

## Solutions Success Story

### How Avnet Applied Change Management Principles to Make the Transition from a Products-Based Company to a Solutions Company



**AVNET**® We recently conducted a poll and asked what the biggest challenge in moving from a product-oriented business focus to a more customer-centric, solutions oriented approach was. I was surprised that an overwhelming percentage of the respondents selected “managing the cultural and behavioral change” as the thorniest change that they had to make.

“I’m not surprised at all”, said Steve Church, Chief Business Development Officer at Avnet, Inc. “As I look back, I think Avnet’s biggest learning in our movement from a products distribution company to one that also offers solutions was not realizing that it was first and foremost, a major change management initiative.”

Avnet is a great example of how a company can apply change management processes to ensure that the new offer development methods, the solutions-oriented go-to-market strategy, and the more consultative solutions selling methods are permanently embedded into the organizational operations and business model. The company has moved from a pure electronics distribution company in the early 2000’s to a more diversified company that now generates nearly significant revenues from its services and solutions offerings.

#### ***The Decision to Build its Services and Solutions Capabilities***

Avnet faced many of the same business pressures that other large, product-based companies have had to deal with -- the bursting of the technology bubble, the continuous commodization of their product portfolio that has led to fierce, unrelenting price pressures, and growing pressure from its more than 100,000 customers to offer more value than what they had in the past.

Once the decision was made to change the corporate business model and create a real solutions capability, Church immediately recognized the culture and behavior challenge. He needed a framework, a model by which he could get the entire employee base of the company adopting and supporting the changes that were in store.

#### ***The Prosci® ADKAR® Model***

After considering several options, Church brought in Prosci®, Inc., a company that specialized in change management. Avnet applied the Prosci® ADKAR® Model – Awareness, Desire, Knowledge, Ability, and Reinforcement®. He attributed the change management process that was applied as the core reason for the success of their overall solutions strategy.

By breaking the change management process into 5 distinct phases, Avnet was better able to handle the overall transition. Once Avnet understood what activities and

objectives comprised each phase, it was important that they understood how to move from one phase to the next:

1. *Awareness* – “Awareness is created by explaining to your employees why you are making the change, as well as what will change and what will stay the same,” Church said. “Your employees need to understand how the change will affect them, and why it is necessary. If they don’t believe you are a company that can understand customers’ problems and provide solutions, you will never get your customers to believe it.” Two key success factor in creating broad and deep awareness was having strong executive sponsorship for the program, and using an external third party that had experience in doing this.
2. *Desire* – There were two keys to moving the employee base from awareness to desire. First, Avnet had to paint a picture of what would happen if the company didn’t make the change. There needed to be a realization that, even though it wasn’t immediately obvious, the company was on a “burning platform” and had to act. Secondly, everyone wanted to know how the change was going to impact them personally. They had to address the “what’s in it for me” issues. Church and his team needed to clearly articulate the compelling reasons to make the transition.
3. *Knowledge* – Once the organization understood the need – and personal benefits – of making the transition to solutions, Avnet was then in a position to impart the knowledge necessary for them to begin the shift. By creating the awareness and desire first, the employees were creating the pull -- asking how they can be part of the process and what knowledge they’ll need. Church’s team provided them with knowledge guidance that they were asking for which was how to:
  - Better understand their customers’ needs, as well as the needs of the customers of their customers
  - Apply value-based selling techniques
  - Position Avnet against its competition

Once it was clear what the employee base needed to make the transition, and there was an internal demand from them for the knowledge, the company built out the systems that gave them the knowledge that was necessary.

4. *Ability* – Once the knowledge systems were in place, Avnet then focused on developing the new skills that were required to align with the solutions model. Some of these skills included consultative selling, collaborative solutions offer development, improved market and customer segmentation, and a shift to a more pull-oriented marketing program with strong messages about addressing real customer needs.
5. *Reinforcement* – Rolling out the new program or initiative was only the first salvo in the battle to change the company. All of the significant initiatives took constant and unrelenting re-enforcement. Avnet used a number of tactics:
  - Aligning pay and incentives – Avnet realized that the most effective lever it could pull to get everyone committed was to address the “what’s in it for

me?” issue and change the compensation and incentive plans to better align with the strategy. At the end of the day, Church stated, this was likely the single-most critical action they made in the transition to solutions a success.

- Providing customized training – There was a need for training to be delivered over a long period of time that accurately and precisely met the new skills and competency needs of the workforce – especially the salespeople.
- Providing coaching and mentoring – As with the training, this has been a never-ending process. The key was that they systemized it and aligned it with the monetary incentives instead of it being an ad hoc program.
- Communicating solutions success stories – By providing a steady flow of customer testimonials and success stories that demonstrated how Avnet’s solution impacted their business, the employees commitment to the solutions model continued to strengthen. It was also important that Avnet showed how much their solutions increased the ROI of both Avnet as well as its customers.

### ***Learning from the Avnet Experience***

Reflecting upon the change management initiative that Avnet put in place, I’d like to suggest several takeaways:



1. Follow a formal, systematic process to manage the change that is desired. Change doesn’t just “happen” – it needs to be approached methodically, thoughtfully, and with deep commitment and discipline.
2. Involve employees from all levels. Leaving out middle management was a big mistake that Avnet made, for example, which is often repeated in many other companies. The strongest signals of commitment and importance that the employees receive typically come from their managers. If the middle managers don’t lead by demonstrating that they’re 100% on board, their employees will not follow.
3. Be prepared to retool marketing. Product marketing is often driven by mass marketing programs. Solutions marketing, however, requires deeper customer knowledge and customization. The marketing team will

need to learn how to move from programs that market to everyone to programs that market to individual customers.

4. Take the long view. It took Avnet the better part of a decade to get to the point where it felt that it had turned the corner and would not slide back into a product-based business mentality and model. While we've seen some companies that have been able to make the transition in 1-2 years, most companies with revenues of more than \$1 billion need at least a few years to embed all of the solutions changes into the organization.

As we saw at Avnet, moving to solutions doesn't just happen. It's usually a hard, slow process. But as all of the companies that have successfully made the transition will tell you – including Avnet – it's worth the effort. And, more importantly, in many cases you won't have a choice – your best customers will bid you a fond adieu if you don't!

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