

STRATEGIC HR MANAGEMENT

CASE STUDY WITH TEACHING NOTES

A large, artistic splash of water in shades of blue and white, filling the upper half of the cover. The water is captured in mid-motion, creating a sense of dynamic energy and movement.

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Nokia: Values That Make a Company Global

By Geraldine Willigan, MBA

PROJECT TEAM

Author:	Geraldine Willigan, MBA
SHRM project contributor:	Nancy A. Woolever, SPHR
External contributor:	Ram Charan, Ph.D.
Copy editing:	Katya Scanlan, copy editor
Design:	Terry Biddle, graphic designer

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This case was prepared by Geraldine Willigan, MBA, former editor at *Harvard Business Review*, under supervision of Ram Charan, Ph.D., former faculty member at Harvard Business School, winner of best teacher award at Northwestern University's Kellogg School of Management, and a regular teacher in executive programs across the globe. The authors gratefully acknowledge the help of Juha Akkas, Ian Gee, Antti Miettinen, Arja Souminen, Olli-Pekka Kallasvuo, Hallstein Moerk, Tero Ojanperä and Shiv Shivakumar.

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Nokia: Values That Make a Company Global

Introduction

In the summer of 2006, the global competitive landscape in which Nokia was operating was changing at an astoundingly fast pace. Market growth was shifting to emerging countries, mobile devices were being commoditized, handset prices were declining, networks were combining (Nokia had just merged its own networks infrastructure business with that of Siemens, forming Nokia Siemens Networks, or NSN), Microsoft and Apple were making moves toward mobile devices, new technologies were being developed, and new strategic opportunities were arising as mobile phones were becoming the gateway to the Internet.

To win in such a fast-paced and intensely competitive environment, the company had to move with speed and do a superb job of satisfying consumers. Decision-making would have to occur at the lowest possible level to reflect the peculiarities of the local markets while leveraging the power of Nokia's diverse people, its brand, its financial resources, and its technology and design expertise. Collaboration between locals and headquarters and among multiple cultures and partners was paramount.

Nokia conducted extensive interviews with people inside and outside the company, including partners and suppliers, to understand how Nokia was perceived and how it might have to change. That research informed a number of actions and renewed the focus on Nokia's culture and, in particular, its values.

From Paper Mill to Conglomerate to Global Brand

Nokia, headquartered in Espoo, near Helsinki, Finland, is the world's largest mobile handset manufacturer. It holds some 40 percent of the global device market as of the second quarter of 2008. It operates in 150 countries and had more than 117,000 employees, including NSN, as of late June 2008. It is the top-rated brand globally. Annual revenues for 2007 were \$74.6 billion (51.1 billion euros).

The company began in the late 1800s as a paper mill, then evolved into a diversified industrial company and was an early entrant in the mobile era in the 1980s. In the 1990s, CEO Jorma Ollila restructured the conglomerate to focus on mobile phones and telecommunications, and Nokia became the technology and market leader, starting first in Europe, then expanding to the United States and dozens of other

developed and emerging economies, including China and India. In the early 2000s, Nokia was briefly challenged by Motorola and Samsung but was able to maintain and soon to increase the lead.

In 2006, Olli-Pekka Kallasvuo (OPK, as he is known at Nokia) became CEO. Nokia's strategy at that time was changed to cover both the mobile device market as well as services and software. In 2007, Nokia announced that it would become more like an Internet company.

Transforming the Culture for the New Challenges

As Nokia's leaders pondered what would hold people together and enhance collaboration and speed across their large global company, they arrived at an answer—culture, of which values had long been a foundation. Values align people's hearts and emotional energy and define how Nokia employees ("Nokians") do business with each other and the rest of the world. Because Nokia's existing values had been unchanged for more than a decade and research showed there was some ambivalence about them internally, the executive board, comprised of the CEO and about a dozen senior leaders, decided it was time to re-examine the values. OPK selected a team of people to create a process for doing so. The challenge to the team was to get all the people of Nokia intellectually engaged. In keeping with Nokia's culture, the values would have to be the result of "the many" communicating with "the many."

Assigning this task was not trivial. It required that senior management be committed to live with the outcome. The values that emerged from the bottom up would have to be taken seriously and stick—or the organization would be seriously harmed.

As the team got to work and explored the options, they determined that the best approach would be to combine high tech and high touch. The high-tech part of the values-creation process would be through the "Nokia Jam"—using IBM's Jamming technology that would allow all Nokians to engage in an online dialogue. The high-touch part would come through the use of the World Café methodology.

