

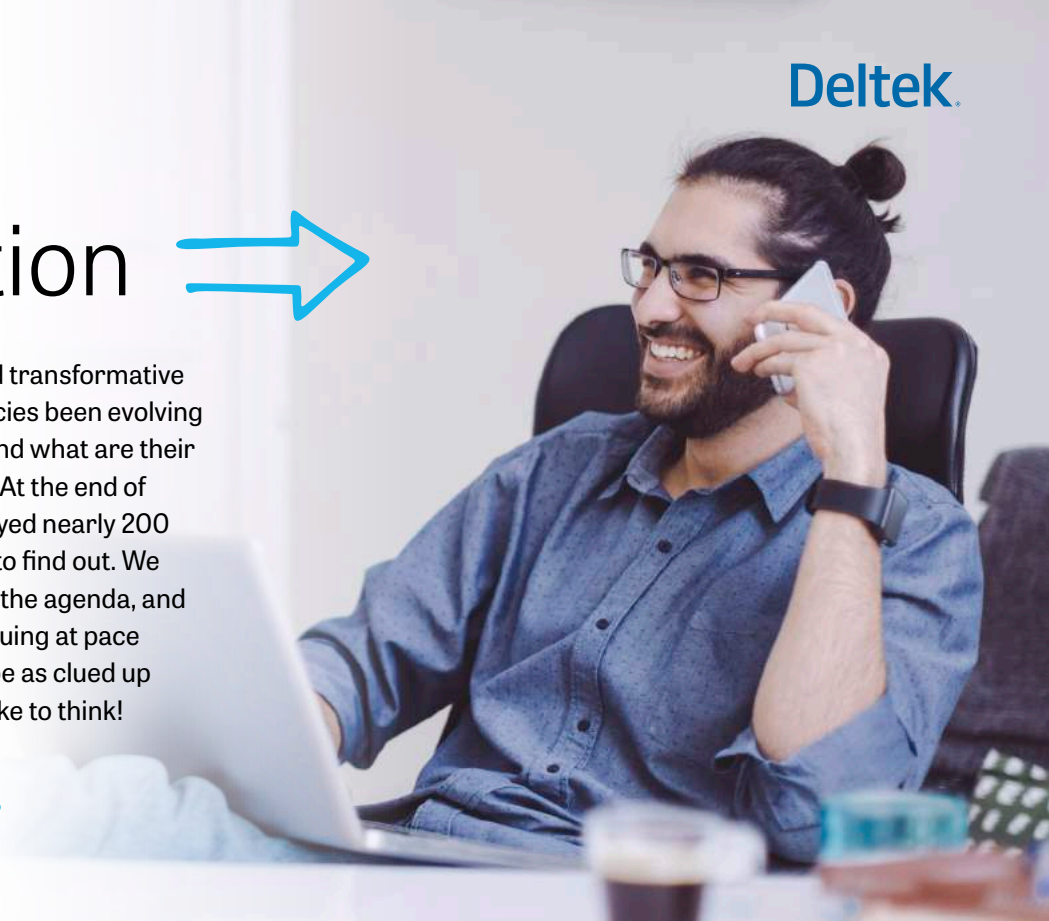


**TALENT,
TRANSFORMATION
AND GROWTH:**

**Creative
Agencies
in 2022**

Introduction

It has been another turbulent and transformative year – so how have creative agencies been evolving to meet the current challenges, and what are their top priorities for the year ahead? At the end of 2021, *Campaign* and Deltek surveyed nearly 200 agency professionals worldwide to find out. We found that talent remained top of the agenda, and digital transformation was continuing at pace – even if many agencies may not be as clued up about staying on budget as they like to think!



Key trends



TALENT WARS

Getting the right talent in place is both the biggest challenge and the top priority for agencies as we head into 2022.



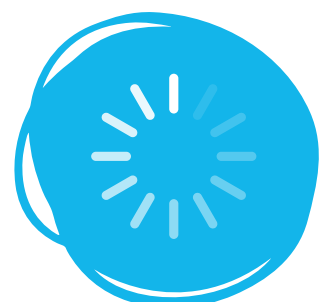
MORE, MORE, MORE

It is a busy picture in terms of pace and output, with many agencies' workloads, workforces and portfolio of services increasing year on year. But for most, profit margins aren't going up, as we all strive to do more with less.



BUSTING THE BUDGET

Most agencies were confident about the accuracy of their reporting systems, particularly when it came to budgets. Yet the fact that the majority were seeing projects go over budget suggests that this confidence is misplaced – or that agencies are failing to act on their reporting data and nip spiralling costs in the bud.



