Driving Successful Change at Nokia Siemens Networks

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Persevering through initial setbacks and resistance, and then the pressures of an economic recession, Nokia Siemens Networks teamed with Accenture to drive successful business change that reached into every aspect of the company: processes, systems, learning, communications, leadership and more.

By driving successful change with more pace, certainty and predictability, this work has played a major role in helping the company achieve its strategic goals for growth, while improving customer focus and global consistency. Helping Nokia Siemens Networks to avoid the kinds of performance degradation often experienced by companies going through post-merger integration, the change program has contributed to a corporate turnaround and remade the business into a strong and yet flexible organization, one that is more comprehensively change-capable.

The result of the merger of two business units of Siemens AG and Nokia, Nokia Siemens Networks began operations in 2007. Yet, achieving success following the merger depended on blending the two organizations into a unified business with a common mode of operations and culture, and a single operating platform: one company approach with global tools and processes, one global portfolio, one common backbone and one value chain. That meant significant changes to longstanding processes and the way people worked across 150 countries.

Working with Accenture, Nokia Siemens Networks has successfully executed an accelerated, complex program of change following the merger that created the company—helping to secure the business case for the merger and fashioning a more effective and agile organization capable of performing in new ways.

About Nokia Siemens Networks

Nokia Siemens Networks is a leading global enabler of telecommunications services. With its focus on innovation and sustainability, the company provides a complete portfolio of mobile, fixed and converged network technology, as well as professional services including consultancy and systems integration, deployment, maintenance and managed services. It is one of the largest telecommunications hardware, software and professional services companies in the world. Operating in 150 countries, its headquarters are in Espoo, Finland.
Introduction

In the hypercompetitive communications and high-tech industry, dealing with technology, business and marketplace change is never easy. Add to that the challenge of merging two strong entities into an even stronger one to compete more effectively, and you have the situation faced by Nokia Siemens Networks.

Formed in 2007 as the result of a joint venture between Siemens AG’s COM division and Nokia’s Network Business Group, Nokia Siemens Networks is now one of the largest telecommunications hardware, software and services companies in the world—with more than 70,000 people in over 150 countries. Nokia Siemens Networks’ journey to drive consolidation and integration across two very different, complex organizations provides important insights for companies today in how to develop an agile change capability to underpin and support new business strategies.

As the company discovered, creating a new business strategy is only a small part of the overall journey; the larger part is putting in place the organizational structures, systems and platforms, processes, leadership capabilities and learning opportunities that help the company and its people perform in new ways to actually execute that strategy.

The scale of business change was enormous: consolidation of processes across 150 countries, deployment in eight geographic regions, alignment of six key global programs and changes to the company’s entire extended value chain—from offer to order to delivery and production, on through service, invoicing and cash collection.

The executive vision for post-merger integration was clear: it was to be one company with a unified value chain, a single technology platform and mode of operations, and common tools, systems and technology portfolios.

Much was riding on the success of the consolidation program; indeed, it is no exaggeration to say that the entire business case for the merger depended on successfully managing a multi-year program of organizational, process, cultural and technology unification.

Process and IT Consolidation

When the newly formed company launched operations in April 2007, more than 100 enterprise resource planning (ERP) systems were in place across its global locations, as well as disparate processes and operations across sales, finance and supply chain.

Nokia Siemens Networks executives recognized that, to achieve the business case of the joint venture, an immediate priority was the consolidation and integration of IT platforms and processes. Non-standard systems were significantly interfering with normal business operations. At the beginning of the merger, everything required a double effort, because there were multiple logistics chains and IT systems for everything. Simply processing a customer order was an arduous task, because a customer team would have to check which parts of the order were from the ex-Nokia portfolio and which from the ex-Siemens portfolio, then enter different parts of the order into different systems.

The challenge was much more than simply consolidating two systems. For some time, local sites had operated with autonomy in creating IT systems, business processes and modes of operations, resulting in issues with standardization and compatibility across multiple areas. So the IT consolidation was enormously complex, and required identifying the full scope of the legacy environment, then putting in place a migration plan to bring all systems together under a global platform.

