SORRELL & SPICE

NOW HERE'S A MAN IN A HURRY. MARTIN SORRELL STARTED READING THE FINANCIAL PRESS AT THE AGE OF 15. THESE DAYS HE'S SCANNING THE AUSTRALIAN ADVERTISING SCENE

STORY SHERIDAN WINN PHOTOGRAPHY TOM STOCKHILL


Sir Martin Sorrell: "I don't think money ... makes people good."

FROM THE moment Sir Martin Sorrell enters the room, we are off at the gallop. He is 45 minutes late for the interview in his London office and time is pressing. Speed is both his gift and his obsession. He has an instant recall of figures, a capacity for analysis, and demands fast reactions from his team. "A bad decision on Monday is better than a good one on Friday," says the chief executive of the huge advertising conglomerate, WPP Group.

Around 150 emails arrive daily on his Blackberry; Sorrell answers them promptly and expects the same from his employees. He is, he says, absolutely impossible to work for and claims never to relax. "I have very high expectations," he says.

WPP celebrated its 20th anniversary this year, and Sorrell his 60th birthday. Neither shows any sign of slowing down. WPP is now the world's second-largest advertising and media group with a staff of 91,000 people working in 2000 offices in 106 countries. Its thousands of clients include more than 300 of the Fortune Global 500, more than half of the NASDAQ 100 and more than 30 of the Fortune e-50. Ogilvy & Mather Worldwide, JWT, The Kantar Group, Grey Worldwide, Young & Rubicam and MindShare are some of the 15 major agency groupings.

In calendar year 2004, WPP made profits before tax of £564 million ($1.3 billion). With the acquisition of The Communications Group in August 2005, the company cemented its position as the biggest marketing services business in Australia, adding TCG firms such as George Patterson and Zenith Media to WPP's existing collection of Australian assets including Young & Rubicam, Grey Advertising,

MY FATHER DIDN'T BELIEVE IN PORTFOLIOS AND SPREADING RISKS. I THINK THAT'S RIGHT

Millward Brown, 8.3 per cent of John Singleton's STW Communications Group, and joint ventures with STW such as Singleton Ogilvy & Mather and JWT.

In the last two decades, Sorrell has seen his empire rise and fall and rise again – and he has never been far from the news. In October it was the estimated £30 million settlement with his ex-wife in a landmark divorce case. In November, it was daily press reports as Sorrell – a relentless corporate raider – faced off with French industrialist Vincent Bolloré for the acquisition of media buyer Aegis (see box).

He says his father (and mentor) always advised him to stick to one company. Before he died, Sorrell spoke with him several times a day. "My father didn't believe in portfolios and spreading risks," he says.

"He believed you know most about the company you work for. If you invest in portfolios, you know little about them and you'll be making guesses. I think that's right; I believe you study something and focus on it."

Sorrell was brought up as an only child, in a comfortable, middle-class Jewish home in North London. His background has been described as wealthy, but in his early life the family lived in an unprepossessing block of flats. His grandparents came from Russia; his parents were first generation immigrants. "My father left school at 13 and worked very hard," says Sorrell. "He ran a successful retailing business, but he never achieved what he was capable of. He didn't get the opportunities I have had."

If Sorrell's three sons (aged 31, 30 and 28) want to start their own businesses, he will advise them to first gain experience. "Have a go, but don't do it until you have established some sort of history, reputation or track record," he says. "Jumping in from scratch is not a good idea: do something for five, 10, 15 years first."

Sorrell was 40 when he started WPP in 1985. He had been group finance director at Saatchi & Saatchi, focused on planning and international expansion, and had raised big capital and dealt with Wall Street analysts.

He was ready. "It was my last chance," he says. "Between 30-35 years is the optimum age to start a business. Thirty is too early – you need more experience."

He has a fierce sense of ownership of WPP, despite now owning only 1.2 per cent of the company. "I am not a hired hand or a turnaround artist," he says. "We started this thing with two people in one room; if you do that, your attitude is very different. It's so personal – it's not a job. I have probably become a bit obstructive about it."

He belongs to that rare breed of business leaders who combine the qualities of entrepreneur and corporate man; and he is proud of this fact.

"I am trying to do both, which is difficult," he says. "I would like to be known as somebody who could found a business, then run it as a big business – not to leave and start another business, but to found it, grow it and manage it – because there are very few people who can bridge that gap. There are great managers who cannot found or develop; there are great founders who don't make it managing. Every chief executive wants the power and resources of a big company, but the heart and mind and soul of a small one."

He cites Rupert Murdoch, who inherited a small empire that he built up, and Jack Welch: "Look at where GE started from when he arrived and where he took it." Another iconic figure he admires is Arnold Weinstock, who built GEC, the first British company to break the £1 billion profit barrier.

In his own career, Sorrell learned from the entrepreneurial and corporate skills of each of his bosses: first, Joel Smilow of Playtex fame, for whom he worked at Glendinning Associates as a market analyst. "Joel had clear financial abilities, was entrepreneurial and a great manager," he says.

In 1970, Sorrell moved to Mark McCormack's organisation, where he observed McCormack's entrepreneurial skills and attention to detail in sports marketing. Then James Gulliver, who founded Oriel Foods, sold it to RCA, then started again with James Gulliver Associates. This business metamorphosed into the Safeway supermarket chain.

"Gulliver was a very good entrepreneur, tremendously lively, hard working and committed, and he had a strong team," says Sorrell.

He says the biggest problem for managers is the lack of "internal alignment" in companies.