DIGITAL DELAYS

The pandemic has accelerated digital transformation, with more agencies than ever – over a quarter of those surveyed – reaping the benefits of having mature digital systems and strategies, such as longer client relationships and higher profit margins. Yet technology is not seen as a top priority for growth by most.

“We are trying to grow our own talent and to nurture younger people on our teams”

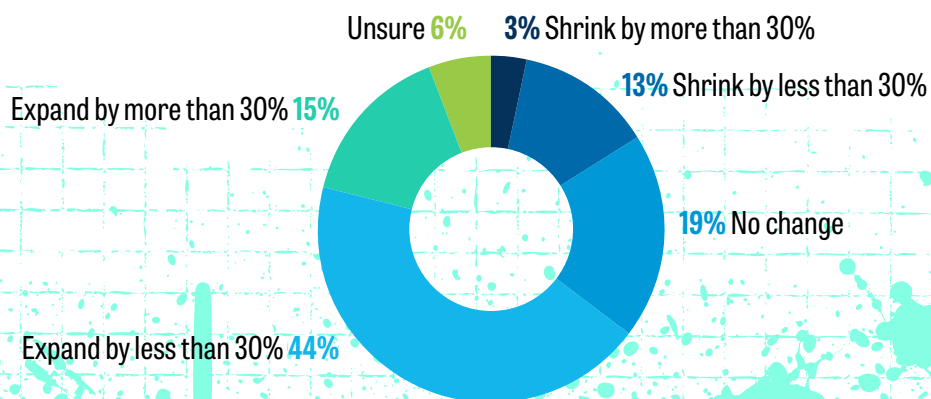


Winning the war for talent

The survey findings reveal that if creative agencies have one key priority right now, it's getting the right people in place. Talent strategy and sourcing is the top area of focus among respondents, while attracting and retaining the right talent remains the number-one area for improvement (as in 2021) – as well as the biggest single challenge cited by agency professionals (4). This preoccupation with

talent is not surprising, given that 59% of respondents expect their team size to increase in 2022, compared to just 16% who anticipate staffing reductions (1). For some agencies, this growth will no doubt reflect a resurgence after tough times during the early pandemic. The results certainly suggest there is greater industry confidence about investing in new employees than last year, when only 39% expected their teams to grow.

1. Do you expect your team size to shrink or expand in 2022?



→ When it comes to talent management, the main priority is attracting and retaining in-house talent, followed by having the right talent available for projects (2).

Neil Munro, general manager at We Are Cognitive, is among those agency professionals focusing on their in-house talent pipeline. “We are trying to grow our own talent and to nurture younger people on our teams, as well as allowing the more experienced team members to develop further and add more value from a leadership perspective.”

Relatively few agencies are prioritising freelance resource as a means to plug talent gaps; building a network of freelancers was the lowest priority mentioned.

Munro recommends keeping an eye on the real-time costs if you do turn to freelance contractors: “If you identify an area where you are using a lot of freelancers, you sometimes look at the numbers and think: it would be more profitable to just employ somebody!”

Nevertheless, some agencies find freelancers useful for plugging specific talent gaps. “We work regularly with freelancers and find that allows us to scale up projects quickly,” says Rachel Walder, client engagement director at Think. “Due to having a broad portfolio of clients across a range of (sometimes specialist) sectors, we often work with freelancers who are experts in their fields.”

2. What are your agency’s top 3 areas of focus for improving talent management and resource allocation?



“We work regularly with freelancers and find that allows us to scale up projects quickly”

Looking ahead

While talent strategy and resourcing is the biggest priority for agencies in 2022, it is closely followed by new business (last year's number one priority), with profitability in third place. Meanwhile, diversity and equality are slightly higher on the agenda than last year, edging into respondents' top four concerns (3).

“Diversity and equality are now higher up the business agenda when talking about important areas of focus”