The scope of the program launched in 2007—called “Process and IT Consolidation”—was daunting: implementation of a common IT platform and one mode of operations by consolidating the company’s processes and systems end-to-end—from “quote to cash.”

More than 1,000 people were assigned full-time to the consolidation program, working in five areas: offering and configuration, sales order management, supply end, demand supply planning and master data. The consolidation program was planned in phases, with rollouts scheduled by geographic region.

Organizational Challenges

Executives were also aware that the challenge was more than technological—that it involved harmonizing not only IT platforms but also structures, management styles and ways of working. The joint venture brought together companies with several incompatible operating models in existence across two global footprints. For example, Siemens AG’s COM division was primarily decentralized, with many national and regional differences in terms of systems and processes. Nokia Network Business Group operated on a more centralized basis, with standardized processes across its global footprint, supported by a common IT platform which emphasized standardization and transparency.

The two cultures were different as well. Nokia’s heritage was in the device manufacturing business, while Siemens was oriented to services and broader customer solutions. Companies with those different
perspectives often do not share the same attitudes toward the customer. In addition, Siemens had been more hierarchical in its structure, so employees needed to adjust to the less formal working culture of Nokia Siemens Networks, with open offices and a new tradition of addressing colleagues informally at all levels. Such cultural differences need to be explicitly addressed so they do not impede the ability of the merged teams to collaborate.

Although the broader challenge was apparent to company leadership as it set its plans for moving ahead, a radical change in the organization structure—one aimed more at transforming processes and structures—was thought initially to be too much for employees to handle all at once.

Leadership was hopeful about the prospects for the Process and IT Consolidation program, however, and set a very aggressive implementation timeline of two years.

Early Signs of Resistance

The complexity of the consolidation program was evident in its initial months. Sales and customer teams faced dramatic changes in the way they worked and conducted business—changes in process, technology, product portfolios, roles and responsibilities, organization structures and culture. The need to meet sales quotas was an ever-present reality, as well.

Then, about a year into the initiative, the situation was made even more stressful by the economic recession as the company faced increased pressure to maintain market share. The country teams began to see the consolidation program, not as a solution, but as just one other thing taking their time away from business-critical activities. "Change fatigue" was also beginning to occur, as people dealt with multiple ongoing change initiatives, in addition to the pressures of growing accustomed to a new corporate culture.

Voices of resistance began to be heard across different regions, and it became clear that the program was not heading in the right direction. One business owner remarked that "The people from Nokia and people from Siemens started holding on to their old ways of working in almost a religious way. This paralyzed us." Another person noted, "The sales organization did not commit to the change. They did not want more turbulence within an already complex situation." A customer team member said, "Management did not seem to behave as a unified front towards us; it was too easy to be criticized without knowing the reasons why."

The problems were compounded when a more aggressive deployment plan was put in place, with a timeline and roadmap that were unrealistic—underscoring the enduring truth that, when you’re on the wrong path, you can’t solve the problem by running faster. A pilot deployment in Spain in mid-2007 encountered numerous challenges and, by the end of the year, the program team had to delay the first of the country rollouts.

Konrad Schuette, the Quote-to-Cash core leadership team member, notes that, "At the beginning of the program, we presumed there would be enthusiastic take-up for new ways of working, because the old ways of conducting everyday business had become very challenging. But change is always difficult, and there was more resistance to that change than we first expected."

The greater issue, as the company began to realize, was moving people to the point where they understood the need for change and were willing to adapt their usual ways of doing things. For many years, organizational change experts have stressed the importance of "ownership" of change by those members of an organization whose lives are most affected on a daily basis. At this point in the consolidation program, that wasn't happening.

As one customer team member stated later, "We simply did not see the connection between the change to be implemented and the business challenges we were facing. We thought the change was just about introducing a new technology platform. Suddenly we were asked to implement significant changes to our ways of doing business—from customer and supplier contracts, to ordering and managing inventories. We were asked to implement these major changes affecting our customers, yet we did not understand how it would benefit our customers or the company."

