

TRIRIGA Success Story: Nokia Corporation



Nokia aligned workplace strategy with business strategy to drive greater business value for its shareholders

NOKIA CORPORATION

The world's leading manufacturer of mobile devices

Industry ▶ Headquarters ▶
Telecommunications Helsinki, Finland

Conclusions:

- Nokia's workplace organization represents a true integrated workplace organizational model.
- The organization moved from a decentralized siloed group to a fully-centralized and matrixed organization .
- The organization adopted common standards, operating processes, and data definitions.
- The organization is performance driven and has adopted and tracks a series of key performance indicators.
- Central to the workplace organization's success is the use of a common database and process management system.
- The workplace organization has embraced the need for sustainability and has already achieved measurable improvements in energy efficiency.

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“Technical energy saving projects at Nokia started during 2003-2004 in the Europe, Middle East and Africa region, achieving savings of around 8,000,000 kWh, approximately 7% of Nokia facilities’ total energy consumption for the region.”

- Robert Fitzgerald, Nokia's Director of Workplace Process Tools and Reporting Systems

Nokia Corporation represents an enterprise that successfully moved from an ad hoc workplace organization to a strategic organization over a period of five years. In many respects the case study illustrates the power and effectiveness of workplace performance management in terms of aligning workplace strategy with business strategy, setting goals, monitoring performance against a set of critical performance indicators, and adjusting as necessary. How Nokia planned and executed this transformation and the lessons learned from this journey (still a work in progress) provide compelling insights to the critical success factors, strategic intent and source of enormous business value to Nokia's stakeholders.

Nokia (including Nokia Siemens Networks) is a giant global organization with revenues in 2007 of over 51 billion euros, operating profit of 8.1 billion euros, an employee base of 112,262 employees, and operations in 130 countries worldwide. It experienced significant growth in 2007, with a 28%

increase in net sales and 46% increase in operating profits. Known primarily as a telecommunications and wireless services company, Nokia is also the world's largest camera and music devices manufacturer. Total mobile device units sold by Nokia in 2007 was approximately 437 million units, which represents a 40% market share. Of these, approximately 200 million units were camera-enabled devices and 146 million were music-enabled devices.

Nokia's workplace portfolio is significant, with 402 locations comprising over 17 million square feet. 3.6 million square feet are concentrated in the Americas, with the balance located in APAC/China (2.8 M SF), EMEA/India (4.1 M SF) and Finland/Nordic region (6.7 M SF)

Ad hoc Workplace (1999)

In 1999, Nokia was essentially an ad hoc workplace organization. Workplace services were totally decentralized to the operating regions where each region utilized its own systems, with little or no

consistency in operating processes, standards, or performance metrics. From a systems standpoint, Nokia deployed 65 different point solutions with virtually no interoperability between the tools or corporate enterprise systems. Real estate management operated separately from facilities management with little coordination between the two functions. The siloed regional functions focused principally on transactions and keeping up with employee growth, which was averaging 1000 employees per month. There was a critical need to change course in workplace management.

Origins of workplace transformation

In 2000, Nokia recruited a new workplace executive, Mark Tamburro, who had previously worked for Microsoft and Dell. Tamburro was given the explicit intent of transforming Nokia's workplace organization and practice. The new executive convened a global real estate forum consisting of Nokia facilities and real estate managers to consider how to improve Nokia's workplace management process, organizational structure, and systems. By 2002, Nokia shifted to a centralized global workplace organization with functional capabilities that included real estate management, workplace solutions, facilities management, financial management, and process and tools management. Regional workplace teams continued to report directly to the regional Real Estate Directors with a dotted line reporting relationship back to their global, centralized functional workplace organizations. In 2004, the matrix was inverted so that the regional personnel reported directly to their global functional workplace organization, with a dotted line reporting relationship to the regional Real Estate Directors. This change in reporting structure enabled a broad effort to standardize on a common workplace management system, the adoption of common processes, workplace standards, and performance metrics.

The global workplace organization reduced staff from over 600 to 127 employees and utilized outsourcing to support a broad array of tactical services such as real estate transaction services, project management and facility management freeing up workplace staff to focus on strategy and relationship management.

In fact, a key focus of the new workplace organization was business relationship management. The organization utilized a relationship management tool to manage over 600 different business relationships throughout the operating regions and corporate staff. This focus ensured two-way dialogue between the workplace organization and the business units; thus ensuring strong alignment between business strategy and workplace strategy.