The World Café methodology had sprung up in the mid 1990s to accommodate a large group of people from diverse disciplines and far-flung locations around the world who wanted to discuss issues of common interest.² That group was known as the Intellectual Capital Partners. To create an informal conversation among so many people, participants were divided into small groups seated around tables to discuss a given question. The groups would then repeatedly disperse and individuals would rotate to other tables, so ideas were disseminated, cross-pollinated and combined. As the conversations continued, facilitators compiled the ideas that emerged.

The World Café methodology had been used in some small pockets within Nokia but had never been tried on a companywide scale. The concept was right, but it was impractical for all 50,000-plus Nokians to directly engage in a dialogue. So the idea emerged to have a subset of people from across Nokia get together to discuss Nokia values with a totally clean slate, as if they were recreating Nokia on the planet Mars.

A trip to Mars became the metaphor for assembling a cross-section of Nokians to participate in the World Café format and create the new values.

Nokia's Trip to Mars

Nokia produced 5,000 elegant, visually exciting invitations that looked like boarding passes and airline tickets. These were sent in bundles through snail mail to people at various organizational levels and functional areas, including HR, in each of the business units. The instruction to the recipients was to find a way to randomly distribute their bundle to people in their offices and factories whom they would trust to have a discussion about Nokia's values and culture. The recipients could also keep a ticket for themselves.

Each ticket was in a "wallet" that described what Nokia was doing. It stated the current values and gave instructions for how to proceed, first by going to the Nokia Way web site to learn more and to register for a café in their local area. Participants also got two luggage tags, which they were supposed to discuss with their colleagues beforehand: a green one, which represented the values or ideas Nokia should be sure to take with it as the company moved forward, and a gray one, for things that could be left behind.

Nokia held 16 cafés in 60 days around the world. More than 100 employees representing a cross-section of Nokia attended each one. The day of the café, small groups discussed a predetermined set of questions. One person served as host and stayed at the table while everyone else rotated to other tables, eventually returning to their original spots. People had taken the preparation very seriously and interviewed their teams ahead of time; some brought stacks of paper with various notes and ideas.

As the discussions took place, ideas began to emerge and converge. Facilitators captured them graphically and in written scripts. The outputs from each café were then uploaded to the Nokia Way web site, and everyone at Nokia had access to it and was invited to comment. Several thousand more employees were able to participate in the dialogue through the means of the web site, giving their opinions and making suggestions and sometimes asking questions they hoped the next café would address. The sessions were also videotaped and edited into short video blogs that were so funny and engaging that they logged approximately 30,000 visits. The video blogs, too, elicited comments from fellow Nokians.

The mix of people attending the cafés was just what Nokia's executive team had hoped for: an assortment of people from offices and factories and from every functional area and organizational level. The café process allowed those diverse viewpoints to be heard. Engineers said Nokia needed greater tolerance for risk, for instance, while marketing people wanted more stability. In the process, it broke down biases and misconceptions and began to build social bonds. "Latin Americans were not the only people with emotions!" one participant commented. Another said: "At first it felt like I couldn't even find a common language with my Mexican

marketing colleagues in Nokia. It was exciting when we found a common language and vision, and everybody was on board.”

As the cafés took place, four values began to emerge. These were to be presented to the top 30 leaders at the final global café to be held in Helsinki. But instead of writing them on a PowerPoint slide, the values were presented in a way that was experiential. Representatives from each of the Nokia Way cafés were chosen to attend, and on day one of the Helsinki café, they got together and brainstormed how to make the values come alive. They recreated some of the skits, songs and visual aids their local cafés had generated to express the thoughts and feelings that underlay the values. The representatives from the Finnish cafés built a bird’s nest and a sauna in the hotel meeting room to represent Nokia’s passion for innovation (the bird’s nest was for the hatching of ideas, the sauna to represent the fire of passion).

The next day, the group made their presentation to the senior leaders, and after some discussion, the four values that had come out of the café process were affirmed. OPK, who, like many Finnish people, was ordinarily quite reserved, was visibly moved by the intensity and sincerity of the feelings expressed. He felt as though he could hear the voices of Nokians around the world, and he, too, wholeheartedly supported the values. He asked that a representative present them to a group of 150 top leaders that was meeting three or four weeks later as part of the annual Strategy Sharing process.