A New Direction: From IT-to Business-Driven Change

To get the change program back on track, senior leadership agreed that stronger ownership from the business was needed. What was needed was a comprehensive change program that was not only IT driven, but also business driven. Jyrki Runola was appointed the new lead for the program, an executive with broad business background in sales and customer service.

Runola—now executive director of Nokia Siemens Networks and a member of the operations leadership group—also involved teams from Accenture, which has had a long-standing relationship with both Siemens AG and Nokia across multiple areas of work including systems development, process mapping, user support, learning and change.
As Runola puts it, “We knew that there was insufficient understanding across our company of the broader business impact of the merger—how it affected our customers, our processes and our way of relating to each other. The change program had become siloed—we needed a better link to the business, a stronger vision for the change, and more consistent change leadership.” Runola and his team proactively engaged top management in an honest, open dialogue about the challenges facing the consolidation program.

A stronger presence and intensified leadership skills would be required to deliver a successful program: defining the vision, strategy, direction, goals and desired outcomes; achieving alignment between the change program and the global business; creating solid and pragmatic stories that set forth lessons learned and could be inspiring to the practice; and keeping the program alive and continuously renewing its energy and pace.

Runola focused on getting the initiative on the right track, starting with the program team itself. “I saw that to be able to change direction and improve the perception of the program, we needed to build a stronger and more agile change program capable of adapting to what was happening in the environment.”

Runola reconstituted the change program to take on the more fundamental issues facing the business and its people. “We needed to get everyone to speak the same language, breathe the change together and act as change leaders and change owners.” Even more important to Runola and the team was developing an internal change capability—an ongoing capacity to manage the multiple dimensions of change—because, according to Runola, “Without having deep skills and knowledge on our own teams, we would not be able to reach our targets within the required time-frames.”

The company needed a boost from outside, as well as the capabilities Accenture could contribute to meet the challenges of a complex, transformational program—something touching not only on IT and systems issues, but also leadership, communications, learning and process change.

According to Konrad Schuette, “What we valued in particular about Accenture was the broad range of competencies they brought to this work, but also the fact that we knew they would understand the business issues from our perspective—not from the perspective of just trying to sell a pre-determined solution.”

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Jyrki Runola, Executive director and member of operations leadership team, Nokia Siemens Networks

Buy-In from the Business

A new and rebranded change program was launched in spring of 2008: the “Quote-to-Cash Business Change Program.” One of Runola’s goals for the new program was to make the management of change everyone’s business, not just the job of a few. Päivi Koskimaa, an Accenture manager who led the strategic communications at the change program, also emphasizes this point: “What’s needed with broad transformational challenges like the ones Nokia Siemens Networks faced is to see an organizational change program as something that is not separate from the business and the way people work, but part of it. Changes have to be embedded in what people learn, what they do, how they are rewarded, and so on.”

The goal is to become what Accenture calls a “change-capable organization.” Managing change effectively must be a capability that is present within the company at every moment. Change is constant, so organizations have to be capable of dealing with that change all the time.

Several structural moves helped. Changes were introduced to the program’s governance to ensure representation across business functions. According to Konrad Schuette, getting buy-in and involvement from the business was a turning point. “By bringing in the right people from across the business, we accelerated development and aligned the program with important business interests.”

Building a Change Network

Nokia Siemens Networks, supported by Accenture change specialists, then launched a series of additional initiatives designed to drive the vision for the change across the company, creating a change network of expertise to encourage understanding, support new kinds of behaviors and achieve faster business results.

A priority was executing a stronger communications strategy. Program communications to date had been primarily technical, focused mostly on deployment updates and program status. What people needed instead was a deeper understanding of the change, why it was needed, how it affected the business and the benefits that could be achieved by working in different ways.
One innovation used by the teams to broaden the impact of the program was to run interactive virtual sessions with hundreds of employees from inside and outside of the program. Participants discussed implications of the consolidation program and shared insights into how to make different groups, and the whole company, more successful. Social networking and peer-to-peer communications were also used. Members of the change program also traveled to the different regions to personalize the message to regional leadership and customer teams.