"How do you get 91,000 people facing the same direction at one time, particularly when you've got multi-blend companies and have grown by acquisition?" he asks. "That's our biggest issue, particularly in an era of structural and strategic change."

It's not only WPP, but its clients as well. On the whole, he says, everyone is at sixes and sevens. Economic or competitive pressures don't help.

WPP "pontificates about" lots of big picture issues in its annual report: globalisation, Americanisation, overcapacity, internal communication, share issue and capital, the distribution and power of retail. But Sorrell says that the key is culture: "If you get internal alignment, you can do anything."

Sorrell uses his intuition when he has to react quickly or when he has a certain amount of data, but not the complete picture and has to make a call. "You know when things are right or wrong," he says. When they go wrong, he says, he goes berserk.

Hamish McLennan, the chairman and chief executive of the Australian arm of WPP's Y&R Brands division, says, in fact, that Sorrell is measured in his approach when things go pear-shaped.

"Silly mistakes aren't tolerated, but he always remains balanced in an unbalanced world," says McLennan. He says his boss is driven, smart and visionary – and loyal. "He likes to see staff succeed within WPP. He's also very funny – though he's been unbearable since the Brits won the Ashes!"

In 1993 Sorrell recognised that the commitment of his top team would determine WPP's growth. He set up the LEAP scheme, a long-term incentive plan with matched share awards based on future performance: 20 executives put in $30 million to company stock, locked in for a four-year period.

The move, a first for business, had a big effect on British boardrooms. For tax reasons, Sorrell recently sold £50 million worth of shares, reducing his stock holding from 1.4 per cent to 1.2 per cent – the first time he has sold any WPP shares.

Give a "bad" person a good incentive scheme and you won't necessarily turn them into a "good" person, Sorrell says. "I don't think money and incentives make people good, but a good financial incentive system makes good people better."

Sorrell is quite pleased with WPP's performance in Australia. "We have some wonderful businesses there," he says. "Hamish McLennan, STW's chairman John Singleton and chief executive Russell Tate have all done a fantastic job."

Australia, he says, looks north to Asia, rather than east or west, and less to the commonwealth: as a commodity-based economy, it has boomed on the back of China and India's industrial development.

Ahead for WPP are the Beijing Olympics; two years later the Municipality of Shanghai will be investing $3 billion in Expo 2010. WPP is the brand leader in China, with 15 per cent market share. "We think [that China will] be the world's second-largest advertising market by 2008," says Sorrell.

WPP's revenues are currently split: 40 per cent Europe, 40 per cent America and 20 per cent everywhere else. Sorrell would like it to be a one-third split across the board. Likewise, traditional advertising comprises half of WPP's business: Sorrell wants two-thirds to derive from marketing services.

Market research, direct internet and interactive marketing make up one-third of business: Sorrell would like to see that at half – and he thinks WPP can do it in five to 10 years. In the meantime, this voracious businessman has no plans to retire from his global empire, or to appoint a successor.

His plan for his epitaph? "He tried to build – or he built – the best and most successful advertising agency and marketing services company in the world."

"I don't think we have a long way to go," says Sorrell, before he dashes to the next meeting.

HOW DO YOU GET 91,000 PEOPLE FACING THE SAME DIRECTION AT ONE TIME? THAT'S OUR BIGGEST ISSUE

SPEED READER

SORRELL MAY not relax, but this English summer he read 18 business books as a judge for the *Financial Times* & Goldman Sachs Business Book of the Year. His favourite was *Freakonomics: A rogue economist explores the hidden side of everything* (William Morrow & Co, 2005). He also liked *Google's The Search* (Nicholas Brealey Publishing, 2005) and *DisneyWar* (HarperCollins, 2005), though he thought it was a "Hollywood" business book. "I loved *China Inc* (Simon & Schuster, 2005) – it's full of amazing statistics," he says. "The Chinese are awesome."

CORPORATE RAIDERS

SORRELL IS one of the world's most audacious corporate raiders. In 1985, he acquired Wire & Plastic Products with his partner, Preston Rabl. They worked from one dingy room with the intention to build a major advertising and services agency. Within two years they made 15 takeover bids, taking WPP's market value from £1.4 million ($3.33 million) to £134 million.

In 1987, WPP made a bid for J Walter Thompson, the iconic American advertising agency, in a move redolent of David and Goliath. It was the industry's first hostile takeover. WPP paid $US566 million ($773 million) for the underperforming business and a year later announced profits of £14.1 million.

Sorrell set out on a hostile takeover of The Ogilvy Group two years later. The $US864 million deal almost cost him his company. Ogilvy had been grossly overvalued at the peak of an economic cycle: Sorrell overpaid and took on too much debt. As recession hit in the early 1990s, analysts warned investors: WPP came close to bankruptcy.

Sorrell brought his company around by selling small parts of the business, renegotiating loans and arranging to swap debt for equity.

Through the 1990s, he held his course and re-established WPP on a firm financial footing. With hindsight, the acquisition of Ogilvy proved to be an astute move – though he was forced, through lack of cash and borrowing power, to sit on the sidelines as WPP's rivals, Omnicom and Interpublic, swallowed up agencies in a rush to consolidate.

Sorrell regards this excoriating experience as his greatest lesson in management. "Persistence is extremely important," he says. "Speed of decision making, also, is becoming more and more important – even if you make the wrong decision."

His sights are now set on media buyer Aegis, primarily, he says, for its market research business Synovate. His potential bid rival, Havas chairman Vincent Bolloré, raises the stakes almost daily, as investors wait for a move from WPP and private equity firm, Hellman & Friedman.