





# Transformation 2.0: Turning the Change Process Inside Out

Changing a big company's culture can take months or years. Now, managers can trigger substantive breakthroughs in as little as 72 hours using an array of web 2.0 tools—web-enabled discussion forums, wikis and blogs—that allow larger numbers of people to engage more easily in meaningful interactions. Large organizations are becoming as nimble and personal as smaller firms. In essence, “2.0” is transforming the transformation process.

BUSINESS TRANSFORMATION IS at a turning point. Companies' efforts to recast an organization's culture today must contend with a whirlwind of new challenges. For example, managers need to make value chains sustainable from an environmental and social perspective, often requiring fundamental change in the way companies operate and interact with others. The growing need to reconfigure individual functions to achieve far greater leverage—from (outsourced) shared services to collaborative innovation—is creating major transformation demands along the entire value chain. All this must be achieved through engaging a new generation of employees with distinctively different values and demands of their work.

At the same time, a powerful array of new tools will soon afford large organizations the potential to make their business transformations as efficient as those pursued by smaller firms. These tools are revolutionizing the change process, enabling companies to communicate interactively with more employees much faster than ever before.

While the convergence of a heightened urgency to change and the technical ability to reach further and faster into companies might appear to complicate the process, it actually brings within reach an entirely new approach to business transformation. We call this new approach *Transformation 2.0*, and it melds the fast-paced, personal dynamics of transformations in small entrepreneurial firms with the strength of large-scale, highly integrated transformation programs such as Six Sigma, lean or operational excellence initiatives.

This combination of transformation potential and radical new ways to unlock it represents a major opportunity for companies to become more competitive and tap into new sources of growth. Our work in helping firms bring about organizational change has enabled us

to draw on unique insights regarding what it takes to make transformations successful, and provides a clear perspective on what future business transformations could become, given these new opportunities. Pioneering efforts such as those used in the Nokia Siemens Networks (NSN) change process highlight the possibilities and concrete benefits Transformation 2.0 can deliver (*see sidebar: Transformation 2.0: The NSN Experience on page 18*). Before describing Transformation 2.0 in further detail, we will provide some added context regarding what it takes to make business transformation succeed.

## The Big Transformation Challenge: Turning Vision Into Action

Numerous business transformation approaches have been tried, but many cause more problems than they solve. Centralized, top-down approaches, with senior managers exhorting employees to change behavior, tend to do little but transform organizations into groups of harassed, resentful workers. Likewise, companies seeking to empower employees at all costs often end up in organizational chaos, as free-wheeling workers step outside assigned roles to become dubious dealmakers and problematic problem-solvers.

Instead, our experience shows that the best way to ensure transformation success is for senior leadership to establish the context and overarching goals of change, and then to create opportunities where employees can translate these goals into action. In essence, the leadership task is to translate the company's vision (that is, its transformation objectives) into simple, contextual goals. These goals provide the frame within which people can take ownership of the actual transformation of processes,

ways of working, and even the creation of new processes and activities.

By allowing the organization to experiment with improvements or innovations, companies are able to acknowledge fully the adaptive nature of most major transformation challenges. In complex change, there is no blueprint and there is no single right answer. Successful organizations find ways to engage the full power of their teams in running experiments, and create pathfinders for change that can deliver tangible business outcomes over short time frames to serve as “proofs of concept” before they are applied companywide.

Such an approach has always been possible in smaller, more entrepreneurial firms led by the owners or a small leadership team that really knows where it wants to take the company. These leaders personally inspire their people to make contributions, and by sharing their vision and setting the right examples regarding expected behavior, they define the direction in which they want people to contribute. The challenge is learning how to deploy this type of approach in large-scale, geographically and organizationally diverse companies.

## Something “Wiki” This Way Comes

Recently, two new technology streams have merged in ways that are of intense interest from a transformation perspective. First, larger numbers of people can more easily engage in meaningful interactions via multiple new platforms such as web-enabled discussion forums, wikis, blogs and other similar collaborative

solutions.<sup>1</sup> Second, it has become much easier to support and guide non-routine collaborative activities effectively through applications such as Microsoft SharePoint, a web-based collaboration and document management application.

Both of these technology-driven opportunities allow the transformation process to become more interactive, thereby drawing on the collective strength and wisdom of a much

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larger portion of the organization in significantly less time. They also help engage the full power of the organization in the search for practical ways to translate transformation goals into real-life business outcomes—boiling the high-level direction of the transformation down to: “It’s Monday morning. What does this mean for me, here and now? What should I be doing differently, and how will I know I have been successful?”

