Full Length Article

Collaboration and conflict between agencies and clients

Dejan Verčič[a],[*], Ralph Tench[b], Ana Tkalac Verčič[c]

[a] *University of Ljubljana, Slovenia*
[b] *Leeds Beckett University, UK*
[c] *University of Zagreb, Croatia*

A R T I C L E   I N F O

A B S T R A C T

Public relations agencies are an important part of the public relations industry, but their relations with client organizations are rarely studied. There is more literature and studies in agency-client relations in advertising than in public relations. This paper reviews literature and reports results of an empirical study into perceptions of public relations agencies and their clients on the reasons for their cooperation and sources of conflict between them. Results show that agencies mis-perceive reasons for which they are hired and the sources of conflict in the relationship. The paper offers several suggestions about how to tackle the problem: notwithstanding rebranding into consultancies and firms, public relations agencies-client relations should be studied as a particular example of a broader family of agency-client relations. Also agencies should study and strategically manage relations with their clients, while being realistic about client organization's needs – sometimes they just need additional arms and legs.

1. Introduction

The public relations industry makes around US$14 billion (Sudhaman, 2016) and employs some 3 million people. There are between 7000 and 10,000 public relations agencies in the US (Wilcox & Cameron, 2014) and probably even more in Europe and around the world – van Ruler (2009) reports that in the Netherlands alone there are approximately 11,500 public relations con-sultancies, although three quarters of these are one-person operations. Wilcox, Cameron, and Shin (2011) quote *PRWeek* estimating that the relative majority, with over 40 percent of all public relations practitioners in the US, works in agencies. Yet, it is surprising that in contrast to advertising as a discipline of study, agencies are an understudied topic in public relations research.

This study focusses on public relations agencies, more specifically, on relations between agencies and their client organizations in Europe: how they perceive reasons for collaboration and important sources of conflict.

2. Problem statement

Twenty-five years ago Pincus, Acharya, Trotter, and St. Michel (1991) noted that "although the target of much speculation, the subject of agency-client conflict is void of systematic and empirical research" (p. 152). In their exploratory study they asked a question, *"What are public relations agencies' and their clients' perceptions of the major issues of conflict in their professional relationships?"* (p. 154). Unlike in advertising research, not much has been investigated in public relations on how public relations agencies col-laborate and why they end up in conflict with their client organizations.

Public relations is a fast growing, yet turbulent industry. Notwithstanding periodic financial and economic crises, public relations

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* Corresponding author at: University of Ljubljana, Faculty of Social Sciences, Kardeljeva pl. 5, 1000 Ljubljana, Slovenia.
 E-mail address: dejan.vercic@fdv.uni-lj.si (D. Verčič).

has been experiencing over a century of strong growth. It is probably much bigger than US$14 billion has been estimated by the *The Holmes Report* (in Sudhaman, 2016), to which The USC Annenberg Center for Public Relations (2016) *Global Communications Report* estimates a 25 percent growth in the next five years – to US$19.3 billion. The UK Public Relations Consultants Association (PRCA) estimates only the UK public relations market to be worth UK£10bn (Waddington, 2016). Because of this stellar growth, *regan.com* writes about public relations as an "employee market" with median salaries of US$130,000 for those working in-house, $84,500 in PR agencies, and $68,000 in non-profit organizations (Strong, 2016). Yet, in the words of Waddington (2016): "Public relations is an anxious, insecure profession." On one side, many public relations agencies differentiate their place in the market from advertising agencies by rebranding themselves into consultancies or simply firms (more on that below in the literature review). On the other side, since the mid-1970s, the majority of the largest public relations agencies have been bought and integrated into multinational marketing conglomerates, with the largest of them, the Omnicom Group and WPP Group, each having annual revenues of over US$10 billion, and the first owning multinational public relations agencies Fleishman-Hillard and Ketchum and the second Burson-Marsteller and Hill & Knowlton (Wright, 2013). Already these two processes, rebranding to differentiate from advertising on the one side and integration into marketing conglomerates on the other, cause anxiety and insecurity. All this puts additional pressures on the relationship between agencies and their clients, which is always dynamic. Research doesn't inconclusively point towards the factors that shape this relationship. There is a multitude of reasons why both sides in this relationship show higher or lower levels of satisfaction. Additionally it seems that elements of the relationship that are most important to clients do not match the perception of agencies. The main aim of this study therefore is to critically examine reasons for hiring public relations agencies from the perspective of clients as well as from the perspective of agencies and to analyze their agreement when it comes to sources of conflict between communication departments, clients and agencies.

