



# Judging Excellence: Agency Appraisals

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## THE POWER OF MEASUREMENT

A major value of the appraisal process lies in the pure power of measurement. The questioning process necessary to set goals forces an advertiser to be explicit about their objectives for the agency and how they relate to the company's targets.

Without some criteria and method of measurement there can't be any real accountability. When considering what those criteria should be here are three things to keep in mind.

1. It's important to focus on business outcomes in order to establish a relationship between the business strategy of the advertiser and to accurately appraise the agency's contributions.
2. Many performance appraisals fail because the performance measures consist of ratings based on vaguely or poorly defined traits such as reliability, communication skills, business focus, or leadership.
3. And finally, when there is no pay for performance linkage, appraisals are not seen as a serious activity; it's sort of like shooting with blank bullets. After awhile, they just don't scare anybody.

In summary the ROI from performance appraisals should come from:

- clarifying objectives;
- communicating them to everyone involved;
- influencing behavior to be consistent with them;
- checking whether or not objectives are being met;
- challenging the theories about how the business relationship works, and in the end;
- producing a more accountable relationship that both parties feel good about.

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## **THE AGENCY AS EMPLOYEE**

An advertiser/agency relationship is a joint venture with the mutual dependency that implies. The advertiser depends upon the agency's best efforts to provide materials and recommendations that will enable them to achieve their marketing goals. And the agency depends on the information,

direction and endorsement of the advertiser to enable them to do their best work.

This dependency is very similar to that which exists between employers and their employees. Some of the research for this paper is drawn from that field.

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## **APPRAISALS AND MOTIVATION**

At the heart of most motivation theories is the belief that motivation is a function of the degree to which valued rewards are perceived to depend on performance. That's why performance appraisals are often used as a way of influencing work motivation.

An appraisal for motivation needs to focus on the objective achievement of certain pre-defined goals. As such it looks backward, focusing on previous accomplishments.

In the case of an advertising agency the reward is usually an extrinsic one (i.e. incremental income either from incentive compensation or additional assignments). But performance appraisals also offer the opportunity for counseling and development which should strengthen and improve the advertiser/agency relationship over time.

An appraisal for development purposes, while more subjective, should be more forward-looking and focus on how strengths can be maximized and weaknesses minimized. For both the advertiser and the agency having some critical insights into how each party views the competence and the capabilities of the other should point the way for future hiring decisions and staff development plans.

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## **UNNATURAL ACT**

Appraisal is in many respects an unnatural act. It is a little more natural in Western than Eastern cultures, but most individuals are not prepared to do it well.

And it has been well documented that when done poorly, appraisal systems neither motivate nor effectively guide the performance development of individuals or organizations.

## CULTURAL DIAGNOSIS

In designing performance appraisal and compensation systems, we follow the example of anthropologists, who approach another culture by first learning and understanding its elements. This first step, which we call a *cultural diagnosis*, leads to a method-

ology that embodies the values of the current organizational cultures. That's particularly important in the advertiser/agency appraisal process because it often involves two very different cultures.

## GLOBAL ISSUES

When considering how to implement a global agency appraisal system, particularly one tied to compensation elements, the cultural diagnosis should be done in each major geographic region. If the appraisal methodology or process violates the values of either party's culture it not only won't be effective, it could cause some puzzling dysfunctions. For example there might be substantial discrepancies between the way the advertiser and the agency rate each other, and rate themselves. The structure of any mutual process has to take into account the existing cultural differences.

The influence of social and cultural difference on performance measurement practices can be seen in this anecdotal description of how American, German and Japanese managers apply the familiar *hamburger style*\* of management performance feedback to their agency. →

(continued) Americans deliver their criticism gently, by starting with small talk, for example, "The new spot looked good on Monday Night Football" (the top hamburger bun). They then provide the critical feedback (the hamburger). They close the session with more encouraging words (the bottom hamburger bun). German managers provide only the hamburger. But with Japanese managers, you get only the faintest smell of hamburger.

(\* When communicating a negative, it should be sandwiched between two positives.)

