Nokia Siemens Networks

Strategic Review of
Real Estate Organization

CoreNet Discovery Forum, June 2012
Eckhard von Münchow
Nokia Siemens Networks
Global company with a rich heritage

• Joint venture of Nokia and Siemens
• Started operations on April 2007
• €14 bn net sales in 2011
• 120+ years of telecom experience
• 70 thousand employees
• Strong focus on mobile broadband and customer experience management
• > 80 out of the top 100 operators worldwide
• 6 billion mobile subscriptions around the world
Every day, a quarter of the world’s population connect over our infrastructure and solutions.
Strategic Review of Real Estate Organization

- Strategy of NSN and Real Estate
  - Objectives and approach
  - Design
  - Implementation
  - Results and lessons learned
RE supports foundation of NSN strategy 2009

**Vision**

We help Communications Service Providers build more valuable customer relationships

**Mission**

Flexible service creation and management  
Customer and service specific experience

Efficient, low-cost connectivity  
Customer and content aware delivery

**Strategy**

Solution capabilities  
One NSN with passionate and empowered people  
Most competitive operations

**Foundation**

Agile solutions facilitate changing business needs  
Workplace environments supporting NSN values and objectives  
Competitive real estate cost

**Three RE goals**
RE mission, goals and objectives

One mission

Three goals

Six objectives

Deliver industry-leading real estate solutions through agility, innovation and courage

Agile solutions facilitate changing business needs

Workplace Environments supporting NSN values and objectives

Competitive real estate cost

Agile portfolio at competitive cost to meet business needs

Solutions partner to NSN business

Operational delivery with collaboration

Informed decisions through performance management system

Sustainable workplace

Highly competent RE team
Strategic Review of Real Estate Organization

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RE Strategic Review

Objective

Review organizational drivers and customer input to define
- mode of operation with roles and responsibilities
- org structure including span of control

Guiding principles
  proactive, fast, open for change, customer orientation,
  innovative, external perspective, global and radical

*Initial guidance by Head of Real Estate, June 2008*
## RE Strategic Review
### Summary for CFO approval

| Benefits | ✓ Enhance **performance and customer satisfaction** through faster decision making, global solutions and customer-facing organization with regional execution  
|          | ✓ **Lower cost base** with reduced headcount and tighter control of collaborators |
| Risks    | Success depends on professional change management, employees’ ability to adapt and grow as well as sound performance of collaborators |
| Costs and savings | Total cost for project implementation (training, project management, etc) of € xxk will be amortized by savings by Q1 2010. |

| Project schedule | Dec ‘08  | CFO approval  
|                 | Apr ‘09  | Announce change to RE team  
|                 | June ‘09 | Go live of new organization  
|                 | June ‘10 | Performance review with stakeholders |
Approach for RE strategic review

May '08
38 interviews with NSN stakeholders, collaborators, RE management

Org specialist from CoreNet evaluate different models external check
Cost/benefit analysis
Risk evaluation

Executive
Key drivers for RE organizational change

1. **One face to the customer**
   NSN stakeholders require single RE point of contact who understands their business requirements

2. **Faster decision process**
   NSN business understanding, cross-functional integration

3. **Offer RE solutions**
   Understand stakeholder needs and develop innovative and cost-effective solutions

4. **Efficient management of collaborators**
   Worldwide framework, local execution

Source: 38 interviews with NSN stakeholders, collaborators, RE management; July, August 2008
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Real Estate Organization

Maintain
- Region structure in line with important customer groups and places of delivery
- Matrix structure, i.e. region execution and global guidance

Develop
- Global focus on innovation, execution with collaborators, Property solutions
- Regional generalists for business relationship and local execution → RE managers

Before

New

Apologies, the diagram is not present in the text. However, based on the text, the organization structure involves maintaining region structure aligned with customer groups and ensuring a matrix structure for region execution guided by global roles. The development efforts focus on innovation with external collaboration and regional generalists for business relationships and local execution, highlighted by the role of RE managers.
Region organization