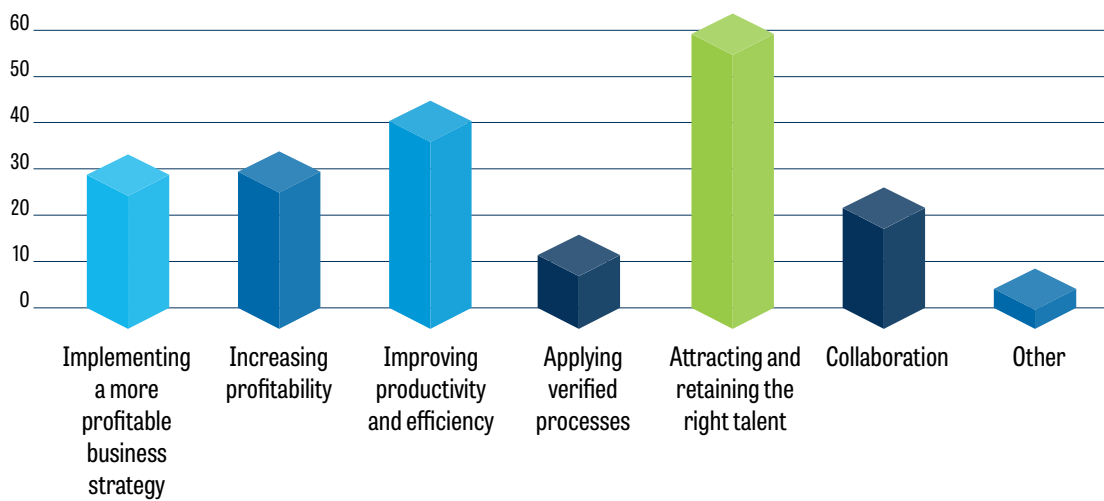
3. What are the three most important areas of focus for your business in the next 12 months?



→ Despite (or perhaps because of) the accelerated digital transformation we have seen during the pandemic, using technology to streamline operations was less of a focus right now than other issues such as sorting out internal processes, working patterns, positioning and pricing, or efficiency (4).

After attracting and retaining the right talent (cited as a top area for improvement by 60%), improving productivity and efficiency was the second most popular goal (for 41%), while profitability concerns more or less tied for third place. However, only around one in 10 respondents want to apply verified processes that might help drive efficiencies.

4. In which two areas do you think your agency needs to improve most for 2022?



“Attracting and retaining the right talent is the top area of improvement for agencies”



Sentiment about the future is varied, but the most prevalent mood is cautious optimism (5). The majority (57%) are feeling optimistic, rather than neutral (29%) or pessimistic (15%).

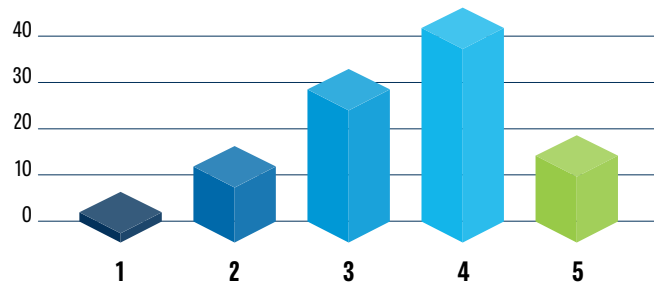
As we have seen, the biggest challenge facing agencies is attracting and retaining talent (6). This was a problem for 25% of respondents, but it was closely followed by the volume of work/speed required by today's agencies (23%).

As Mark Fandre, head of global operations and enterprise solutions at Serviceplan Group, notes, just keeping up with the sheer pace of change is a challenge. "You are never 100% prepared, nor finished, in terms of your systems environment," he says. "New laws and rules, certifications and internationalisation are challenges you need to tackle simultaneously. If you think you are done, you're wrong."

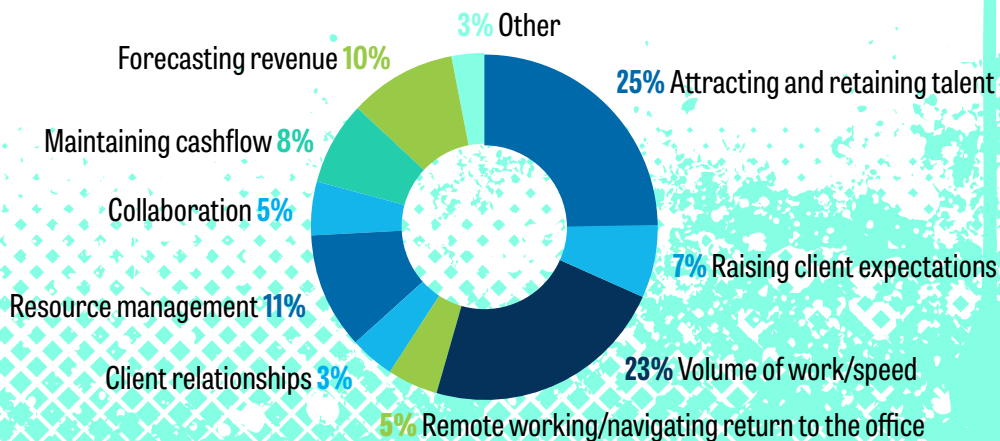


5. How do you feel about the year ahead?

On a scale of 1-5... 1 = Very pessimistic, 2 = Quite pessimistic, 3 = Neither pessimistic nor optimistic, 4 = Quite optimistic, 5 = Very optimistic