## CONTEXT COUNTS

The preceding story highlights the difference between high-context and low-context cultures. In low-context cultures, such as Germany and most Western cultures including the U.S., Canada and Australia, most of the information is transmitted in the message itself even if it is more or less gently wrapped.

But in Japan, and most Eastern cultures, the information to be conveyed during the communication process is located in the surrounding context shared by the sender and the receiver. As a result, communication is less direct and precise.

In low-context cultures, there is an emphasis on fairness in the performance appraisal, the appraiser is assumed to be objective, feedback and criticism are direct, and the recipients may rebut their appraisal.

In high-context cultures, there is an emphasis on employee development in the performance appraisal, the appraiser is assumed to be subjective, feedback and criticism are indirect and subtle, and recipients may not rebut their appraisal.

## CULTURAL DIFFERENCES

Agency performance appraisal practices (including criteria, choice of raters, and the way feedback is provided) should be shaped by a careful analysis of social conditions and cultural values in each nation where the firm operates.

For example in cultures where power distance is high (Latin America for example), autocratic decision making may be viewed as appropriate and managers may resist receiving any performance feedback from the Agency particularly from a lower ranking person; whereas in cultures where

the power distances are low (such as Sweden) a fully participatory process would work well.

Financial performance measures may also be less valid measure of success in some situations because local accounting and financial procedures may be designed to minimize payment of foreign taxes or there may be income penalties due to changes in foreign exchange rates. In those cases measures such as cash flow or market share are a better measure of the real contribution of these operations.

## APPRAISAL RISKS AND REWARDS

Any agency appraisal tool needs to be reliable, valid, and have a strong business utility. An appraisal that lacks these qualities can be counterproductive. For example if disappointing performance data are used in a judgemental, intimidating way this will encourage negative and defensive behavior. That same information if

presented as a basis for discussion to produce suggestions for improvement is much more likely to lead to a positive outcome. Supportive management is the key to success.

The chart below highlights the good and bad sides of the Appraisal process.

*It's not what I say but the way I say it.*

Mae West

The BRIGHT SIDE	The DARK SIDE
Agency may develop an increased motivation to perform more effectively.	Agency may disengage as result of critical review.
Self-esteem of agency team members may be increased.	The self-esteem of the participants on both sides may be diminished by criticisms.
Appraisers may gain new insight into the agency and vice versa.	False and misleading information may be created and accepted.
The agency's job responsibilities may be clarified and better defined.	Performance motivation may be diminished if inadequate performance measurements result in no rewards.
Valuable communication between the parties can be facilitated.	The relationship between the parties may be permanently worsened.
Performance incentives can align the Advertiser's and Agency's management goals in a clear and equitable way.	Failure to realize significant incentives may diminish the agency's commitment to the business.
Information gained can enable both parties to do better manpower planning and develop more useful training programs.	Large amounts of time and/or money may be wasted on the process because it was never conceived and administered properly.

## GUIDELINES FOR APPRAISAL SURVEYS

Over the years we have constructed numerous different appraisal surveys tailored to the needs of the individual client. Here is some of what we have learned:

1. If anonymity matters, the survey should be paper-based and not digital, especially if the responses go back to the advertiser directly via their E-mail system.
2. The survey shouldn't take more than twenty to thirty minutes to complete. Twenty minutes for the mandatory closed-end questions and an additional 10 minutes for the optional open-ended responses. *(When surveys are too long respondents' answers become automatic and overly positive.)*
3. The questions and the scaling should be structured to facilitate thoughtful top-of-mind responses. That means that questions should be based on no more than one or two different scales.
4. Questions should be similar in length and some of the measures should be worded negatively to break any automatic response pattern.

5. There should always be a "not applicable" or "don't know" option to avoid forcing people to respond to questions they have no knowledge of.
6. Questions should be single-minded unless the behaviors associated with two or more related elements would require the same intervention to be corrected.
7. Most questions should be based on observed behavior rather than opinions or attitudes and those behaviors should link to productivity.
8. Mixing a few qualitative (open-ended) questions in with a quantitative series can help to validate the related responses and gather constructive suggestions for remedial action.
9. Questions asking respondents to indicate their extent of agreement or disagreement with various statements regarding the agency's performance are difficult to construct in such a way that they don't bias the response.
10. However questions regarding the frequency of issues occurring, with percentages or ratings from "never" to "always" can be used effectively.