3. Literature review

It is amazing that although public relations agencies form a substantial part of the public relations industry and are huge employers of public relations practitioners, many, if not even the majority of public relations textbooks rarely explicitly deal with them. Those who do, note that beginning in the 1980s, "many 'public relations agencies' changed their titles to 'public relations firms' (Broom & Sha, 2013, p. 85) to communicate to the market their move away from publicity to counseling and to differentiate from advertising.

The Encyclopedia of Public Relations (Heath, 2005) and *The Handbook of Public Relations* (Heath, 2001) both contain entries on public relations "agency" (Hinrichsen 2001; 2005), with an additional explanation that

> Some companies prefer to use the term firm to denote their emphasis on counselling and strategic planning and to differentiate themselves from advertising agencies. Public relations is a management team concept that the term agent or agency doesn't imply. Many, though, use the terms interchangeably

(Hinrichsen, 2005, p. 685)

Lesly's Handbook of Public Relations and Communications (Lesly, 1998) writes only about "public relations counsels", while Morley in *The Global Public Relations Handbook* explains:

> The description "public relations agency" today is suitable, but still less than accurate, for the majority of firms. While there are a number of people practicing as consultants only (they do not engage in the practical implementation of the advice and strategies they recommend), the majority of public relations companies are both consultants and agents. This is the reason why, together with the original ad agency public relations divisions, the public relations agency is usually referred to as "the agency".(p. 865)

Verčič (2012) distinguishes three types of public relations companies: agencies, public relations firms and public relations consultancies. Agencies are primarily concerned with media relations, firms with arms and legs, while consultancies sell expertise. "They all service enterprises, but they are different in who they are, what they sell, and how they do it. Agencies primarily sell experience, services sell efficiency, and consultancies sell expertise. Agencies have publicity cultures, services have business cultures, and consultancies have professional cultures." (p. 246) His theoretical essay has never been empirically tested.

Within public relations literature there are suggestions of a myopic rivalry between public relations and advertising in which the first one subsumes the later to a tactical contributor, while assuming a strategic level for itself: "Because of the counselling function, we use the phrase *public relations firm* instead of *agency* throughout the book. Advertising firms, in contrast, are properly called *agencies* because they serve as agents, buying time or space on behalf of a client." (p. 84) A brief overview of recent advertising textbooks could show that too many authors in the public relations field know too little about contemporary advertising, which can be as strategic as any other communication discipline and from which public relations can learn a lot (c.f. Belch & Belch, 2012; Shimp & Andrews, 2013). In difference to the scarcity of research in agency-client relations in public relations (notable exceptions are Bourland, 1993; Hou, 2016; and Pincus et al., 1991), in advertising theory and practice agency-client relations "became a major area of study" (Waller, 2004). But this is not the only reason why the literature review continues with works mainly from advertising. Bourland (1993) studying literature on public relations agency-client relations noted that conflict issues for public relations agencies parallel those for advertising firms as reported in the advertising agency literature.

The term "agency" in management literature entered management language in the 1930s as a study of owner's (principal) dependence on management (the agent) who is supposed to operate in the best interest of the principal (Berle & Means, 1932). Out of this inherent problem of modernity (our general dependence on all kinds of experts to which we trust our interests) in economic theory developed a "general theory of agency", and research in "agency-principal relationships" or "agency-client relationships" "has