Before

- PWS Sub-region 1
- PWS Sub-region 2
- PWS Sub-region 3
- PWS Sub-region 4

- WME Sub-region 1
- WME Sub-region 2
- WME Sub-region 3
- WME Sub-region 4

Property and Workplace Solutions

- Workplace Management & Environment
- Finance & Control

Region Head of RE

Team Assistant

New

- Finance and Control
  - Real Estate Mgr
    - Sub-region 1
  - Real Estate Mgr
    - Sub-region 2
  - Real Estate Mgr
    - Sub-region 3
  - Real Estate Mgr
    - Sub-region 4

- Property Portfolio
- Design Services*
- Transaction Services*
- Workplace Services*

Region Head of RE

Team Assistant

*functional reporting to Global Workplace Operations
New RE organization in view of the seven organizational principles for NSN

<table>
<thead>
<tr>
<th>Maintain</th>
<th>Develop</th>
</tr>
</thead>
</table>
| **Customer first** | Regions aligned to Customer groups and places of delivery  
  Global solutions and guidance | SPOC also on sub-region level  
  local RE managers and local service delivery |
| **Flat hierarchies** | Global management team in matrix organisation | more direct reports for region heads - reduce one layer |
| **Ownership, lean accountabilities, entrepreneurship** | Aligned ownership and accountability at global level | Local ownership and accountability |
| **Fast decision making** | Rational decision making process for RE investments | Increased empowerment of local RE managers  
  reduce one mgmt. layer |
| **Innovative, comprehensive product portfolio** | Global approach | Global function to develop and market solutions |
| **Solution business capability** | first examples such as Modern Office concept | Steering groups to guide solutions  
  Leverage collaborator’s knowledge and execution |
| **Cost focus** | Mgmt control over int. expenditure  
  Transparency at global and regional level costs | Tight control of collaborators  
  Total occupational costs  
  Transparency at local level costs |
## Risk Analysis

### Potential Risk Area

1. Lack of stakeholder support and refusal to support new organization
2. Major failure of collaborator prevents delivery of Real Estate solutions
3. Change overload within Real Estate organization
4. Unexpected attrition and disengagement of employees
5. Current staff may not have skill set
6. Desired outcome may take longer than anticipated
7. Lower RE productivity during transition period
8. Delay in headcount reduction due to local labor relations

### Mitigation Plan

1. Early stakeholder involvement; organizational change is driven by this feedback
2. Key collaborators are in place; governance model includes key metrics and periodic review
3. Extensive communication plan agreed and ready
4. Individual discussion and review; right people in right roles
5. Development needs identified and training plans agreed
6. Established timeline for change and agreed expectations for normalization period
7. Professional change management including clear roles and responsibilities
8. Strong HR support to avoid workers council intervention

**Method:** At the end of the project definition all members list their three main concerns. These risks are weighted by likelihood and impact. A great moment to check for past lessons learned.
# Business Case

## OPEX Net impact in k€

<table>
<thead>
<tr>
<th>RE Telescope</th>
<th>Q3 08</th>
<th>Q4 08</th>
<th>Q1 09</th>
<th>Q2 09</th>
<th>Q3 09</th>
<th>Q4 09</th>
<th>Q1 10</th>
<th>Q2 10</th>
<th>Q3 10</th>
<th>Q4 10</th>
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<td>HC impact (costs fully loaded)</td>
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<td>Communication/Change mgmt</td>
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## Net impact of OPEX

| Company internal data |

## Cumulative impact of OPEX

| Investment | Benefit -> |

## Headcount

| HC old organization (Plan) |       |
| HC new organization |       |

## Net impact of HC

| Company internal data |
Strategic Review of Real Estate Organization

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Implementing RE Evolution

1. Prepare change communication and training
2. Storyline with brand and 3 drivers
3. Training for new mode of operation and resulting roles
4. Feedback for improvement actions
5. Regular Steering group for review and focus
Implementation plan

Change Plan: Dec 08 to Mar 09
Transformation Plan: Feb 09 to Oct 09
## Roll-out plan for announcement day

