It came as a shock to Madison Avenue in the late 1980s when a British financial whiz named Martin Sorrell came for two pre-eminent American advertising agencies, embarking on hostile takeovers of J Walter Thompson and the Ogilvy Group on his way to forging a global empire.

Almost three decades later, Sorrell was again at the centre of another earthshaking moment for the industry. A little over a week ago, WPP announced that Sorrell had abruptly resigned as chief executive, a position that, he told Ken Auletta of The New Yorker last year, he intended to keep "until they shoot me."

Sorrell's exit would be a big deal in the ad and media worlds at any point—the bombastic 73-year-old known as Sir Martin was one of England's highest-paid executives and was seen by many in the industry as a sort of oracle. But the circumstances of his departure have amplified the attention. Early this month, in announcing an investigation of Sorrell, WPP's board said it was looking into "an allegation of personal misconduct," and Sorrell, in denying it, said that it involved "financial impropriety."

Then, less than two weeks later, the company announced his resignation. In its statement, WPP said that its investigation had ended and that "the allegation did not involve amounts that are material." Sorrell has declined interview requests since then.

Whatever the details behind Sorrell's departure, his removal from his powerful perch has set off an intense debate about the future of the advertising business. Sorrell had come to represent the era of conglomerate-building that followed the boozy, lavish days of "Mad Men," but the industry now faces questions about the role of such huge holding companies in a rapidly changing marketing world. WPP's shares have plunged in the past year amid questions about its growth, and the company recently reported its worst annual sales since the financial crisis and cut its forecast for the year.

"I don't know the facts behind the investigation," said Dave Morgan, the founder and chief executive of Simulmedia, which works with advertisers on targeted television ads. "But I suspect that if WPP was on the verge of rekindled growth, Martin would have had the wind at his back and might have fought much harder to stay, and the board probably would have taken much more time to force his hand."

WPP is a colossus. It owns more than 100 marketing and communications firms—including the likes of J Walter Thompson and Ogilvy, as well as Y&R and Hill+Knowlton— and has roughly 200,000 employees making ads for companies such as Ford Motor and Dell. It is the biggest of five advertising holding companies that control a significant portion of the world's advertising, marketing and communications firms. The others are Omnicom and the Interpublic Group in the United States, the Publicis Groupe in France and Dentsu in Japan.

The emergence and expansion of these companies represented a shift in power from advertising's creative whizzes to financial minds like Sorrell. The idea, he told The New York Times in 1989, was essentially that the entrepreneurs who had built marketing firms were not suited to manage their money, which is where WPP came in. (The piece, headlined "Brits Buy Up The Ad Business," lamented that the United States, which had already lost ground in cars and electronics, "no longer even corners the market in hucksterism.”)

“The genesis of WPP was a reaction against the indiscipline of the ‘Mad Men’ days,” said Tom Doctoroff, chief cultural insights officer at Prophet, a consulting company, and the former chief executive of J Walter Thompson Asia-Pacific. “The time was right for that discipline to be imposed, and there was success after success at turning around financially sloppy operations into much more tightly managed ships.”

But that has changed in the past decade, Mr Doctoroff said, as digital platforms and publishers have expanded, which “called into question the utility of the holding company as the entry plank into brand-building.” He added: “The fundamental question is not if holding companies are going to survive. The question is what reforms and structure are necessary in order for them to thrive in the future.”

As ad holding companies like WPP have focused on managing the costs of the myriad agencies they own around the world, some industry experts say talented people have been jettisoned. And, they say, the sheer size and complexity of the companies has been a particular challenge when trying to be responsive to clients’ needs in an era of profound change.

In the past 15 years, chief executives at agencies have struggled with pricing pressure, bigger workloads and defending their relationships with major brands, as the rise of digital and social media has pitted them against an ever-increasing number of specialised firms, said Michael Farmer, a consultant for agencies and the author of a book about the industry’s changes called “Madison Avenue Manslaughter.”

“What they have done is say, ‘how high’ when asked to jump by holding company owners,” Farmer said. “They’ve downsized when they could not make profits any other way, which was most of the time. They shed their most expensive, valuable people.” As a result, he said, “they are weak and they can’t deliver decent advice.”

But Brian Wieser, a media analyst at Pivotal Research, said that he did not see a larger message about the state of holding companies in Mr Sorrell’s exit.

“I would argue that if WPP were an American company with a more subservient board like many American companies, you probably wouldn’t have seen meaningful traction around the idea of Martin losing his job, for better or for worse,” he said. Still, he said that WPP has had issues with managing its sprawling resources, pointing to the company’s loss of AT&T to its rival Omnicom.