6. What is your agency's biggest challenge right now?



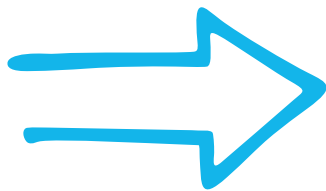
Clients and services



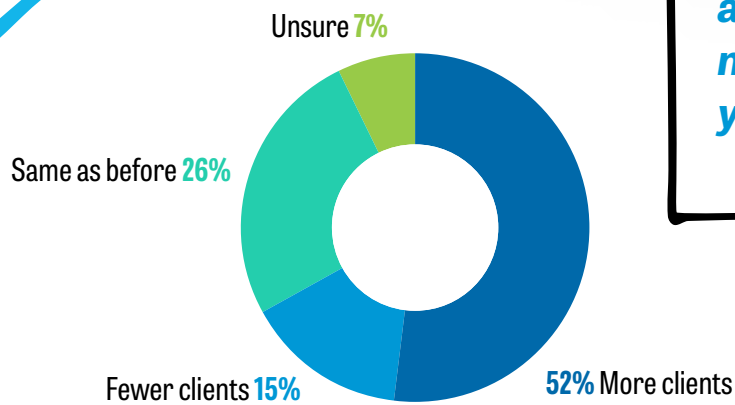
Regarding client acquisition and retention, the picture for most agencies is a positive one (7). More than half (52%) of respondents say they have added new clients in 2021 (compared to 44% in 2020), while around a quarter (26%) have retained about the same number of clients (compared to 36% in 2020).

Client-agency relationships were also looking healthy: 38% reported seeing more lasting client relationships in 2021 than in 2020, while another 38% have enjoyed about the same length of relationships (8).

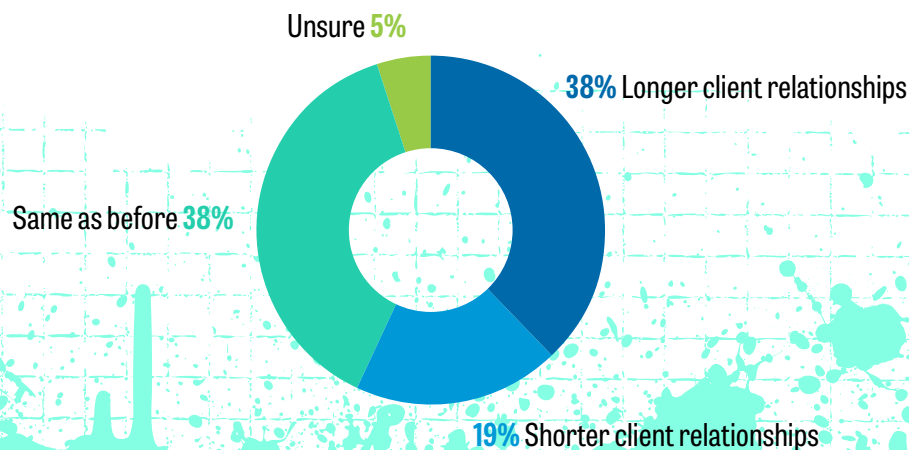
“Most agencies are growing their client base this year, and producing more work year on year”



7. Clients



8. Client relationships



➔ Only **15%** of respondents have seen their client base shrink year on year (the same number as did last year), and around a fifth (**19%**) have seen shorter client relationships this year than last (compared to **13%** last year).

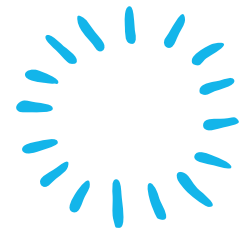
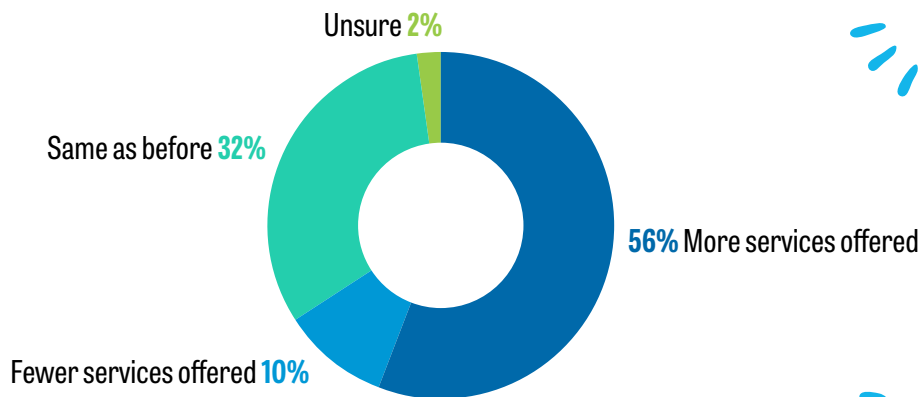
In order to serve their clients, many agencies feel they have to diversify rather than specialise (**9**). Only one in 10 respondents say their agency is offering fewer services year on year, while more than half (**56%**) have added extra services. This continues the trend towards diversification seen in previous years – at the start of 2021, **61%** reported widening their service offering.

