



Franke Group North America

"This MRI tool was a game changer for Franke and me personally."

-Charles Lawrence, GM Franke Group North America

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Introduction

Most companies will find themselves out of step with customers at some point. Some will maintain the course. Others (the successful ones) will adapt to their environment and find new paths to success. This case follows such a company. Increasingly out of touch with its customers and silo-ed internally, Franke Kitchen Systems USA used the Market Responsiveness Index™ (MRI) tool to take a hard look in the mirror, own its shortcomings, and transform the way it does business.

Setting

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Franke Group, a \$3.5 billion global company headquartered in Aarburg Switzerland, is a world leader in stainless steel kitchen systems (i.e. sinks, faucets, taps). Its N. American operations, Franke USA, has traditionally positioned itself at the luxury-end of kitchen systems.

Charles (Charlie) Lawrence, CMO of Franke USA, joined the company just after the housing market had peaked in 2006. A year later he was under tremendous pressure. The recession was underway and there appeared to be no bottom to the housing decline. During the boom times, the luxury end of the market had expanded from a 5% share to 10%. As the housing market shrank, the luxury share plunged back to the traditional 5% share.

Problem

By late 2008 Charlie was recalling the old saying “A rising tide lifts all ships.” Franke USA sales had grown rapidly during the boom years. But as the market shrank he realized that his organization had become very inwardly focused. A culture had emerged of “we make really good stuff and we go sell it.” And

because they made really good stuff, for many, many years that was enough. But Franke USA had lost touch with the market. Charlie came to see that “as an organization we forgot that what originally set us apart from our competitors was a deep understanding of customer needs, superior service and superior products. As the tide was going out, it was exposing all sorts of hazards that threatened to sink our business. We had lost our way.”

Franke's previous management began cutting staff and restructuring in response to the downturn. Unfortunately, many of the decisions had the unintended effect of driving profitable customers to other suppliers. Charlie recalled, “We're a luxury products business, but under previous management the first thing we cut were \$35,000-a-year customer service people. That's what I call stepping over dollar bills to pick up pennies. The same mistakes were made in the warehouse. Because of cut backs we weren't shipping orders as quickly as our competition, and sometimes the quality of the shipments weren't what they should have been. These decisions reduced sales and increased costs. Because we had too few customer service people to take orders in a timely fashion, customers stopped calling us. Because of shipping mistakes, we incurred costs to correct the problems and make it up to the customer.”

Franke's problems were clear for all to see, but there were different views among the management team as to their root causes. By late 2008 Charlie was looking for a tool that would reveal what was going wrong inside Franke USA. He wanted something concrete that would help him clearly demonstrate the cause of the organization's dysfunction.

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Solution

In early 2009 Charlie engaged MarketCulture Strategies to benchmark Franke USA's market-driven behavior using the MRI assessment tool. He wanted an independent yardstick that would show the organization's strengths and weaknesses. He had all employees complete the online survey.

Several weeks later Charlie had the MRI report on Franke USA. In some ways it was good and bad news. Good in that it confirmed his suspicions about the organization. Bad because they were weaker than even Charlie had imagined. The organization was weak in all seven behaviors linked to market-driven decision-making. They focused very little on customers, knew little of competitors, were silo-ed, and misaligned.

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Action

Charlie used the MRI results to help the organization hold a mirror up to itself. "The MRI simplifies the issues and makes them tangible to a large organization. The feedback [in the MRI report] came directly from every single employee in the organization, it was not just another management idea or something one of us picked out of the latest book on the market." Charlie shared the results with every employee, warts and all.

One of the first steps was to augment the functions that create value for customers and result in profitable sales for Franke: customer service and adequate warehouse staffing.

Charlie was promoted to general manager in the second quarter of 2009. "I started to immediately try to change our culture and get the organization focused on the customer. We started initially with the

internal aspects of how we worked, aligning all employees to a cohesive strategy and ensuring they interact and work effectively across boundaries. Then we made sure everybody in the organization understood what the customer wanted, what their expectations were, what the competition was doing, and really using that to begin to create a new market-focused culture.”

Results

“We finished Q1 with revenue up 16% and EBITDA double 2009. We are off to a good start in a tough environment.”

According to Charlie: “The economy hasn’t changed much since we started all this. But we finished Q1 [2010] with revenue up 16% and EBITDA double 2009. We are off to a good start in a tough environment.”

Charlie plans to run the MRI throughout his organization again in the second quarter of 2010.