According to Runola, “We completely changed our way of communicating. Instead of using an overly technical vocabulary, we began using simpler, clearer, business-oriented language. We started to communicate the benefits of the change in a way that could be understood not only at the top management level but also at the grassroots level of the organization. Perhaps most important, we helped everyone understand how dependent we were on each other; none of us could succeed unless all of us succeeded.”

Creating Effective Change Leaders

Nokia Siemens Networks developed and launched a new leadership training and coaching initiative focused on building a network of change leaders that could engage the business and drive broad enthusiasm and support for the change.

Also critical was appointing the right people, with the right strategic competences, to lead and execute the change. Runola understood that to create effective and influential change leaders, they needed to start by carefully mapping the responsibilities of change manager roles against the talent pools from which these managers are chosen. Managing change requires specific knowledge and experience, and Nokia Siemens Networks understood the importance of having a better grasp on the capabilities of their leadership pool so that they could assign the right people to the right roles.

This network of change leaders began to make a real difference in breaking down resistance across the organization, and engaging and inspiring the organization to embrace the needed change. According to one customer team member, “The program team was flexible and well-organized, and knew what they were doing. They worked with the local business on a daily basis and involved internal expertise to solve our business issues.”

Competency development played an important role, as well—fashioning new job descriptions, requirements and capability models for project managers. The sourcing, recruiting and development aspects of the program helped to ensure that the right people were in place in the right positions at the right time to help drive successful results.

Veli-Pekka Lappalainen, an executive director from Accenture, emphasizes the Quote-to-Cash Business Change program as an excellent example of what it takes to succeed in a constantly changing and increasingly competitive market: “Companies need to master a new kind of change management discipline. Rather than relying on a top-down push for change from management, enterprises today need to motivate the organization to embrace the needed change—through strong business alignment, defining a clear and compelling vision for change, and enabling a network of change leaders to drive peer-to-peer change.

A Focus on the Business Case

Another important strategy for the change program was to use the business case as a way to understand the potential benefits of the change, and to see the benefits and impact to the organization articulated in quantifiable terms.

As part of this approach, the program defined a series of key performance indicators (KPIs) to track improvements in overall business performance as a result of the change programs. KPIs included order correctness, on-time delivery, reduced inventory levels and customer satisfaction, all of which were reported on a monthly and quarterly basis. Using existing, corporate-wide KPIs to measure and communicate the change impact was an important way to gain credibility among top leadership.

This was another innovative development in the life of the program: measuring success not just on the basis of inputs, but of outputs. That is, simply hitting a program milestone is fine, but it doesn’t say what results were delivered. The KPIs meant the program took its responsibilities more seriously, measuring success based on performance. For example, the program tied its incentives to improving the company’s “customer loyalty index” in the areas where the program was active.

According to Schuette, “Too often, business cases are used to get an approval from management to start an initiative, and then they are forgotten. We have actively used the business case as a tool to track our progress in a realistic and transparent way. It’s important for the change program to articulate the benefits to be achieved, and to work with the entire organization to make the business case come to life.”
Sharing Success Stories

Another critically important aspect of the change program that led to broader acceptance and buy-in was the collection of success stories from the regions where the change had been implemented. At first, the regions and countries were hesitant to share their experiences. However, after the first stories were created and shared, many more people contributed. Eventually, an impressive inventory of stories was built up, covering subjects such as savings from procurement, improved portfolio management, reduced workload, the ability to handle bigger volumes with the same resources and, perhaps most important, positive feedback from customers about the transformation.