In 2006 and 2007, a broad array of space standards was implemented throughout the regions. Critical to the process improvements and standards effort was the data mapping process within an Integrated Workplace Management System (IWMS). In addition, the workplace organization standardized the purchasing and capital approval process and has now imbedded the process in the IWMS system. Nokia has standardized on TRIRIGA's IWMS system and has implemented the entire suite of functionality with plans to adopt the new TRIRIGA Workplace Performance Management (WPM) module in 2008.

Another key focus of the new workplace organization is supporting the broad adoption of workplace mobility and flexibility. Its "mobile work" program began to accelerate and gained greater adoption once space utilization was benchmarked against other best practice organizations. Initially the workplace organization determined that only 40% of office space was being utilized at any one time. New standards were adopted with targets to increase utilization from a 1:1 ratio of persons to seats, to a target of 1.2 persons per seats. A multi-disciplined team including IT, HR, and Workplace Management drives the mobility program throughout Nokia. The IWMS system tracks space utilization, including employees that work from home, and thus can systematically track and scale workplace resources to meet organizational growth. Recent developments, including Group Executive Board approval, ensure the continued adoption of the broader workplace mobility initiatives within Nokia.

Balanced Scorecard - Key to Nokia's Performance Measurement Process

Nokia's workplace organization utilizes the IWMS system to track four dimensions of performance: Financial, Customer, People, and Workplace Processes. Each of these

categories includes key performance indicators as follows:

Customer

- Stakeholder satisfaction with Workplace Resource customer service
- Employee satisfaction with Workplace Resource services
- Business Relationship Management - quality of the customer engagement

Financial

- Real estate portfolio agility - average lease length until first break
- Operational space efficiency - square meters/head count, square meters/seat, occupancy ratio, usable square meters to rentable square meters ratio
- Office cost per indirect headcount - euros/head count, euros/seat
- Financial planning accuracy

People Development

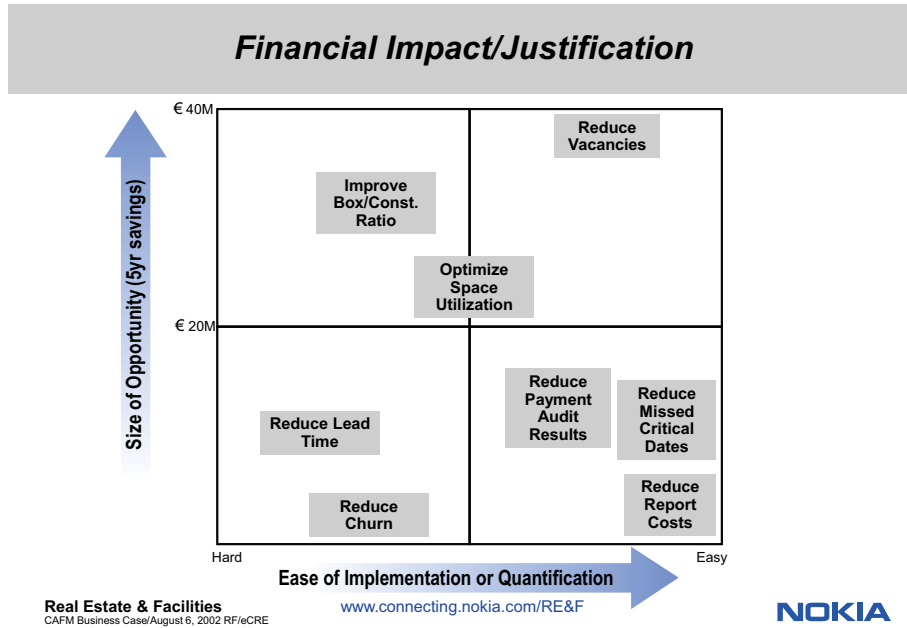
- Development of Workplace Resource personnel, identification of key talent
- Workplace Resource employee engagement and satisfaction
- Voluntary attrition rates

Workplace Processes

- Effective delivery of capital projects
 - Service quality
 - Speed-to-market
 - Cost accuracy
 - Product quality
 - Product change order
- External collaborator performance
- IWMS (N-SCOPE) data accuracy - required fields throughout the system are both populated and accurate
- Sustainability - including managing environmental risks, quantity of LEED projects under management, environmental awareness activities, sustainability checklist

The Nokia workplace organization tracks each of the key performance indicators within the IWMS system, which includes both inputted data from the workplace organization as well as data from external sources. Thus, the workplace organization has one source of performance data, regardless of source.