<table>
<thead>
<tr>
<th>Time (UK)</th>
<th>Deliverables/Actions</th>
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<tbody>
<tr>
<td>8 am – 8:40 am</td>
<td><strong>1st Employee info session (intro by Peter + Q&amp;A with the mgmt team members)</strong> for APAC, China, MEA, NE and WSE (2:00 am CST)</td>
</tr>
<tr>
<td>8:40 am -&gt;</td>
<td><strong>Team discussions led by Function and Region Heads in APAC, China, MEA, NE and WSE</strong></td>
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<tr>
<td>8:40 am -&gt;</td>
<td>Briefing for collaborator employees by the Collaborator Head</td>
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<td>8:45 am</td>
<td>NSN RE Change intranet pages published</td>
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<td>9:00 am</td>
<td>Employee letter sent to RE employees</td>
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<tr>
<td>3 pm – 3:40 pm</td>
<td><strong>2nd Employee info session (intro by Peter + Q&amp;A with the mgmt team members)</strong> for LAT and NAM (9:00 am CST)</td>
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<tr>
<td>3:40 pm -&gt;</td>
<td><strong>Team discussions led by Function and Region Heads in LAT and NAM</strong></td>
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<tr>
<td>3:40 pm -&gt;</td>
<td>Briefing for collaboration employees by the Collaborator Head</td>
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<tr>
<td>Apr 3</td>
<td>Inside News article published</td>
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<td>Apr 3</td>
<td>Letter to RE stakeholders sent</td>
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<tr>
<td>Apr 3</td>
<td><strong>Individual contacts with the RE stakeholders by RE Region Heads</strong></td>
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RE Evolution – Why?

• Required to help NSN’s dynamic business move towards a strategic intent of delivering industry-leading RE solutions in rapidly changing markets

• Increased focused on the business requirements of our stakeholders

• RE Evolution aims to
  ▪ Become more customer-centric
  ▪ Deliver innovative end-to-end solutions
  ▪ Improve collaborator performance

• A desire to become better at what we do
  - Based on extensive stakeholder feedback
  - Based on internal team observations and feedback regarding performance
RE Evolution Timeline

RE Evolution is implemented in phases during 2009:

- **2nd April 2009:**
  - Announcement
  - RE Global Management team named

- **May 2009:**
  - General and specific training for individuals as identified by Line Managers

- **1st June 2009:**
  - Renewed organization starts operations - Go live!
  - Global Management teams’ direct reports named

- **1st July 2009:**
  - Four Regions and three Functions fully trained and operational

- **30th December 2009:**
  - All seven Regions and four Functions fully operational
  - All Real Estate employees trained and having personal development plans in place
Training content

Training Topics for general audience

• **Mode of Operations** – Interfaces, roles & responsibilities, steering groups
• **NSN Business knowledge** – eTraining, presentation of regional business leader
• **BRM** – establishing and maintaining relationships, role of SRMs, reporting
• **Matrix Teams and virtual leadership** – communication styles, alignment of goals, effective virtual meetings, tools, shared team experiences

Training Topics for specific roles

• **Design Services** – workplace research, innovation, Modern Office, inspiring workspace, design & branding guidelines, suppliers and sources
• **Technology** – RE tools roadmap, GPD, Portal, Sharenet-IMS, Space Mgmt, InsightTools, PACS tools, IT
• **Property Portfolio and Transactions** – location strategy, M&A process, CER’s, negotiations, lease terms, corporate guarantees, operating lease tests
• **Workplace Operations** – stakeholder alignment, service lines, SLA’s, KPI’s, LSA & local adaption, savings initiatives, asset life cycle, invoice review
• **Collaboration Management** – objectives alignment, “one team”, contracts, performance drivers & evaluation, Play Book, benchmarking, best practices
• **Project Services (PMO)** – project budgeting, project management, reporting and forecasting, capital expenditure, resourcing, risks and issues mitigation
• **Financial** – CC Tool and budgeting, financial calendar, cost elements, provisions, allocations, LOA’s, business case, SOX, reading month-end reports,
Buddies
Pair team members with a peer who has the expertise that the other needs developing, e.g. Transaction and Workplace services. Buddies should schedule regular, informal sessions with each other to review current issues, answer questions, and further their knowledge of RE practices and resources.