Organizations that harness these technologies to increase the effectiveness of the transformation effort will identify and employ existing talent faster and more comprehensively than their competitors. Doing so will significantly reduce the strain on the overworked individuals normally put in charge of change projects

<sup>1</sup> A wiki is software that allows users to create, edit, link and organize the content of a website collaboratively. A blog (short for web log) is a website where individuals provide regular commentary on various topics.

by opening a dialogue with a far wider cross section of the organization's population than was possible in the past. Success, however, depends on three elements: The company must articulate the transformation challenge in ways that broaden the playing field and reduce reliance on the usual change leaders. Also, strong, implementation-oriented managers must put in place a systematic methodology that ensures that people instigate, document and follow up on change initiatives—in other words, that they experiment well, and find ways to share these experiments widely throughout the organization. Finally, organizational leaders must assess carefully these manager-implementers, as they are often the keys to transformational

success or the reasons for failure.

Without the new, collaborative technologies, this cascading approach only works well in limited circumstances. For example, a large sales organization might use this approach to create a step-change in customer responsiveness. It succeeds because many of the required change initiatives lie within the realm of small groups of employees and can yield effects in reasonably short (and inspiring) time frames.

However, attempts to take this traditional approach into multiple departments, or to initiatives that are interlinked or require the involvement of more people for longer periods of time, will quickly overstretch a traditional cascade network. This is where new technologies, and

## Transformation 2.0: The NSN Experience

When Nokia and Siemens merged their telecommunications infrastructure subsidiaries in April 2007 to form Nokia Siemens Networks (NSN), they employed Transformation 2.0 tools and techniques to get the job done faster and more completely than traditional transformation approaches would allow. Since the new company would generate revenues of around \$27 billion and include 60,000 employees operating in 150 countries, getting the two legacy organizations to function together effectively was a top priority. In one example of its power, Transformation 2.0 techniques enabled NSN to conduct a companywide brainstorming session in 72 hours that would likely have taken months to complete using traditional methods.

Formed from two companies with strong legacy cultures and ways of working, and facing

a highly competitive market, NSN needed to move beyond mechanically achieved integration. It had to transform into a single, focused firm with a clear perspective on what it needed to achieve—concentrating on the cultural aspirations of the new company and not on analyzing the differences between the two organizations. Furthermore, transformation approaches following the traditional vision, design and rollout sequence would not only require too much time but also be culturally inappropriate.

NSN “broke the ice” between the two organizations by creating an anonymous online discussion forum, where employees and managers of both soon-to-be-merged firms could share their hopes for and concerns about the budding organization. The animating idea at this point could be expressed as:

“Given the opportunity to create a company that you really want to work for, what would it look like? How would you make it happen?” Creating this virtual, global community helped NSN begin a flirtation of sorts between two companies whose unique cultures stretched back over 150 years.

Once the discussion forum had initiated contact between the two legacy companies, NSN used IBM's proprietary Jam collaboration tool to allow everyone to co-create the culture and values of their future company. Since 2001, IBM has used Jams to involve its more than 300,000 employees around the world in far-reaching exploration and problem-solving. At NSN, a 72-hour global interactive brainstorming session allowed employees from both companies to talk together online and share ideas. This, in essence, represented the

particularly the vastly improved collaboration environments such as Microsoft SharePoint, shine. They allow companies to undertake much larger initiatives in which many more people actively participate over shorter time frames. In addition, tracking change initiatives and communications becomes much easier, which creates the transparency to ensure the initiatives reinforce and amplify each other. In essence, the invitation to engage in transformation is thrown open to the whole organization.

## The New Urgency for Change

The newfound ability to effect profound change at the personal level within large organizations

has arrived just as more companies have more reasons to contemplate companywide transformations. What follows are just a few of the challenges currently keeping top-management teams awake at night.

**Creating sustainable operations.** Companies' ability to operate in an environmentally and socially sustainable manner has risen to the point where most corporations today have established, documented and publicly communicated policies that signal they take the issue seriously. Furthermore, many have demonstrated they mean business by making remarkable improvements in terms of the sustainability of their operations. Despite the impressive nature of such cases, much more must be done

wedding between the two organizations. One executive closely associated with the transformation put it this way: "The Jam was everyone's chance to speak now or forever hold their peace." Not only were the results of the event instantly communicated, because more than 8,000 people from the CEO to line workers participated, the Jam also created a clear public statement that NSN's culture was important and worth striving for.

Following the Jam, A.T. Kearney worked with NSN to create working groups drawn from more than 200 Jam volunteers around the globe. These people wrote values descriptions and defined the underlying behaviors that supported the new values. It was a participative approach that allowed people to say, "Yes, we can do that"—as opposed to, "These are the chief executive's values, and this is the way they want me to act; they're not mine, and I don't want to take them on."

NSN's values were defined so the organization could more readily take the step from values to capabilities and behaviors. Defining values in traditional ways, such as at the respect or integrity level, makes it extremely difficult for an organization to convert its values into action. It is a huge leap for an individual to go from respect to understanding what specifically he or she can do differently on Monday to live this value in a way that serves customers better or generates more profit. In contrast, NSN values such as "we build innovative solutions" allowed people to translate the value more readily into specific actions and behaviors, for instance, redesigning the sales process to solve customers' business problems rather than simply selling boxes.