Figure #1



Greening the Workplace at Nokia

Robert Fitzgerald, Nokia's Director of Workplace Process Tools and Reporting Systems, reports significant progress in driving sustainable energy conservation throughout Nokia's workplace portfolio.

As reported recently by the Nokia Environmental Solutions team:

"Technical energy saving projects at Nokia started during 2003-2004 in the Europe, Middle East and Africa region. Achieving savings of around 8,000,000 kWh, approximately 7% of Nokia facilities' total energy consumption for the region, further energy saving projects followed in China and the Americas during 2004-2005, with savings in China of around 7,000,000 kWh, approximately 8% of Nokia facilities' total energy consumption in the country.

The Nokia Benefit Sharing Project in Finland began in 2005 and has resulted in savings today of around 6,500,000 kWh, approximately 2.5% of Nokia facilities' total energy consumption in the country.

As a result of these initiatives, Nokia's present total energy savings from 2003 levels in its facility technical systems is approximately

3.5% of its total electrical energy consumption globally. Nokia's target for further cumulative energy savings from 2006 to 2012 is 5-8% of additional savings of its annual facilities energy consumption.

The green energy market has been developing during the past few years, and Nokia made its first green energy acquisition in October 2006 in the UK. Nokia's total global electrical energy consumption today is approximately 640 GWh.

Nokia's global target for green electrical energy is to cover 25% of its electricity needs during 2007-2009, and increased to 50% in 2010. The European Union's aim is that renewable energy sources provide 22% of all electricity in its member states by the year 2010. Nokia's target of 25% during 2007-2008 ensures Nokia is well ahead of schedule.

In the long term, Nokia will investigate options to increase the share of green electrical energy to 100% by 2012."

Lessons Learned

Nokia's workplace management transformation from an ad hoc organization to a strategic organization has unfolded over the last five years. Key to its progress has been a strong

vision coupled with an explicit business plan that addressed all the critical elements of the workplace transformation.

Lessons learned so far cover three major categories:

1. Ensure that the workplace management strategy and implementation integrate the elements of people, process, and technology. The strategy must therefore be holistic and integrative. The adoption of an IWMS system has been critical to the transformation process in providing a platform to integrate the elements of workplace portfolio, headcount, and the workplace processes that deliver end-to-end workplace services.
2. Change management is crucial to the success of the workplace transformation process. Because of the myriad changes in roles, responsibilities, reporting relationships, and processes, there would be substantial resources needed in training and constant organizational communication. As part of the change process, workplace management stressed collaboration with the business units and other key functional staffs including HR and IT.
3. Implementing IWMS required substantial support from the IT organization; particularly in the post implementation phase, to ensure system tuning, test and refinement.

Results to Date

During the development of the Business Case to support the global IWMS implementation, Nokia developed a matrix that reflected nine different categories of targeted business improvement (See Figure #1). Post implementation, Nokia has substantiated many of the selected targeted areas and continues to seek improvements in all aspects of their business process.

Examples of improvement include the reduction of both vacancies and churn, simply by better understanding their portfolio, acting on business drivers, and improving their planning processes. This has also allowed Nokia to reduce their overall portfolio by approximately three million square feet, which represents significant annual savings in both base rent and operating expenses.

Another example relates to ongoing lease administration savings. The IWMS system alerted real estate management of a lease renewal that would automatically renew unless explicitly cancelled by the tenant. This one notice, and the subsequent actions taken, represented an annual savings of two million euros per year, a payback that covered the entire initial investment in the IWMS system alone.

Conclusions

- Nokia's workplace organization represents a true integrated workplace organizational model.
- The organization moved from a decentralized siloed group of regional

facilities and real estate organizations to a fully-centralized and matrixed organization - ensuring close coordination and alignment with the regional business units.

- The organization adopted common standards, operating processes, and data definitions ensuring consistency in performance and service quality across the global portfolio.
- The organization is performance driven and has adopted and tracks a series of key performance indicators across a balanced score card, which address financial performance, customer satisfaction, employee development, and workplace portfolio and project performance.
- Central to the workplace organization's success is the use of a common database and process management system - the utilization of a fully-featured IWMS system. And the workplace organization has adopted best practices in workplace mobility that drives workplace utilization, as well as the ability to scale with organizational growth.
- Finally, the workplace organization has embraced the need for sustainability and has already achieved measurable improvements in energy efficiency.



The Global IWMS Leader

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