## MEASUREMENT SCALES

Some advertiser and agency executives believe that simple rating scales are best and advocate merely three levels of performance:

- Great
- O.K.
- Needs improvement.

An extremely negative rating (e.g. *Seriously deficient*) seems superfluous. After all if the agency is that bad, they would probably be terminated without an appraisal!

Overall there is no magic number, but generally fewer values are better because that minimizes the artificial differences resulting from different interpretations.

Because it's difficult to categorize the performance of an agency, or of an agency functional group, we add a fourth category between Great and O.K. to recognize above-average contributions that fall below the level of outstanding. To do this we often use the following 4 point scale:

- 4 = Exceeds Most Expectations
- 3 = Exceeds Some Expectations
- 2 = Meets Expectations
- 1 = Attention Required.

This results in an unbalanced scale (e.g. 2 positive, 1 neutral and 1 negative factor). It also gives the advertiser a way to signal, and recognize, the achievement of two different incentive levels.

In instances when the agency is asked to do a self-evaluation we recommend the following asymmetrical five point scale.

- 5 = Outstanding
- 4 = Very Good
- 3 = Good
- 2 = Satisfactory
- 1 = Marginal

Since agencies are disinclined to rate themselves below average, this sort of skewed scale minimizes leniency. That's because *good*, or above average, performance is associated with the middle of the scale. When ratings are made on a skewed scale, mean scores are less likely to be inflated.

## ASSESSMENT TOOLS

Samples of some of the assessment tools that we have developed over the years are shown on the following pages. Agency appraisals can be effectively administered several different ways:

### 1. Face-to-face interviews

This method works best in companies that eschew “process”, or where the relationship is dysfunctional.

2. Questionnaires distributed via E-mail either as Adobe Acrobat Forms or in Excel.

3. Interactive web-based (or HTML) questionnaires accessed and filled out at a secure web address.

In summary the means of administration can be tailored to the operating style of the advertiser and their agency.

Shown below is an example of an agency appraisal form that could be distributed either as an E-mail attachment or in paper form. This example focuses on the functional and tactical capabilities of the agency’s creative department from an advertiser’s point of view.

## SAMPLE ADVERTISER QUESTIONNAIRE

4 = Exceeds Most Expectations; 3 = Exceeds Some Expectations; 2 = Meets Expectations; 1 = Attention Required; 0 = No Opinion		4	3	2	1	0
Overall how do you rate the Agency's creative team on our business?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the Agency appoint sufficiently qualified creative talent to meet our needs in:						
strategic creative direction		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
copywriting		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
art direction/design		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
broadcast production		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
print production		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How do you rate the Creative Group that you work with on:						
knowledge of our business and our competition		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
knowledge of our customers		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
their ability to understand and properly interpret our creative briefs		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
development of relevant and impactful creative solutions		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
selling their ideas to our company		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
control of production quality		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
working to time deadlines		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
cost management		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment here on any specific strengths or weaknesses, but specifically on any grades of either 4 or 1, in this area and how to exploit or correct them. (Use as much space as necessary)						

## SAMPLE AGENCY QUESTIONNAIRE

The questionnaire below is different from the preceding example in two ways. First it's an agency's appraisal of the advertiser's management of the creative process. Second, and more importantly, it focuses on the strategic aspects of creative development and management rather than the functional and tactical aspects.

Although these examples are separate that's doesn't mean that the issues are mutually exclusive; both areas can be effectively probed in the same questionnaire format.

In the end the questionnaire should reflect the cultural diagnosis of the relationship and the needs of the sponsor.