The group selected Ganeas Dorairaju, a native Malaysian who had been working in Finland for the past decade, to represent them. He stood in front of the top leaders and explained the values and the process by which they were created. At the end of it, the audience gave him a standing ovation. One leader wondered if the values could be turned into a catchy tune. Soon after, an employee teamed up with her husband and did just that!

Nokia’s New Values³

Nokia’s new values and the explanation of them are as follows:

- **Achieving Together.** Achieving together is more than collaboration and partnership. As well as trust, it involves sharing, the right mind-set and working in formal and informal networks.
- **Engaging You.** For us, ‘engaging you’ incorporates the customer satisfaction value and deals with engaging all our stakeholders, including employees, in what Nokia stands for in the world.
- **Passion for Innovation.** Passion for innovation is based on a desire we have to live our dreams, to find our courage and to make the leap into the future through innovation in technology, ways of working and through understanding the world around us.
- **Very Human.** Being very human encompasses what we offer customers, how we do business, how we work together, and the impact of our actions and behavior on

people and the environment. It is about being very human in the world—making things simple, respecting and caring. In short, our desire is to be a very human company.

The world café process generated values that are different and more open-ended than most companies'. As leaders at Nokia note, the values require discussion. People might not know right away what “very human” means, but once people start to discuss it within the context of Nokia, it becomes very clear. People do, in fact, have those discussions. They use them to say, “Hold on a minute, is this engaging you? Are we meeting that value in what we’re doing?” ‘Very Human’ is closely associated with technology; it reflects the fact that Nokia has to develop devices that are easy to use. And ‘Achieving Together’ is about customers and suppliers as well as fellow Nokia employees. ‘Achieving Together’ also helps remove the fear associated with being an industry pioneer.

The values are aspirational but also model what was already working well at Nokia. In India, for instance, where Nokia has built a dominant market position of some 75 million subscribers in a very short time, the values were evident before they had been articulated, which likely influenced the input of the three cafés conducted in that country. One of the key factors that drove business success in India was the distribution system, which Nokia and its business partner, ATL, built from scratch when large consumer electronics retailers declined to carry mobile phones because of their low margins. Working together to find an alternative, Nokia and ATL hit on the idea to mimic the small (sometimes just 5 x 5 feet) kiosks that are found in villages across India from which vendors sell fruits and vegetables. They recruited individuals interested in running their own kiosks, trained them and ensured they would have products in the right quantities and at the right margins for those vendors to make a living. The Nokia team wanted to be sure that whatever arrangement they designed would benefit Nokia, ATL and the individual mobile phone vendors. That way, they would Achieve Together.

The Nokia team in India—a mix of native Indians and technology and other experts from such far-flung Nokia locations as Finland, China and Indonesia—collaborated in listening to and observing people in various parts of India to understand their needs. Their approach was collaborative and Very Human. As a member of the leadership team in Nokia India explains, “One thing that Nokia prides itself on is that it is not arrogant. That comes across in every interaction. People never take for granted that they know everything.” Because of conditions in parts of the country, Indians needed a mobile device that was dustproof and didn’t slip out of sweaty hands. They wanted a device that could be an alarm clock, radio and flashlight (or “torch”) as well as a phone. Nokia’s Passion for Innovation drove the team to find the technology solutions Indians needed.

Nokia found that the process of creating values itself had merit. It allowed the many to connect with the many and demonstrated that heterarchy was more important than hierarchy. It captured Nokia employees’ understanding of the challenges they were facing personally and organizationally and their desire to create an organization

that could meet them. It also reflected the spirit of bonding across cultures, functions and silos. As a member of the executive team says, “It is proof that a strong global corporate culture is possible.”

The next order of business was to track the effectiveness of the values. To that end, the company has created a number of vehicles. Nokia includes values in its annual employee survey, “Listening to You,” and made them a key part of the change pulse survey it undertook during a recent reorganization. The suggestion arose to have pictures to demonstrate the new values, so the company staged an employee competition for photos that represent the values. Photos were posted online, and employees voted for their favorite. The top prize went to a quality manager in one of Nokia’s Chinese factories, who got to accompany Nokia’s brand people on a photo shoot in Paris. Given the quality of Nokia’s artistic skills, it was a choice prize. More than 22,000 employees took part in the competition, and Nokia has a rich bank of photographs to represent the new values. Nokians now are learning to create 90-second films that tell how values are making a difference in their work. These films can be uploaded to a video hub where fellow employees can view them. As of October 2008, more than 60 films had been uploaded to the internal VideoHub, and they have had over 50,000 viewings.

