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## **OLLI-PEKKA'S OWN TEAM IS COMING**

Nokia is being reborn. Olli-Pekka Kallasvuo and his top team have built a new operational model, designed to take the mobile phone king to the top of internet, too.

This article originally published in the leading Finnish business weekly, *Talouselämä* nr. 8/2008 under the title: "TÄSSÄ TULEE OLLI-PEKAN OMA TIIMI". ( [http://www.talouselama.fi/docview.do?f\\_id=1316066](http://www.talouselama.fi/docview.do?f_id=1316066))

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Everybody in Finland remembers Jorma Ollila's dream team. The new management team built around Olli-Pekka Kallasvuo at the beginning of this year does not arouse much whispering in airport queues - yet. Very few people even recognize the new team members' faces.

Nevertheless, this is the group, whom Nokia has put in charge of its greatest challenge since mid 1990s and Ollila's dream team.

Jorma Ollila said, when resigning as the CEO, that he is leaving so that others "can renew themselves" (*Talouselämä* 22/2006). The renewal process thus begun has now reached its turning point. Nokia has updated its strategy and its core values to match the internet era. Now Nokia has revamped its organization and its whole operational model. Olli-Pekka Kallasvuo's Nokia has been born.

The new Nokia is targeting the emerging internet services market. Nokia estimates them at 100 billion Euros by 2010 and wants a thick slice of the cake.

The main responsibility for realizing that goal rests on the shoulders of a trio: Niklas Savander, Anssi Vanjoki and Kai Öistämö. In Nokia's Management Group this is the business responsible team. If successful, Olli-Pekka Kallasvuo and the trio will be the Finns' next superheroes as Jorma Ollila, Sari Baldauf, Pekka Ala-Pietilä and Matti Alahuhta were in their time.

However, a hero status must be earned by adopting new methods. Nokia's new operational model has removed organizational boundaries, which previously surrounded its businesses. Key managers now have shared goals and shared responsibilities. Nobody can become a star alone any more.

## **Wow, what a meeting!**

Espoo, the city next to Helsinki, is a dark place at 6.30 pm in February. The usual bustle in the lobby of Nokia headquarters has settled down. Ordinary Finns are already finishing their dinner.

Kallasvuo's key people come to the interview straight from the top team's monthly meeting. It took one and a half days, and was the first one to follow the new blueprints. Earlier that week, part of the team has been in the Mobile World Congress in Barcelona running from one show or meeting to another.

However, the energy level of the group appears high. Wow! What a meeting. Great atmosphere. We were able to dig deep into the issues. We got much more information. We shared more.

“Yes, this is indeed a major change in a large company like this. The whole operational model is changing”, say several of the team members, sitting on a white couch, with a painting of a Finnish artist Osmo Rauhala hanging above them.

So, what has changed?

Before January 2008, Nokia's structure was very similar to that at most companies. Profit responsibility was clearly allocated to business units. At the corporate level, the board combined the unit's results into a corporate result.

Now it's different. Mobile phone and service Nokia together comprise a single unit of which the trio Öistämö, Savander, Vanjoki is jointly responsible. This entity represents two thirds of Nokia's sales, nearly 40 billion Euros. Last year it produced all of Nokia's profits. The remaining third of Nokia's sales comes from a separate joint venture company Nokia Siemens Networks.

Within the joint responsibility Öistämö oversees that Nokia's product portfolio meets customers' needs. Savander has a critical position in terms of the company's internet strategy. He has to make sure that Nokia is able to offer the new services, necessary for the internet-based growth. Vanjoki's responsibility covers Nokia's top-efficient production machinery and logistics as well as Nokia's precious brand and marketing and sales.

External stakeholders will see the impact of the new model of shared responsibility in April this year, when Nokia publishes its Q1 result for 2008. The report will not disclose separately the results of Öistämö's *Devices*, Savander's *Services & Software* or Vanjoki's *Markets*.

Instead, the trio's performance will be visible as one P/L under the heading *Devices & Services*.

The market analysts' gut response is indignation: now there will be less information on Nokia, less transparency! However, CFO Rick Simonson reassures that Nokia's quality dialogue with investors will continue.