	4 = Exceeds Most Expectations; 3 = Exceeds Some Expectations; 2 = Meets Expectations; 1 = Attention Required; 0 = No Opinion	4	3	2	1	0
Overall how do you rate the Advertiser's ability to encourage and assess our creative proposals?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rate Advertiser's ability to assess creative proposals for:						
strategic relevance (how well it addresses the advertising challenge)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
creative originality (do they look for the Big Idea)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
strong executional interpretations (imaginative, workable solutions)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How do you rate the Marketing & Advertising managers on:						
understanding and employing appropriate research in ad development		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
allowing sufficient time for the creative development process		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
giving our proposals a considerate hearing		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
fighting for the necessary approvals for new concepts and ideas		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
providing constructive criticism which helps us develop stronger solutions		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
being prepared to take risks in the search of outstanding advertising		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
providing a sound basis for needed changes or rejections		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
their ability to give sound and clear directions for next steps		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment here on any specific strengths or weaknesses, but specifically on any grades of either 4 or 1, in this area and how to exploit or correct them. (Use as much space as necessary)						

## GAP ANALYSIS

The Gap Analysis is based on a two-dimensional appraisal of an advertising agency's performance. It can be either a one-way or two-way process (i.e. the agency evaluates the advertiser's management too). What makes this tool unique and more actionable than conventional processes is the fact that the respondents assign an importance rating to each attribute as well as a performance score. By determining where the largest gaps are between

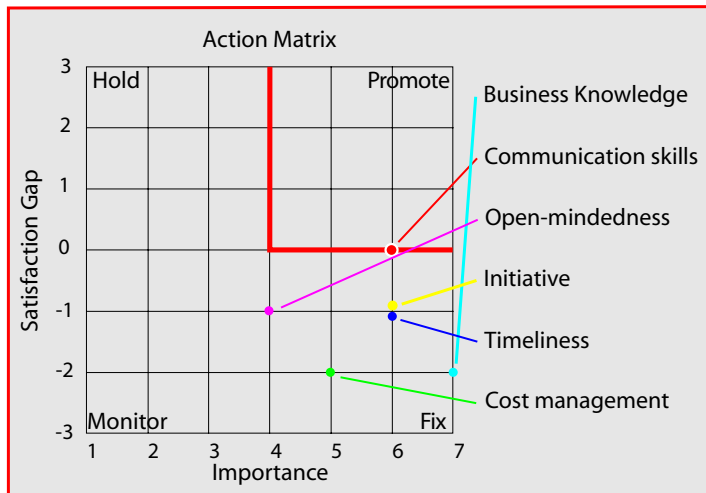
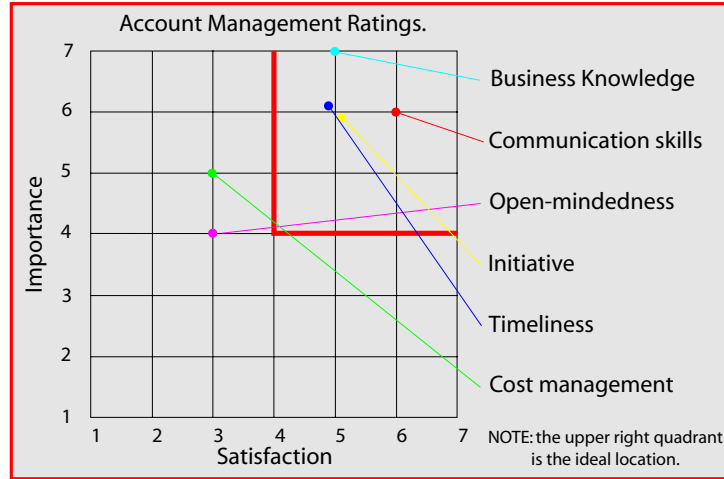
importance and performance, it is possible to establish a hierarchical ranking of the most sensitive areas of both strength and weakness in the relationship. It is also possible to weight the responses to smooth extreme differences that may be attributable to varying experience levels among the respondents. The sample below shows how the process can be administered in HTML format on a secure web site.