Teaching Notes

Global companies require the alignment of their employees and partners not only on the strategy itself but also on the values needed to make that strategy successful. Values reflect and shape corporate culture. A shift in strategy often requires a shift in values.

The Nokia case explores the connection between values, strategy, and the collaboration, innovation, speed and flexibility that are required for Nokia to succeed. Nokia is a very large company, with one of the highest brand recognitions in the world. It has the rare ability to design a new strategy and reshape its culture to deliver the strategy at the same time. The Nokia case describes Nokia's social process for achieving alignment on values—a component of corporate culture—across geographies, silos and hierarchical levels.

The learning objectives of the case are as follows:

- To learn the social process of engaging multicultural, multi-country employees in generating and agreeing on a set of values.
- To concretely demonstrate one way to build a workforce receptive to cross-functional, cross-cultural teaming that can therefore make fast, high-quality decisions and increase the organization's flexibility.
- To probe and deepen understanding of the relationships between strategy, culture, values and business outcomes.
- To encourage participants to brainstorm alternative ways to engage employees and accomplish similar results.
- To challenge participants to think critically about whether Nokia's approach to creating values can apply to other business issues.

The case is appropriate for graduate students in higher-level HR courses and for HR professionals at the highest levels.



Instructor's Note

Distribute only pages one through six of this case study document to students.

A PDF version of this document is also available online for your convenience.

The classroom instructor might want to pose the following questions for discussion:

1. Why did company management choose values as a foundation for taking the culture to the next level?

Nokia needs collaboration because it must routinely leverage its technology platforms, global brand and manufacturing footprint, experience base in multiple countries, and in-depth knowledge of consumers and the marketplace. While individuals must have some degree of freedom to act, they cannot know everything or understand in depth all of the implications of various trade-offs that must be made in the ordinary course of business. As people come together to exchange information and make trade-offs, they must also have a common glue to hold them together. Values can be a uniting factor; they can be the glue.

In the process of creating values, discussions touch on other topics, such as strategy, management style, opportunities, competition, priorities, and the inadequacies of organizational structure and reward systems. Values can fill in the gaps or provide what formal mechanisms miss—for instance, they can support open communication outside of formal reporting relationships.

2. What is your view about the four values the café approach produced?

Note that they are few in number—four instead of 12. They describe the kind of company many people would like to work for. They can be applied in the real world and are relevant to any job function or organizational level. They are in keeping with requirements for Nokia to succeed. They capture the sense of higher purpose and human dignity people long for in their personal and work lives and therefore encourage positive, authentic behavior.

3. How do Nokia's values compare with those of your company? Graduate students can compare with a company they are familiar with or one the instructor presents.

One option is to look at the values of a competitor—for instance, Apple, given that Apple is now going into the cell phone business. Consider whether people “connect” with the values, or whether the values are too abstract or too generic to be meaningful. How many are there? Are they actually practiced? Do they relate to company strategy?

4. How will Nokia's values help execute the change in business strategy?

The process and content of the values build trust, making people more receptive to information and ideas from elsewhere in the company. Information flows are likely to be nonhierarchical. Nokia should therefore be able to innovate and respond to change better and quicker. Take, for example, the value “achieving together.” This value is now fully socialized at all levels in the company. It gives a lower-level person the freedom to call a higher-level person for collaboration and expertise where needed. By reinforcing this behavior, the values help break hierarchies, silos and other barriers.

5. Concisely define the behaviors that were stimulated through the café approach at Nokia. What information channels got opened?

Individuals took time to think about the company and how it does and should operate. They expressed their ideas, knowing their ideas could have wide visibility and make a difference. Before attending the cafés, people sought input from their peers. Participants listened to the views from many other employees. They sought commonality among the viewpoints. They experimented with creative ways to express their ideas. Employees became excited about the company and renewed their emotional commitment to it. Information flowed across boundaries. Because participation in the value creation process required no special knowledge, every participant was on equal footing, including newer employees, whose fresh ideas and energy got released. Thus, information flowed up even from some of the youngest Nokians, who represent the future of Nokia.

6. What's your evaluation of the social process for engaging thousands of employees across the globe in defining the values?

It was an efficient way to engage a broad, diverse set of people. The ready acceptance of the values (the output) indicates that the process was effective. It mirrored the patterns of communication and cooperation in a matrix organization.