Regional Champions
Regional champions are named as the functional experts within the regions. The Regional Champions give special training in their regions as needed. This will allow global practices to be tailored to regional cultures, geography and specific portfolio needs.

Global Champions
These highly skilled practitioners are responsible for sharing specific areas of knowledge around the world. This takes advantage of the high levels of knowledge that we have within the RE team.
Feedback via bi-monthly mini surveys

RE colleagues shared their view by region and function for specific improvement actions

- Objectives and next steps have been clearly communicated
- I have received sufficient training to develop my competence.
- My manager has provided useful information and support.
- For me personally RE Evolution has been a positive opportunity
- I think that RE Evolution is a success for NSN and RE
- I’m satisfied with the actions taken based on my previous feedbacks.

Method: Short e-polls demonstrate interest and indicate areas for improvement need.
Typical Steering Group Agenda

- **Dashboard**
  - Role Fulfillment
  - Operational Objective

- **Communications Workstream**
  - Post-announcement activities
  - RE 2nd Mini Survey

- **HR Workstream**
  - Organization charts with names
  - Training
    - number of participants
    - feedback
    - next steps (buddy system, virtual training, follow-up)

- **Technology Workstream**

- **Collaboration Workstream**

- **Change Management Workstream**
  - Mode of Operation, RACI

- **Other Business**

Method: Bi-weekly review meetings to report progress and seek support on critical issues.
Strategic Review of Real Estate Organization

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NSN Real Estate strives to
- Become more customer-centric
- Deliver innovative Real Estate solutions
- Improve collaborator performance

Milestones
- June 2008 Strategic review initiated by Peter Doran
- Aug. Key drivers from stakeholder interviews guide new mode of operation and organization
- Dec. Project and business plan approved by CFO
- Jan. 2009 Start of Implementation team
- April Announcement to RE community
- June Go live of new mode of operation and new organization
- Dec. Transition completed: all Regions and Functions fully staffed and trained

New mode of operation and organization
- One face to the customer: one RE Manager in each NSN sub region
- Focus on innovation: new global functions: Design & Development, Property Portfolio
- Clear collaborator guidance: global and regional Workplace Operations role for transaction, services and design
**Drivers**

- **Customer-centric**
  - Satisfaction of NSN stakeholders increased by 14%.
  - Building User Groups offer direct feedback.

- **Innovation**
  - Turning data into metrics and external benchmarks.
  - From online satisfaction survey to focus interviews with actions.

- **Collaborator performance**
  - Collaborators become strategic partners.
  - Substantial annual cost reduction.
  - Ongoing good practice sharing.

**Goals**

- **Agile portfolio**
  - Ongoing move from owned to leased sites.
  - Reduce number of sites from 970 to 540.
  - Average lease length below industry norm.

- **Attractive workplaces**
  - Modern Office concept rolled out to 50% of NSN employees.
  - Satisfied end users increase from 39% to 59%.

- **Competitive RE cost**
  - NSN ranges at a low level of industry benchmark.
  - Reduction of RE cost per employee by 9% p.a.

**Employee engagement of RE team increased by 5%, well above NSN average.**
RE Evolution
Key Conclusions & Recommendations (Jan 2010)

Open issues to reap full benefits of RE Evolution
- Additional competence building for RE managers: program management, communication, soft skills
- Perception of NSN stakeholders unclear: what do they expect?
- Establish end-to-end solution process

Learnings from RE Evolution for future organization projects
- Some people won’t be able to adapt to the changes, which has to be mutually acknowledged and alternatives for them created/resourced. Not everyone will “fit”.
- Start with global communication, followed by regional clarifications
- Ensure outside view to avoid groupthink, e.g. external Project Manager

General learnings for complex RE projects
- You can never over-communicate, nor underestimate the complexity that “culture” has on how a message is received.
- Understanding begins at the top. If leaders don’t fully embrace the changes, then their teams will struggle to understand.
- Invest in project structure, target clarification and documentation

Method: Structured interviews with RE colleagues, checking for positive experiences and challenges.
Kiitos
Thank you
Danke schön
Merci