

Reorganizing from the Outside In

Aligning with Customer Expectations: A Case Study

By: Richard Spoon, CEO

Introduction/Business Situation

Avery Dennison is a global leader in pressure-sensitive technology, self-adhesive materials and self-adhesive consumer and office products. When confronted with the realities of a slumping economy, the Graphic/Reflective Division of Avery Dennison took a unique approach to align its resources specifically to the needs and expectations of its customers. This “right-sizing” strategy differs from traditional corporate reorganizations that typically establish organizational charts first, then force work streams to adapt to the new structure before pushing the finished product or service out to market.

Rethinking market strategy

“The goal was to restructure the organization to ensure they were doing everything possible internally to best meet customer needs; if we saved money along the way, all the better,” says Richard Spoon, CEO ArchPoint. “We started by identifying customer groups and their expectations. From there, customer needs were aligned with the different functional groups – customer service, frontline sales, marketing, finance, accounting, supply chain, etc. – that deliver that expectation.”

The users of Avery Dennison’s products include agencies/designers; applicators; distributors; end users (brand owners, mom and pop shops, OEMs); government; job converters; OEM alliance partners; and professional converters. These customers’ needs revolved around ease of use, peace of mind, consistent product quality, global supply chain, technical support and a few other items.

In Avery Dennison’s case, customers were further classified as strategic, developmental, tactical and transactional based on sales value, profitability and potential growth. This segmentation helped redefine the level of support and prioritize company resources in a manner to best service the various accounts. Once the organizational function was properly matched with the appropriate expectation, ArchPoint also examined *how* products were delivered for additional areas of improvement.

Core processes were rethought and redesigned by linking them to a role within the Avery Dennison organization. ArchPoint evaluated the individual skills and competencies required to do the work, as well as the decision-making protocols, reward and recognition programs, and evaluation metrics at each step.

Creating greater customer value

Avery Dennison, as with many companies, had previously been a product-focused organization. However, this approach created confusion, i.e. multiple sales people representing different product lines often called on the same customer. ArchPoint helped them shift to a global market-segment focus by: combining some selling divisions to leverage synergies and efficiencies; increase the span of manager control so more employees were covered by each manager; reduce travel and administrative time needed to cover external customers; streamline sales preparation by standardizing marketing tools and materials; and reduce overall organizational complexity by creating portfolios organized by market segment.

"Smaller customers were also shifted to internal sales, and low-volume/low-value customers were moved to distributors. At the same time, third-party management skills were greatly improved which upgraded the quality of customer touches by each sales person," says Spoon.

Omar Hoek, director of Global Marketing, Luxemburg, adds: "ArchPoint drove us to look at what was important from the customer perspective. It was very interesting looking at the company from the outside-in, and it helped us gain a greater appreciation of the priorities within different markets. Most importantly, the lessons learned through this exercise allowed us to deliver better value to the customer in all areas from pricing to communications and customer service."

Strategy is only good as its execution

The year-long project was devoted equally to the design of a more efficient organization and implementation of the new blueprint. ArchPoint helped train personnel on the company's new roles and ownership responsibilities, standardize tools and processes, establish internal and customer planning methodologies, and create standard selling processes.

Hoek says Avery Dennison is now a more centralized, more global, more segment-focused organization. The restructuring was a rigorous process that was led by strong middle management (rather than senior management) who served as trusted ambassadors and added credibility to the effort. A great deal of discipline was required to keep the organizational design activity focused around the customers.

"In many ways, the global recession made us more creative in our thinking and helped us prioritize and understand the need for change," Hoek adds. "Strategy is only as good as its execution; if capabilities aren't aligned and the new strategy isn't clearly communicated, it won't work."

This rightsizing exercise also underscores a common ArchPoint mantra: The belief that the relationship with your customer is your most important asset is wrong; it's the relationship with the RIGHT customer that is your most important asset. The key is knowing which customers are good for your business and which customers are not. Segmenting your customers to know the difference and then aligning your organization to deliver on those customer expectations ensures success in the market.

Key Insights to Creating a Successful Market-Centric Organization

1. **Know customers' expectations** to deliver better value in all facets of the business.
2. **Successful organizational redesigns focus on the work that needs to be delivered.** The appropriate internal function, skills and capabilities can be built only after the work is properly defined.
3. **Hard economic times offer an opportunity to think creatively** about your customers, their needs and your organization's capability and structure to deliver.
4. **Champions contribute to success.** If advocates are respected, support for change will be stronger.
5. **The relationship with the right customer is a company's most important asset** and aligning your organization to win with those customers is critical.