesses also do some really terrific things that have a material and positive impact on society.

Is the private sector where change will really come from?

Public/private partnerships are a critical component of change because NGOs have expertise to meet needs in areas where businesses might not typically go. If we approach things as a business, we can and do get a lot done. Putting the power of these companies together, we can move mountains.

Has competition prevented that from happening to a greater degree?

It's a question of getting leadership to embrace it and do something about it. Unfortunately, many things get in the way, like politics or corporate greed.

During challenging economic times, philanthropy can suffer, but that is actually when marketing is very important and philanthropy is most needed.

CECP monitors this, and the numbers are good. Companies actually continue to do a lot of social good even in times of difficulty. It may switch from cash to volunteerism, but it's still a part of the efforts of the organization and can have tremendous impact.

The history of corporations continuing their involvement during down times is solid and is a reason businesses are well-positioned when things turn around. If we aren't still recruiting talent and clients, when business turns around, what good is it?

Corporate social responsibility is a core issue for businesses and more companies are embracing it, which is good for society because that is how things get done and how positive change happens.

Was that need to give back instilled in you early on?

I've always been around individuals who embrace corporate social responsibility. It goes

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back to my early career working with Bill Woodside who ran American Can Company. Through him, I saw how corporations involved in society make a difference, so it has been part of my core training in big business.

I have carried it through, and fortunately the boards of directors from the companies I've been involved with agree with that philosophy.

If the company doesn't agree with this, I would not be involved in it. As long as we have a board of directors that embraces it, then we have the latitude to do some good, which is good business.

When you came to lead the company, you were supposed to transform it and then move on, but you're still here. What has made it a place you've wanted to stay?

We still have work to do, which is why I'm still here. We have had some difficult macro-economic situations to get through, but we're back on the bike, and we're still in transformation with work left to be done. I like what I do because I'm surrounded by people I like and respect. I'm still having fun and I'm still able to do it.

Do you ever pause and appreciate the wins?

We're getting a lot of positive e-mails from investors, and my response is always, that's great, now onward. We don't spike the football for two reasons: we're not where I think we can get, and I'm very superstitious. We continue to put our heads down and do what we have to do. ●