The new reporting practice supports flexibility. "In developing new business models, one must stay flexible in decision-making and proceed based on trial-and-error. Long term value creation is jeopardized if everything new must immediately fit in the analysts' excel formulas"

### **A common front**

Nokia's transformation concerns not only its top management. Thousands have adopted new roles or joined new units in the new organization. Many jobs vanished completely.

"The major change - and challenge too - is that more and more of the work will be performed as horizontal projects involving several units. People will have new internal partners and their responsibilities will cross organizational boundaries. To some extent, we will use even 'two in a box'-arrangement, where two persons have same goals, but are responsible for different plans", explains Kallasvuo.

The shared responsibility implies that plans and decisions must be made together. At least people must keep others informed about their intentions and wishes.

Anssi Vanjoki summarizes: "If you don't collaborate you don't achieve."

*But doesn't shared responsibility produce conflicts and scapegoat hunting?*

"No, the truth is exactly the opposite," responds Vanjoki. "In traditional organization resource allocation is the primary cause of conflict. We don't have separate business units. Thus, this source of conflicts does not exist," assures Vanjoki.

*Assuming, of course, that one is able to take the others into consideration ...*

Niklas Savander responds: "Of course, there is a huge increase in interdependency. The new model's precondition is high mutual trust and willingness to collaborate."

The team's enthusiasm is saliently visible. The first test, the top management team's monthly meeting, proved successful.

"We did not just talk. We also made decisions", remarks CFO **Rick Simonson**.

The top management team has been rehearsing the new practices “a lot”. Various processes have been tested in simulated meeting and typical situations replayed over and over: how is this product manufactured, how to sell it, who decides what, how things are reported, what are the follow-up procedures, how to create process descriptions for these activities, etc.

In a firm of Nokia’s size, the task has been immense. **Mary McDowell**, Nokia's new Chief Development Officer, says that preparations took about a year.

According to Olli-Pekka Kallasvuo, the simulations also gave rise to organizational innovations. One of them is the Go to Market unit, which belongs to Vanjoki’s Markets organization. The main task of this unit, headed by Nokia veteran **Jyrki Salminen**, is to ensure that products and services will be “localized”, i.e., adapted to local markets’ needs and conditions.

“Our intention is to sell consumers combinations of devices and services, solutions. We cannot do that unless we can combine and integrate the components locally”, explains Kallasvuo.

### **No surprises, no fights**

Mary McDowell remembers her first contact with the Finnish style collaboration. “I still recall what Anssi said when interviewing me at the end of 2003. He said that Finland is a cold, dark place. If you don’t collaborate, you die. I said, Ok, that sounds like clear description.”

For McDowell, the main novelty in the new operational model is not collaboration but rather how it is timed: the shared understanding must be sought - and found - much earlier than before.

“In the past each business group and each horizontal group developed their strategy and then the top management tried to fit them together. Now we use more time at first on Nokia-level and only after that the strategy work is transferred to the lower organization levels.”

It is clear that the trio of Öistämö, Savander and Vanjoki has been thinking a lot about the new operational model and its implications. Their comments reveal the needs, to which the new model is expected to provide answers.

Kai Öistämö: “We have to get rid of the old telecom world, where the rule was: first standardize, then make. Today, it is the other way round. Make first, then standardize...”

Niklas Savander: “...or rather, standardize if you can.”

The trio believes that dialogue will work. There won't be fights, because there are no surprises. People will be more interested in each other's work, because reaching one's own goals depends upon what the others are doing. You cannot afford being absent-minded when others talk. Furthermore, having shared goals makes you generous. It pays to offer help and to ask for help.

“A further plus is that, in the new model, a larger group of people will be looking at the whole. It is not possible to overlook the other half of the equation any more. One must make trade-offs. The sense of responsibility grows”, feels Savander.

Öistämö seems a little anxious. The impression should not be that everything used be bad and now all will be perfect!

“That is really not the case. We used to have cooperation also before - and with good results. One must admit, however, that working in a system of independent businesses makes you feel that it is not appropriate to ask too many questions about your colleagues' problems. Now things are common and shared in a very concrete manner.”