Encouragingly, the majority of respondents (**68%**) say they are producing more work year on year, compared to only **13%** who were producing less (**10**). This is a slight improvement on last year's results, where **61%** said they had increased their output while **18%** were doing less.

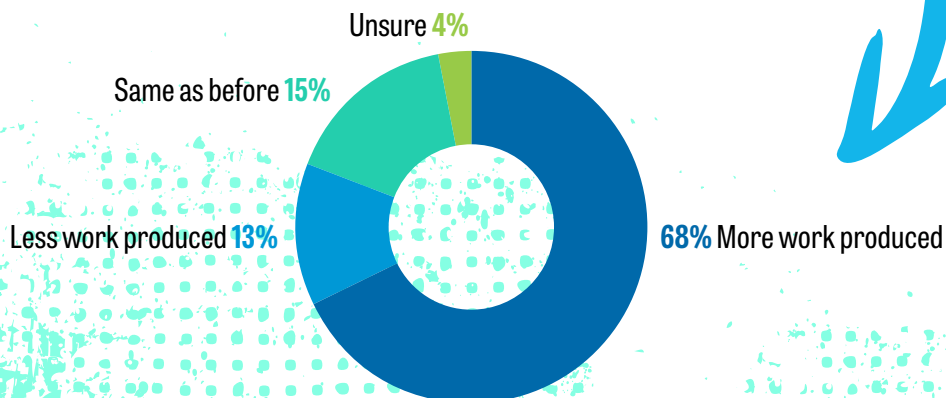
So overall, while we have seen most agencies growing their client base and their workload this year as they regroup and adapt to the impacts of the pandemic, those client relationships may be a little less durable. And in these uncertain times, agencies are continuing to pivot in order to offer whatever services their clients require.



9. Service offerings



10. Work produced



“It’s essential agencies keep on top of schedules, budgets, actual costs and overall project performance”



Profitability and performance

So was all that client acquisition, diversification and extra work adding up to a better bottom line? Our research showed that it was a mixed picture regarding profitability (11). Only around a quarter (27%) have managed to increase their profit margins year on year. A similar number (26%) say their margins have stayed the same, while a slightly larger number (31%) have seen lower profit margins.

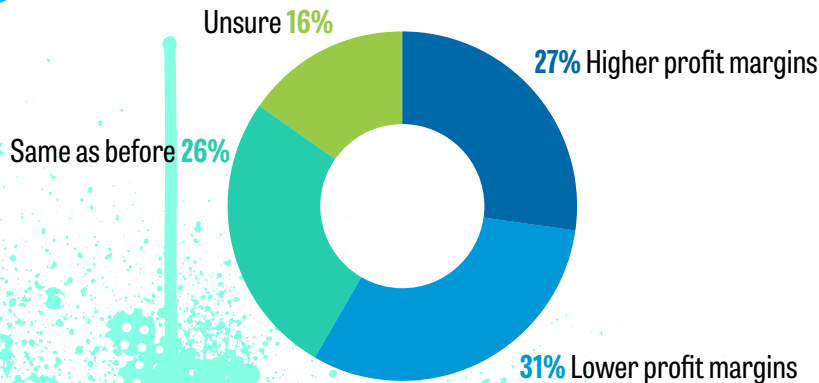
In today’s competitive market, it seems that only a lucky minority of agencies each year

are able to bump up their profit margins. This year’s figures were similar to last year’s (when 25% had increased margins and 36% had reduced them).

When it comes to maintaining profitability, it’s essential that agencies are able to keep on top of schedules, budgets, actual costs and overall project performance. And our survey respondents were generally feeling pretty confident about their agency’s ability to accurately report on all these performance metrics.