These success stories were shared inside the program and across the entire company. The stories helped created a pull for the change by the organization, and some countries and customer teams began to ask to have “Quote to-Cash” implemented as soon as possible. As one member of regional management put it, “The change stories helped us to overcome resistance and move the program forward. Clear and consistent messages helped us to involve regional leadership and secured their commitment to the change.”

Acceptance of the change could also be seen on the company’s intranet-discussion boards. One customer team shared details of how it had improved sales and operating profits, a story that generated encouraging comments from across the business. A few weeks after, the same customer team posted news about having won new business. One customer team member wrote, “The Quote-to-Cash program improved our way of working; the processes and tools reduced manual effort and increased transparency.”

This use of social media within a company to encourage organizational change will become increasingly important to building an internal change capability.

Ultimately, creating this pull helps in handing change capabilities back to the broader organization—something that is already happening at Nokia Siemens Networks. According to Konrad Schuette, “We successfully empowered different parts of the organization to take responsibility for the changes they were working with, and to work in new ways. That means the changes have been absorbed deeper into the company—into our people’s attitudes and behaviors.”

Measurable Results

Overcoming its initial setbacks, the Quote-to-Cash Business Change program is now seen as a major success for Nokia Siemens Networks. The company has thrived without suffering from the significant performance degradations typically experienced by organizations going through post-merger integration. External recognition of the success of the change program has also been seen.

Several measurable benefits have been realized as a consequence of the program. For example, analysis of a recent three-month period showed that average on-time delivery performance has been higher for the countries where the program has been deployed compared with other regions.

The use of global purchase agreements and centralized order and delivery processing has led to contract revisions and replacements of some suppliers to reduce costs. Demand planning accuracy has increased significantly and the company has achieved reductions in inventory value and sales backlog as well.

Consolidation is proceeding rapidly, with over 90 percent completion to date. Full consolidation is on target to be achieved this year. Leadership continues to invest in the change program because of the tangible business improvements it is delivering. Today, the program is playing a major role in driving the company’s strategic goals of growth, value creation and capture, and reinvigorating the business.

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Konrad Schuette, Quote-to-Cash core leadership team member, Nokia Siemens Networks

Moving Forward: A Change-Capable Organization

Nokia Siemens Networks’ change journey provides important lessons for enterprises today. To succeed in a constantly changing and increasingly competitive marketplace, companies need to master a new kind of discipline when it comes to organizational change. Change programs must help companies move forward with more certainty, achieving more predictable outcomes at a pace that can be managed to deliver value faster.

Mastery of change is now essential for everyone in an organization, at all levels. Effective change leadership
must be displayed across all aspects of operations—that is, it has to be owned by the business and not seen as a separate function. That’s the way companies become more nimble and agile in the long run—able to meet today’s challenges and tomorrow’s as well.

No transformational change program ever proceeds perfectly, of course, but what matters most is how people respond to setbacks and challenges. Herbert Merz—head of operations and an executive board member at Nokia Siemens Networks—notes that, “Each time we combat another obstacle and overcome another constraint we become stronger and more competent. This has been proven as a rule by the Quote-to-Cash program.”

Merz, who is also the business owner of the Quote-to-Cash program, emphasizes the importance of change sustainability, a key point in a transformation program. Accomplishing the change is only half the battle; the other half is sustaining the change so that a global company maintains the necessary behaviors to drive success. Says Merz, “We still see that the new ways of working are sometimes disregarded; too frequently we see that new processes and tools are not utilized. So we need to strengthen discipline in our company and emphasize individual accountability in our everyday work.”

Nokia Siemens Networks has benefited from strong and consistent leadership as well as the flexibility to assess progress along the journey and then make modifications to the program to ensure its eventual success. According to Jyrki Runola, “We have been through many challenges but one thing we are extremely proud of is the commitment of our people to making this a success. An important part of becoming change capable is being willing to learn and grow along the way. It’s also important to collaborate with others, bringing in skill sets you may not have internally. Accenture has provided valuable knowledge and guidance for us as we have successfully delivered on the business goals of our merger and as we have advanced toward becoming a change-capable organization.”
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 223,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.