### **Hey, we send SMSs**

The next interview topic, communication, launches an animated chatter among those present.

A key precondition of the new model, kept together and fostered by the shared goals, is intensive mutual communication. It is not often that five members of the Nokia board are in the same room at the same time.

Mary McDowell, Rick Simonson, Chief HR Officer **Hallstein Moerk**, **Tero Ojanperä** and **Timo Ihamuotila** have their offices in White Plains, not far from New York. The general manager of Nokia Siemens Networks, **Simon Beresford-Wylie** has his office in Espoo's Karaportti.

Olli-Pekka Kallasvuo, Niklas Savander, Anssi Vanjoki, Kai Öistämö as well as **Veli Sundbäck** and **Robert Andersson** work in Nokia's Espoo headquarters - assuming they are not traveling.

No problem, they say. “We communicate all the time, literally all the time. We use video conferences, emails, SMS, short messages”, lists Mary McDowell. Her personal favorite are video conferences. “We can all see what Tero is eating.”

*This must be an insider joke or something...*

In the new organization, Tero Ojanperä moved from the post of Chief Strategy Officer to Niklas Savander's unit. His job there is to develop new entertainment and community services. A couple of times he was caught being hungry just when the conference call came.

“Seriously, although we do know each other well, it is important to be able to observe the participants' expressions, gestures, body language”, adds Rick Simonson.

### **Nokia is different**

The two American members of the management team, McDowell and Simonson, think delocating top management is exceptional for a large global company like Nokia.

Exceptional is also the way Nokia has built its new operational model.

“I do not know of any large-scale organization, whose top management would have planned such a major transformation without knowing at all about her/his own position in the final arrangement. I have asked, but have not found any cases like ours”, says Rick Simonson.

A question about the arrangement of the executive job market provokes considerable hilariousness.

“Well, Olli-Pekka was very, very secretive, didn't say a word. We kept sending each other messages: what, what, what were you talking about there...”

It takes a while for the group to find a shared explanation. Curiosity and trust were the key factors which enabled the group to dismantle the old structures - without assurances about one's own future. Everybody very much wanted to see what is coming!

*But it was not self evident at the outset that the new jobs would be allocated just the way they are now?*

“Absolutely not. There certainly were alternatives.”

In the change process, seven out of eleven board members got a new responsibility. All key positions were decided within two weeks in spring last year. There were no formal job interviews, but many discussions.

“Let me come back to Nokia's culture. It would not cross my mind that I should *hint* about my wishes. For sure, I can say directly what I think or what I want”, says Kai Öistämö.

Kallasvuo admits that it was not possible to reach full harmony when filling all the new posts.

“We did lose some people when their old jobs were eliminated, and they did not find our new offer equally interesting.”

## **Sharing power is a must**

*Joint responsibility and being dependent on others means losing some power. How can an executive handle that?*

This question produces a marked silence in Olli-Pekka Kallasvuo's meeting room. "You have to work efficiently with others, all the time. We push hard to this direction through our culture and values. I am very confident that our teams will master this learning challenge."

The team protests loudly the notion of losing power.

"I'd rather say that the change gave me more power" says Kai Öistämö. "Now, there are more shared issues, which builds commitment. The new model has given me a peer group of my own to help me in solving problems."

"This organization is not about power, it is about achievement. We have achieved before, but now we share more and this fosters the goal-oriented attitude within Nokia", comments Anssi Vanjoki.

Assuming these comments work also in real life Nokia's recently renewed values seem to have passed one practical test. Thousands of Nokia employees participated in the renewal process last spring. Key words describing Nokia's values include trust, collaboration, sharing, listening, passion, empathy (Talouselämä 23/2007).

An analyst, who regularly watches Nokia, believes to have noticed new ways of sharing power and visibility in the recent Barcelona conference. The new N-series phones were not presented by Öistämö, who is in charge of these products, nor by Vanjoki, an accomplished presenter *par excellence*, but by Niklas Savander.

Next summer, Nokia's employees will see the impact of the new operating model in their wallets. Nokia is starting to pay bonuses twice a year. According to Kallasvuo, this is because people must not become fixated with the slow calendar year-based thinking. Also the bonus criteria have been revamped along with the operational model.