11. Profit



→ The reporting area that respondents are most confident about is their budget; **58%** are highly or very highly confident they have accurate data on this (12). They are slightly less positive about the monitoring of overall project performance – yet even so, over half (**53%**) are feeling confident about this. Only around one in 10 respondents (**10-11%**) admit to feeling low confidence in the accuracy of their various reporting metrics.

However, despite the general sense of confidence around budgetary reporting, plenty of agency projects are still veering off track budget-wise (13). While **37%** of respondents report that fewer than **10%** of their current projects are going over budget, that leaves nearly two-thirds (**63%**) who can't say the same. And alarmingly, one in 10 agencies say that anything between half and all of their projects are exceeding their planned budgets.

There seems to be a disconnect between agencies' perception of how well they are monitoring and reporting on their projects, and their actual success (or lack of it) at keeping a tight rein on budgets.

For We Are Cognitive's Neil Munro, one of the common problems is that the systems being used to track workflow are often siloed from finance data. "There are many

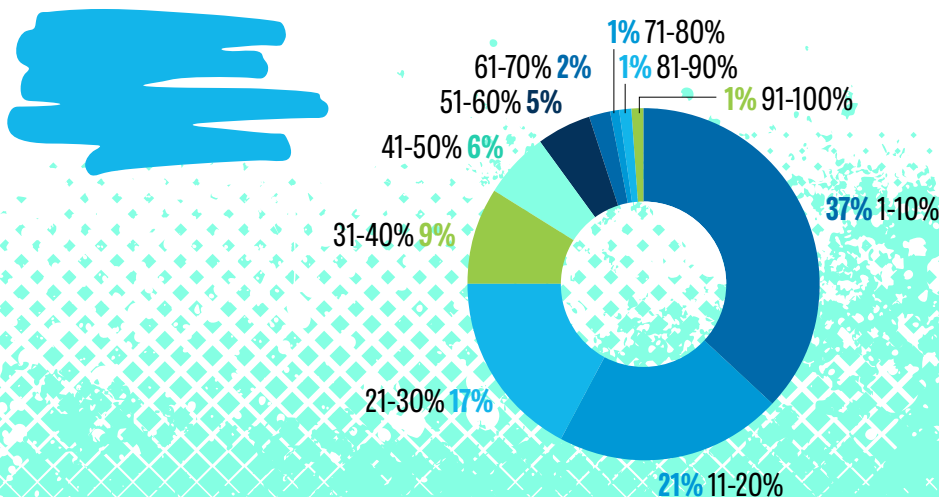
12. What level of confidence do you have in your company's ability to accurately report on the following project performance metrics?

	Very low	Low	Moderate	High	Very high
Schedule	2.6%	7.8%	35.7%	39.1%	14.8%
Budget	1.3%	8.2%	32.0%	39.8%	18.6%
Actual cost	3%	8.3%	32.6%	37%	19.1%
Overall project performance	2.6%	8.3%	36.1%	39.6%	13.5%

workflow management systems out there that are user friendly and easy on the eye, but they don't include the financials," he says. "But if you have a system that is simple to use from a user experience perspective and has the numbers, it's very easy to track the profitability of jobs and spot where you're going over early on."

Serviceplan Group's Mark Fandre agrees that agencies need to take full advantage of their reporting systems and data. "Agencies are facing more and more challenges and requirements from the market," he says. "Insights from internal systems like ERP or OKR are key to keeping your business on the right track, and make the right decision at the right time."

13. What percentage of your company's current projects are being reported as, or estimated as, over budget?





Digital transformation

Unsurprisingly, given how the pandemic has accelerated the pace of technological change, more agencies than ever are feeling confident that they are fully 'digitally mature' – with fully integrated business and IT management systems and a clear digital strategy at the heart of their operations (14).

This year over a quarter (28%) feel they have achieved this, compared to just 19% last year. Meanwhile, similar numbers have a well-developed digital transformation plan under way (32%), or are exploring their digital needs and developing a strategy (28%).

Among those currently evolving their digital systems is We Are Cognitive's Neil Munro. "All growing agencies have to mature in

terms of how they manage the end-to-end process – from initial sales enquiries through to planning jobs, managing people's time, tracking workflow and generating invoices," he says.

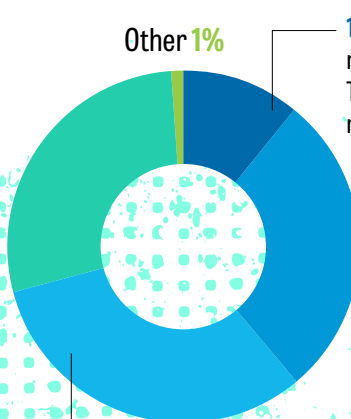
"We are on that journey, and about to bed in a new workflow management system that will help us realise where capacity is and move projects around more easily, making us more agile and efficient. That can't be done if you are tracking things on an Excel spreadsheet. It will also help us collaborate smoothly with our overseas clients and remote workforce."