Please rate the importance of each factor and your satisfaction with the performance of the Agency's Account Mgt. group in that category.		
Factor	Importance	Satisfaction
Knowledge of our business/services	Choose one ▼	Choose one ▼
	7 Absolutely important	7 Extremely satisfied
	6 Very important	6 Very satisfied
	5 Somewhat important	5 Somewhat satisfied
	4 Neutral	4 Neutral
	3 Somewhat unimportant	3 Somewhat dissatisfied
	2 Very unimportant	2 Very dissatisfied
	1 Not at all important	1 Extremely dissatisfied
	0 No opinion	0 No opinion
Ability to communicate clearly and concisely both verbally and in writing	Click here -----> ▼	Click here -----> ▼
Open-mindedness (does fresh input modify their thinking)	Click here -----> ▼	Click here -----> ▼
Willingness to initiate actions (proactive vs reactive)	Click here -----> ▼	Click here -----> ▼
Adherence to timetables	Click here -----> ▼	Click here -----> ▼
Effective cost management	Click here -----> ▼	Click here -----> ▼

## SAMPLE GAP ANALYSIS

The top chart shows some hypothetical scores from the questionnaire on the preceding page. Since most of the scores fall in the upper right quadrant one might conclude that the Agency is performing quite well. However that

would be mistake as the Action Matrix in the bottom chart shows. When you focus on the Satisfaction Gaps, it's clear that the Agency needs to take some remedial action in five of the six areas being appraised.



## **GAP EVALUATION SAMPLER**

To see how this methodology might apply to your situation click <http://www.mcb-associates.com/agnceval.htm> if you're viewing this document online in PDF format. Otherwise go to the URL in your browser.

Then fill in the sample form and we will graph your responses in matrices similar to the ones shown on the following page to show you how the Gap Evaluation process could work for you.

## **PRODUCTIVITY AUDIT**

The Advertising Productivity Audit was created to help companies to optimize the advertiser/agency relationship to insure that the advertiser gets the maximum return on their marketing communications investment. It is different and better than conventional agency evaluation processes because:

It requires thoughtful mutual consideration of the fundamental issues effecting the relationship.

It reveals both immediate and long-term operational problems, and points the way toward solutions.

It provides both quantitative and qualitative bench-marks that can be repeated to measure progress.

It provides the framework for a continuing self-appraisal for all the participants.

It is analyzed and administered by an experienced, objective third-party; which guarantees anonymity for the respondents, and eliminates potential bias.

Information for an Audit is collected through the use of self-administered questionnaires transmitted and returned via E-mail or via snail mail if that's more appropriate. Participants may identify themselves by company affiliation and/or functional area, but it is not required, nor is it essential to the analysis. Completed questionnaires are returned directly to McBride & Associates and are never seen by either advertiser or agency management.

All individuals who interact directly on a regular basis with the opposite organization should be included. However those who have limited responsibilities should confine their responses to their functional areas.

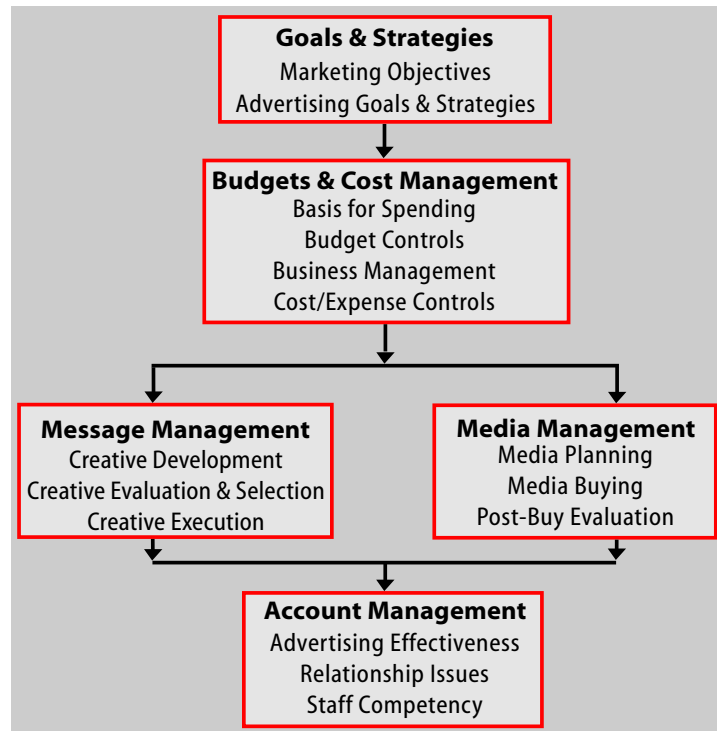
## AUDIT ORGANIZATION

The questionnaire employed can be revised and reworded as necessary to reflect the needs of the sponsoring client and the unique characteristics of their advertiser/agency relationships. The chart on the following page shows the general areas of the working relationship that most questionnaires are designed to probe.