NSN then translated these values and the underlying behaviors into business processes. A clear aid in this work came from involv-

ing specific company disciplines. For example, when employees in the quality department wanted to integrate the company's new values into their quality award program, they approached the task in a hard, quantitative way: How do you measure whether someone is actually living a value in a quality award? Such efforts helped significantly, since workers from different departments often came back with hard, data- and metric-driven approaches based on their different ways of seeing the world.

Asked to characterize NSN's approach to transformation, one manager replied, "Rather than top-down or bottom-up, our transformation occurred from the inside out."

Instead of relying on a few managers to lead the way, NSN looked to the collective wisdom of its employees—the soul of the organization—to define, develop and deploy its new culture.



before a substantial part of the world's economic activity can be classified as truly sustainable from an environmental and social perspective. This represents a major transformation challenge. Organizations must not only change their processes and ways of working, but also must strive to influence the mindsets of their people if sustainability is to become more than a set of good intentions.

**Industrializing resources.** The days when vertically integrated business units dominated industries have long passed. Instead, companies today increasingly strive to make use of other firms' resources to pursue specific growth opportunities for which they may lack the required internal resources. At the same time, managers seek to remain competitive by sharing (and leveraging) resources with others to achieve economies of scale. Organizations already share, offshore or outsource many sup-

port functions and are increasingly seeking to deploy such tactics in their core business functions and processes. Examples include engaging in collaborative innovation with suppliers and third parties, sharing manufacturing capabilities, and partnering for joint distribution in specific geographic regions. Moving from a vertically integrated business model to a more collaborative operation clearly represents a transformation challenge encompassing leadership focus and skills, employee capabilities and attitudes, and the organization's structure and operational perspectives.

**Engaging a new generation.** With companies worldwide seeking to attract and retain the best and brightest employees, successful organizations find that competing for talent takes up increasing amounts of top management's time and attention. Today's new workers often differ from their older generational

## NSN's Change Agent

Alistair Moffat, who led NSN's cultural integration program, described the thinking behind NSN's transformation.

"We adopted a 'systems theory' approach instead of following a traditional mechanistic change process," he explained. "In a mechanistic approach, you would typically 'pull levers' to get people to follow a change direction designed by managers. Instead, we wanted to enable everyone in NSN to come together and agree on what type of organization they wanted to work with.

"We knew what our intent was, but we had no idea what the outcome was going to be. We knew we wanted a culture where people would feel they belonged to

NSN, but that was as concrete as we could get. We were basically trying to allow the system to come together around what it wanted as a successful outcome."

In discussions of the concept with a variety of experts (providers of traditional change methodologies and consulting services), the answer always came back the same. "They said we had to integrate the cultures to somehow get rid of differences and reach some sort of pseudo-agreement," Moffat notes. "Instead, what we were trying to do was to acknowledge the fact that the two cultures were very different and that both had unique strengths. So instead of trying to harmonize those, we wanted to take the existing cul-

tures, honor them and then create together a future culture, one that is potentially completely different but that amplifies the best of these legacy cultures."


Often in values-related change, the project finishes when the values are defined. This is followed by the production of tokens such as T-shirts and coffee mugs.

"This gives the impression that the values are complete, whereas they can be left in a limbo between creation and application to business processes," explains Moffat. "But with A.T. Kearney's help, we were able to translate our high-level aspirational values statements (defined in the Jam) into measurable, process-related behaviors."

counterparts in how they approach work, what they hope to get out of a job and what matters to them in terms of a career. Research into the characteristics of Generation Y indicates that they place more emphasis on social responsibility and sustainability. Reaching these workers requires taking a giant step beyond the corporate newsletter and other traditional one-way communication techniques. Transformation 2.0 can help organizations “hear” these new employees and reveal ways to unleash the purposeful energy they offer (*see sidebar: NSN’s Change Agent*).

## Driving Change in Complex Organizations

Transformation 2.0 provides the tools managers need to build momentum behind a change process rapidly and in ways that energize and give

voice to virtually every person in a large organization. Results so far have been extremely positive: Nokia, Del Monte Foods, Eli Lilly, the Girl Scouts of America and Northwestern Mutual Life Insurance are just a few of the organizations that are successfully forging Transformation 2.0 collaboration initiatives, pointing to the emergence of a powerful new way to create change in large companies. Transformation 2.0 builds on the premise of the book *The Wisdom of Crowds*, where author James Surowiecki tells us that “large groups of people are smarter than an elite few, no matter how brilliant—better at solving problems, fostering innovation, coming to wise decisions, even predicting the future.” The answer to all complex problems lies somewhere in the system, if only we could harness inputs from enough independent points in that system. Transformation 2.0 allows companies to do just that. 

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