Despite the benefits, as we saw last year, around one in 10 (11%) are still digitally underdeveloped, with no current initiatives or plans to evolve their systems.

14. Where is your agency on its digital transformation journey?

Mature – we have fully integrated Business and IT management, and Digital Transformation is an integral part of our long-term business strategy and day-to-day operations 28%

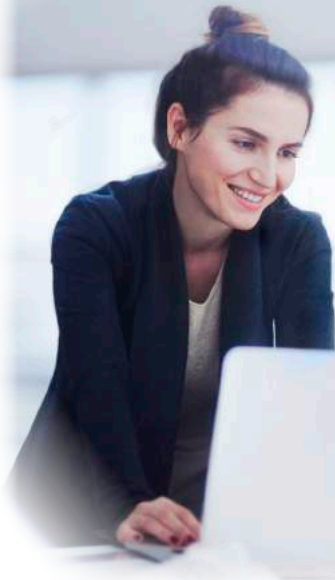
In development – we have a well-developed Digital Transformation strategy and execution plan, and we are implementing the changes 32%



11% No initiative – we have not identified our Digital Transformation needs and have no initiative currently

28% Exploration – we have identified our Digital Transformation needs and we are developing our strategy and exploring our options





“The right systems can help join up different business areas, such as client management and finance”



A shortage of specialist skills was the greatest barrier to agencies' digital transformation, for over a third (**34%**) of respondents. But there were many other (nearly equally) important factors at play, including change management, workforce impacts, competing investment priorities and the need to fulfil client demands (**15**).

“Agencies would be wise to identify and address what is holding them back from transforming given that, as we saw last year, there is a massive incentive for agencies to crack the code on transformation. The most digitally mature agencies are generally performing better in terms of growing their client base, retaining clients and increasing profit margins,” says Neil Davidson, regional vice president, EMEA/APAC at Deltek.

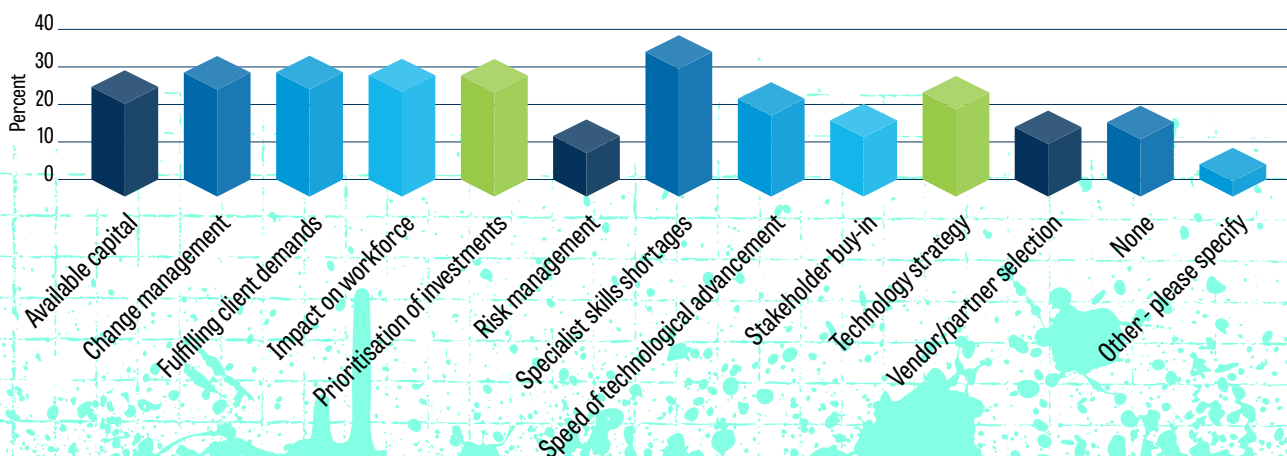
For example, **55%** of digitally mature agencies have added clients this year and **39%** of this group have seen longer client relationships; whereas among the agencies with no digital initiatives and plans, only **50%** have added clients and only **23%** have seen longer client relationships.

Similarly, agencies that were further ahead with their digital journey and strategy were more likely to be enjoying higher profit

margins year on year. Over a third (**35%**) of the most digitally mature agencies have increased profit margins, compared to just **23%** of the digitally immature agencies.