The Audit itself consists of between 100 and 125 closed-end questions that are computer tabulated and analyzed,

resulting in concrete recommendations and timetable for improvement. The number of questions varies to reflect the differing needs of our clients, as well as differences in the scope of work performed by the agencies involved. In addition the questionnaire includes a provision for the participants to provide open-ended comments and observations where they believe it might be helpful to qualify either the question itself, or their response to it.

## AUDIT OUTLINE



## WHY USE A CONSULTANT

Why use an outside consultant?

### Objectivity

If the process is administered by a third-party with no on-going role in the relationship, respondents will be more candid even if the appraisal is not anonymous. (This enables electronic administration.)

### Sensitivity

An informed outsider can filter the responses to make potentially destructive comments more constructive. They can also add perspective by considering the source.

### Special Expertise

It takes special expertise to construct appraisals that are:

Reliable: capable of defining measurements that can be replicated in future studies

Valid: measures what was intended

Useful: does what it set out to do and strengthens the relationship rather than weakening it.

Cost Efficient: The agency appraisal process can be fairly time consuming, particularly for busy people who already have a full plate of responsibilities. Yet the agency relationship is too important to be delegated down. So when you look at the cost of engaging an outside expert that cost should be weighed against a significant time commitment from one or more senior staff members.

## WHAT DIFFERENTIATES McB & ASSOCIATES

McBride & Associates was formed in 1991 to enable companies to improve the accountability and productivity of their marketing communications relationships. We do this by providing counsel in the evaluation, selection, compensation and management of advertising agencies as well as all other marketing communications resources.

We are distinguished from our competitors by the breadth and depth of our experiences in both advertising and agency management capacities. This paper focuses entirely on our Agency Appraisal tools and techniques and how they can be applied to Incentive Compensation arrangements. Visit our web site to obtain information about our other services:

[www.mcb-associates.com](http://www.mcb-associates.com).

## OUR WORK OUR CLIENTS

Since 1991 our firm has been assisting in marketers to evaluate, select compensate and manage the full spectrum of marketing resources. Our assignments have involved:

- Mass-media agencies
- Direct marketing
- Sales promotion
- Public Relations
- Hispanic marketing
- Media buying services
- Co-op advertising
- In-store merchandising
- Event marketing
- Relationship marketing
- Exhibit management
- Fulfilment services
- Enterprise marketing management tools

Some of the advertisers we have worked for include:

- \*3Com Corporation
- \*Apple Computer (2)
- Bank of America
- Baskin-Robbins (3)
- Hasbro, Inc.
- Hewlett-Packard (5)
- Intel Corporation (2)
- \*Pacific Bell (5)
- Plantronics, Inc. (2)
- \*Qualcomm (5)
- Siebel Systems
- Silicon Graphics, Inc.
- Universal Studios Hollywood
- Verizon Wireless
- \*Visa (3)

*\* Indicates clients we have done Agency Evaluation studies for.*

*Figures in brackets represent the number of assignments.*

## ABOUT US

Jack McBride's marketing career began with five years at Quaker Oats in Product Management. Later during 15 years with DDB, he directed many memorable advertising programs for such clients as General Mills and McDonald's.

If you would like to learn more about any of the topics in this paper or about how we manage agency compensation audits covering all sorts of marketing communications resources contact Jack McBride via E-mail [jack@mcb-associates.com](mailto:jack@mcb-associates.com) or call 209-577-1464.



From 1987 to 1991, McBride was the Vice -President Advertising for the E. & J. Gallo Winery. Since 1991 he has consulted for many of the leading advertisers in the West.