In the old business unit-based organization, the personal bonus component depended on achieving one's own personal goals. Now, the bonus consists of three components. In addition to the Nokia-component, there are two roughly equivalent parts. One is based on the group's shared goals, the other on personal goals.

## **To internet, to internet**

It is very clear that Nokia's top managers are proud of their new, largely self-developed operating model.

"We know best what is good for us", says Mary McDowell. In the new organization, she is Olli-Pekka Kallasvuo's right hand, in charge of strategic development.

"There is much theory about these issues, but we are going to make them happen", adds Anssi Vanjoki referring to new operational models designed for turbulent, uncertain environments.

One novel concept, partly stemming from Nokia, can be found in the new book *Fast Strategy* by Yves Doz, an INSEAD professor, and Mikko Kosonen, the former Chief Strategy Officer of Nokia and currently Executive Vice President of Finnish Innovation Fund, Sitra.

Nokia was one the researchers' case corporations. The book outlines the notion of strategic agility, which is critically needed in turbulent environments. Key elements of strategic agility include flexible organizational boundaries and practices to promote resource fluidity, decision making based on dialogue, and a continuous process of strategy adjustment (Talouselämä 23/2007).

Nokia wants to become a major player and force in internet. The top management praises Nokia's new model to be an efficient tool for locating new opportunities in the internet, too.

The link to the consumer must be made more intensive. Nokia's management believe that they have the keys to success when devices and services are taken into account simultaneously, and there is a common interest in combining products and services into integrated service packages, which the consumers want.

"In the future people will have access to internet services everywhere they go. We have both, the devices and the services, to deliver that", enthuses Niklas Savander.

At present, Nokia managers think it is too early to worry whether the main competitor in the future will be Google, Microsoft or somebody else. As Rick Simonson says: "Let's first bake the cake."

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## **More operative tasks for the CEO**

### **MORE OPERATIVE WORK IN THE MANAGEMENT SUITE?**

“If we succeed, we will have created something truly innovative”, says Nokia’s CEO Olli-Pekka Kallasvuo, having just described his company’s internal, internet-era transformation process.

The goals are tough and risky. Nobody knows the direction the internet service market will take. The only certainty is that there will be more entrants to this market. Some will come from unexpected sources, probably using completely new weapons as well.

Kallasvuo’s message to the recent Barcelona world mobile conference was a self-confident one. Nokia wants more than just a major share of the emerging internet service markets. It wants to influence the ways the internet evolves.

The new organization is heavily built upon collaboration and interdependencies. It will unavoidably change also Kallasvuo’s own job as the CEO.

“I expect there will more operative issues for me to handle and resolve. But you must be realistic. One man cannot be everywhere”, he ponders.

A wider perspective to Nokia’s environment is paramount. The CEO of Nokia needs not to build his own network of friends in the facebook, but phenomena such as facebook cannot be strange to him.

“Staying abreast of things is a really big issue. Nokia’s ambition is to have the world’s best understanding about the consumer. To accomplish that we must deploy sensitive antennae everywhere”, Kallasvuo says.

“This is a challenge for the whole corporation and applies to the management as well.”

Kallasvuo gives a relieved laugh: “Fortunately, here one cannot help getting enthusiastic and hearing about new things.”

By adopting the new operational model Nokia wants to make sure that it will stay agile and able to adapt to the changes in the markets. And Kallasvuo wants to see concrete results soon.

“In a couple of years we must have a large number of solutions, which earn money either directly as services or indirectly by making our phones more wanted.”

That answer implies a confirmation: In the near future Nokia will mainly remain a mobile phone company, for which internet means a new growth opportunity. With its global presence and the power created by a billion of mobile phone users Nokia intends to take full advantage of this opportunity. Google, Apple, Microsoft and others are sharpening their own weapons.

This article originally published in the leading Finnish business weekly, Talouselämä nr. 8/2008 under the title: "TÄSSÄ TULEE OLLI-PEKAN OMA TIIMI". ( [http://www.talouselama.fi/docview.do?f\\_id=1316066](http://www.talouselama.fi/docview.do?f_id=1316066))