For Serviceplan Group's Mark Fandre, one of the key reasons for this digital advantage is that the right systems can help you join up different areas of the business, such as client management and finance. “Clients increasingly demand international, customised agency models. But these need to be integrated into the financial processes of the existing agency landscape,” he notes. “A centralised and highly digitised ERP environment allows live data exchange between all business units, full transparency with the client, and (not least) economic success.”

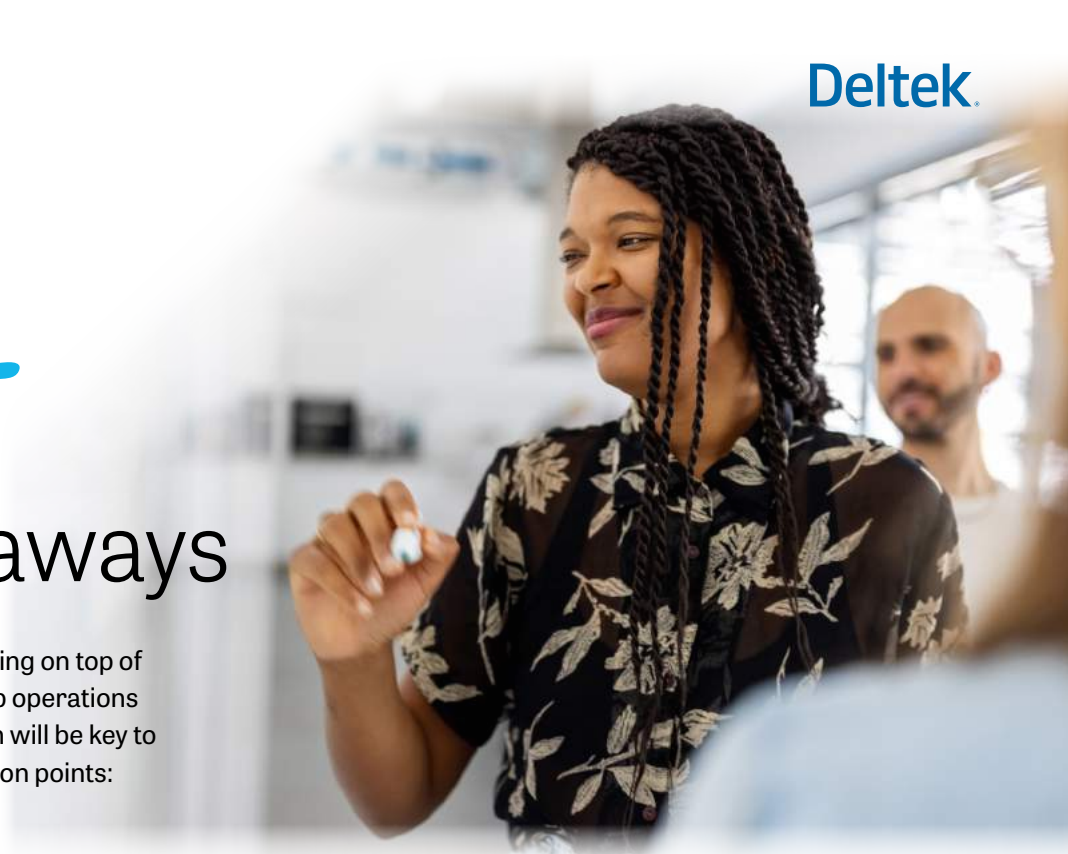
15. What are your main barriers to digital transformation?





Top takeaways

As we head into 2022, staying on top of workloads and scaling up operations to keep pace with growth will be key to success. Here are a few key action points:



IDENTIFY YOUR TALENT GAPS

Most agencies are prioritising talent as they grow and evolve their business, and that will mean different things to different agencies, such as getting the right balance of in-house and freelance resource. Yet there are still clear talent gaps to address – in particular, a deficit in tech skills that is hindering agency modernisation.



ENSURE YOU'RE ACTING ON DATA INSIGHTS

Many agencies are confident that they are on top of their reporting, particularly with regard to budgets. Yet the prevalence of projects going over budget suggests that many are failing to act on what their data shows to improve project and client management in real time.



DON'T FALL BEHIND DIGITALLY

Agencies without strong digital systems or strategies are losing out in the competition for greater profitability, new business and lasting client relationships. "Technology should be front of mind when agencies are thinking about driving profitability," comments Deltek's Neil Davidson. "Given the correlation between mature digital systems and healthier profit margins, it holds the key to becoming more efficient."



For more advice and inspiration on accelerating your digital transformation, download Deltek's agency roadmap for long-term resilience and growth at info.deltek.com/agency-roadmap

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