7. What does Nokia's café process say about its senior leaders?

The senior leaders were secure about their role in the company and their personal power. Once they committed to the process, they had to be prepared to accept the output. They also had confidence in Nokia employees. They were willing to "let go." Senior management of any company should not feel insecure about the outcome of the bottom-up process. Because the process is open, it has built-in sincerity. People want to do the right thing. Also, broad participation is a check against a few radicals who want their way.

8. If Nokia were to use the café process again in 2010, what change in values would you anticipate?

The outstanding goal of this process is to produce a set of values that are enduring. If the company were to do it again, the values themselves might not be very different, but they might be deepened or tweaked because people will have examples of how they have been used, or not used. The exception is if Nokia were to make a 180-degree change in strategy direction. Then some new values might be needed. If such new values did not emerge through this process, consider whether the strategy shift will succeed. Also consider how the outcome might be different if some regions are far more successful than others going forward, and how working relationships might be affected. Consider, too, the values of younger people who will be entering the workforce around that time.

The instructor needs to press participants on how concrete the values are, how engaged the people are, what are the pros and cons of having values cascade upward, why this process generates energy, and how management can measure whether the values are indeed being practiced and having the intended results.

The instructor can jumpstart discussion by dividing the class into eight small groups and having each group discuss one of Nokia's four values, addressing the following: If the group participants were the leaders, how would they ensure that the value takes deep roots and builds a superb social fabric while at the same time improving business results?

The instructor may choose to broaden the discussion to explore issues around new theories of organization and management, such as Enterprise 2.0 and the use of Web 2.0 technologies that promise to overcome the bureaucracy associated with hierarchy and make the organization more agile and productive.⁴ What some people refer to as Enterprise 2.0 or depict as a flat organization includes the direct exchange of information among people at lower organizational levels and bottom-up decision-making. Nokia's value-creation process is representative of this new way of engaging employees and doing business. The following questions can prompt discussion:

■ **Is there a negative side to mass participation, or connecting the many to the many?**

Lack of knowledge or commitment can cause people to generate bad ideas that nonetheless gain momentum. Senior management will appear to be heavy-handed if it derails or ignores them. The major risk is when management is not trusted by employees, is erratic or seen as incompetent. Under those conditions, this process will fail. If that failure gets the attention of the board, which in this day and age is likely, the board might well insist on a change in management. Good management should learn from anything that comes in that does not match their expectations.

■ **In what situations, or for what issues, does a café-type approach work or not work?**

Any time a new leader is starting to take charge of a unit or company, café-type approach is a fantastic tool to energize and align people and hear what's on their minds. This could be used to generate ideas around any particular topic—for instance, to gather ideas for coping with the global financial crisis.

■ **Do you think employees want to weigh in on all issues?**

In this knowledge worker society, tapping everybody's brain and energy can create momentum and be a competitive advantage. People want to participate. There may be some managers who don't want to hear what people have to say. The blockage tends to be from management, not the employees.

■ **How do you know if the masses are generating a better or more authentic solution than a smaller number of experts?**

The adoption and application will reveal the validity of the solution. Let's remind everybody that "experts" are also employees. All experts can learn from the front lines. Experts also can be narrow. An open process will surface those conflicts in point of view. In a fast-moving, highly volatile environment, it is hugely important to draw those conflicts to the surface and get them resolved. Even if the outcome is not better in some absolute sense, it will be better accepted.

■ **To what extent does engagement affect business performance? How can you measure it?**

An employee audit or pulse survey are common tools to measure engagement as well as perception of business performance beyond financial numbers. Have people shown more commitment? In this case, the value of achieving together might be evident in shorter decision cycle times.



For Further Reading

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Endnotes

- ¹ For more on the history of Nokia, see “The Story of Nokia” on the Nokia web site, www.nokia.com/A4303001.
- ² For more on the World Café methodology, see www.theworldcafe.com/reading.htm.
- ³ Nokia’s earlier values are as follows:
- 2003
- Customer Satisfaction
 - Respect
 - Achievement
 - Renewal
- 1992
- Customer Satisfaction
 - Respect of Individual
 - Achievement
 - Continuous Learning
- ⁴ For more on theories of organization, see, for example, Andrew P. McAfee. (2006, Spring). Enterprise 2.0: The dawn of emergent collaboration. *MIT Sloan Management Review*.

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1800 Duke Street
Alexandria, VA 22314-3499