

Compensation Redesign at Avery Dennison Corp.:

a Q&

For most people, Avery Dennison is synonymous with binders, labels and other office and school products. But the Fortune 500 manufacturing company, which employs 34,000 people globally, also specializes in adhesive products for retail and commercial use.

In 2005, Greg Lawler joined Avery Dennison as its vice president of compensation and human resources information system. The next year, the company initiated an ambitious HR redesign effort to streamline its service delivery model. An immediate outcome was to consolidate the global compensation function under Lawler's leadership.

Lawler brought his global team together to assess its talent, start the team-building process and create a guiding vision for the compensation function. The team united around a total rewards framework — one that promotes global and pan-regional

By Bertha Masuda, Vivient Consulting

QUICK LOOK

- ➔ Avery Dennison has compensation specialists linked to each of its business groups, and has established a regional compensation and benefits structure in Asia Pacific, Europe and Latin America.
- ➔ Wherever possible, Avery Dennison's compensation department integrates its messages with those that come from the business and HR departments.
- ➔ Not all of Avery Dennison's employees' situations are similar, so the company looks for ways to tailor its programs to employee needs while controlling costs.



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consistency, but also gives local markets the flexibility to adapt to specific regulations, practices and cultural norms.

Soon after, Lawler retained Bertha Masuda and Susan Schroeder, partners at Vivient Consulting, to identify and frame the critical issues. The Vivient team managed the first phase of a multi-year redesign project, which included cataloging the company's numerous pay plans and automating the merit and bonus process for U.S. employees. Buoyed by the success of the first phase, Lawler and his team forged ahead with subsequent work phases. (See Figure 1.)

Here, Bertha Masuda returns to Avery Dennison to talk with Lawler about the work his team has accomplished since Vivient's initial involvement.

Q&A

Bertha Masuda: It's been a few years since we worked with you on the first phase. Avery Dennison's compensation

process looks much different now than it did when we began. Can you describe the process before and after the redesign effort?

Greg Lawler: Well first of all, it doesn't feel like it's been a few years since we last worked together, probably because the guiding principles and objectives we jointly developed still influence our work. Before, our compensation function below the executive level was decentralized, working autonomously within each of the business units. It was also a manual, reactive, spreadsheet-driven process, making it a prime candidate for improvement. Avery Dennison started out as an entrepreneurial venture, so each business unit stood on its own. The old adage was "good luck — and send money back to corporate." However, as the company matured, it made sense to standardize processes and establish a common platform for the next phase of growth.

Today, we have compensation specialists linked to each of the business groups, and we've established a regional compensation and benefits structure in Asia-Pacific, Europe and Latin America. This structure promotes global standards, but also enables local practices. In addition, many of the transaction-based processes, such as merit and bonus recommendations and benchmarking, are automated and streamlined. Our team can now provide more value-added services, such as

designing sales incentive plans, implementing employee education/awareness efforts, and improving data collection and metrics.

BM: You and your team received a lot of internal support for your initiatives during the past few years. How did that happen?

GL: We've received support from all levels of the organization. Since our efforts dovetail with the other changes taking place within the company, we have support from the CEO and the head of human resources. The vice presidents of human resources for the business units also play important roles. We prepare a one-page summary of each initiative to help them understand the objectives, deliverables and action plans. They can then help us cascade the projects throughout their HR teams and the businesses. As a result, we get feedback from many people on what works and what doesn't. It takes a lot of time and coordination, but it's worth it. We find that everyone who participates gets invested in making the project a success.

It also helps that we've broken down the broader total rewards vision into manageable phases. When we first started, we focused our efforts on automating the merit and bonus processes for our U.S. employees and getting that done right. Success on that initial project made it easier for us to generate support for the next phase of work.

BM: When you started this process, there was a lot of flux to the compensation team. You were new to the company, several long-time compensation team members left and you recruited new staff. How did you build the teamwork that was required?

GL: Initially, we came together as a team around a set of guiding principles. Since then, because of the workload and time pressure, we've needed to function as a team to deliver on the administrative processes and

FIGURE 1: AVERY DENNISON: A TOTAL REWARDS MULTIYEAR REDESIGN EFFORT

2007	Automate the merit and bonus process for U.S. employees using a Lotus Notes Database.
2008 and 2009	Implement global leveling and benchmarking.
2009	Automate the equity grant process for executives.
2010	Standardize merit and bonus processes for employees around the globe.

initiatives. As you know, nothing brings people together like a crisis. But we also make sure that we enjoy what we do and celebrate our successes.

Communication is especially important for our team since we are dispersed geographically. Every two weeks, we have a standing team call to provide business updates, discuss projects and learn about other initiatives going on around the company. We also have an open communication policy, which means we talk regularly through calls and e-mails. In addition, we assemble the global team at least once a year. Last year we met in Turnout, Belgium; next year, we hope to visit one of our Asian facilities.

BM: It is remarkable how quickly you and your compensation staff accomplished the initiatives without the help of outside vendors. How did your team members manage to perform their day-to-day duties while working on these initiatives?

GL: Vigorous prioritization is the most important discipline we have taken on. We have identified a couple of key initiatives — and have stayed with them until completion. In addition, during our busy season — the annual compensation administration process — the initiatives are stopped or slowed so that we can execute the administrative process. This allows us to continue to serve our clients and to reflect on how to improve the initiatives we'll restart once the administration process is finished.

We staff our initiatives so that the most experienced person leads the effort, which gives the other team members a learning opportunity. For example, one of our senior compensation managers is the lead for our benchmarking and leveling project. She set the direction for us to follow and then we set the team loose. As part of this project, a couple of our analysts have traveled to Asia and Europe to

support our regional team efforts.

In addition, from time to time, we've supplemented our core team with people from other departments.

BM: What was your communication strategy?

GL: Wherever possible, we integrate our messages with those that come from the business and HR departments. That way, we are able to build broader awareness and support for our initiatives. This has been particularly true as we reinforce the company's pay-for-performance culture. So far, we have highlighted how the pay program supports the company's strategic objectives, and have collaborated with the talent management team to strengthen the link between an employee's performance and his or her pay. In addition, we have used a high-tech, high-touch approach, supplementing webinars, e-mails and conference calls with road shows.

BM: How has today's business environment affected the pace and nature of the initiatives?

GL: Without a doubt, the economic and business downturn requires our team to quickly adapt and make changes to our priorities. Our key initiatives remain in place, but at times, we've had to modify our day-to-day activities to support the company's cost-reduction and cost-containment efforts, which have short timelines and require complete discretion. However, I believe we've successfully kept pace, which is a tribute to my team.

BM: What has been the feedback from your team and the business units about the whole process?

GL: It's very encouraging that the business sees the value of our work. For instance, as we complete the global job-leveling initiative, we have a better understanding of our employee base. As a result, our business leaders are asking us how to use this information to make better pay- and business-

related decisions. We not only see pay-related issues, but also workforce-planning opportunities to fill skill gaps in critical areas.

I'm very fortunate to have this team, and it's great to see them get the recognition they deserve.

BM: So what's next on your to-do list?

GL: The to-do list includes executing next year's compensation administration process and proceeding with the next phase of benchmarking — establishing global incentive levels and exploring ways to provide more choice for our employees. Not all of our employees' situations are similar, so we're looking for ways to tailor our program to their needs while controlling costs.

We're also excited about the standardization of the global compensation administration process that we are rolling out for 2010. This is the first step toward automation — and toward greater alignment with performance management and succession planning efforts. 

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