

CONNECTING PEOPLE

A discussion with Nokia's president and CEO

Olli-Pekka Kallasvuo
is both passionate and humble.

He's passionate about his company and his people, and humble about his accomplishments. Kallasvuo has witnessed nearly every phase of Nokia's historic transformation from a diversified industrial company into the mobile telecommunications giant it is today. During the course of his career, Nokia shed its other businesses to focus solely on mobile communications. While that course may have seemed risky at the time, it transformed Nokia into the world's largest manufacturer of mobile devices, measured by market share, with more than \$50 billion in revenues, 125,000 employees, a global footprint and one of the world's most respected brands. Today, he is



overseeing another historic transformation, as Nokia invests heavily into mobile services, such as navigation, apps, music and e-mail.

Trained as a lawyer, Kallasvuo joined Nokia in 1980 as corporate counsel. He went on to become Nokia's chief financial officer in 1992, after succeeding in several strategic and financial roles. Among his positions, Kallasvuo served as corporate executive vice president for the Americas. In 2006, Kallasvuo was appointed CEO. He is also chairman of the board of Nokia Siemens Networks, Nokia's communications infrastructure business.

The discussion on leadership that follows took place recently between Kallasvuo and Gary D. Burnison, chief executive of Korn/Ferry International, at Nokia's North America headquarters in White Plains, N.Y.

Burnison: You lead a global company with 125,000 people. As chief executive, how do you make sure the company's values cascade down through the entire organization?

KALLASVUO: We don't cascade down. We "cascade up." Let me explain.

Like most companies, we have a set of values. But the words alone are not important. The important question is, what do they *mean* to us? The last time we looked at our values, we wanted to involve our employees, to see what they thought. So we arranged what we called "Nokia Cafes," which were meetings in different parts of the world. They were opportunities for employees to get together and start discussions about our company's values. We had something like 25 of these cafes. After they were over, representatives from each of these meetings went to a regional meeting, where the discussions continued. These people were not appointed by management. These were employees who just stood up and volunteered. We then had a final meeting at our headquarters in Finland for two days. There were about 45 people there who were truly passionate about Nokia and our values. They came representing their countries, and they spent two days together. In the afternoon of the second day, I joined them in the discussion. I went not to approve or disapprove anything, but I could sense the passion, energy and commitment they had as they explained how they got to where they were — and what it all meant.

It didn't take long to realize I didn't really even have the option of saying "no." It was an "aha" moment! It was like a monster had been unleashed, but in a positive sense. The process enabled employees to determine our values and what they meant. There was one item that I didn't like all that much, but that's how it goes! After this, we let everybody know where we were in the process

and in our thinking. Then we had a nonstop, 72-hour Internet discussion. Management put in our contributions and discussed what the values meant to us. And out of 60,000 Nokia people who could take part in the Internet discussion, 10,000 participated. So, when it comes to values, it was not only the outcome, it was also the process that made people to buy into it.

So you view it not as cascading down, but as the organization's values and culture cascading up.

KALLASVUO: Yes, absolutely. And it makes you quite exposed. You see, I realized I could not call it off. This was it, whether I liked it or not. And, of course, in truth, the values that were arrived at were very much in line with our earlier thinking. They changed a bit. But the important part was that people had the possibility of expressing themselves and feeling invested. You really cannot simply *order* a change in culture! Unless you explain why and build some understanding — and it needs to be credible, the rationale needs to be there — you can't get away with just issuing an order. In today's communication environment, with people having discussion forums and blogs, you have to have the kind of credibility that comes from explaining *why*.

What do you enjoy about being a leader?

KALLASVUO: I enjoy leading people. I like the challenge and the exposure as well, because you really have to put yourself into it entirely; you have to stand out. To me, the most important aspect of leadership is "courage."

Why courage and not, say, confidence?

KALLASVUO: Confidence is one-dimensional, but courage is more complex. I say that because as a leader you have to be at some ease with the possibility that you may *fail*. People need to understand that when a risk has been taken, the leader has decided to take that risk. They need to understand *why* it has been taken. If they do, then people will tend to follow you. Taking risks requires courage.

Are you thinking about personal failure or corporate failure?

KALLASVUO: They go hand-in-hand. But I was just now referring to personal failure. You have to be at ease with failing personally.

I agree with you wholeheartedly.

KALLASVUO: If you don't have that, you start playing it safe. People notice that, and they won't follow you. You have to know what you are doing. But you also have to have the courage to take risks and to be at ease with uncertainty and with potential failure as well.

I think it has helped us a lot that what we are doing helps people especially in the emerging markets where mobile communication has changed people's lives in a very practical and fundamental ways.



In my view, failure is a good thing — as long as you learn from it.

KALLASVUO: If you don't fail, you are not doing what you are supposed to do. Failure is always there. On the other hand, you'd better not fail too often!

It must be quite exciting to lead such a dynamic company as Nokia. Do you ever wake up in the morning and pinch yourself that you're the chief executive?

KALLASVUO: It is very exciting at times, but no, I don't pinch myself! Maybe because of the necessary routine: you go to work, you work hard, have meetings and do things that aren't particularly exciting in that way. For me, the wonderful part of my job is the people part of what I do, as well as learning new things and getting excited about what we are working on. I'm asking myself regularly: is the stuff we are doing — the possibilities we are pursuing — are they exciting on a company level and on a personal level? From that kind of excitement you get energy. If you lose your ability to get excited, people will notice.

What do you think your employees want — money is, of course, important. But my sense is that people really want to be part of a journey; they want to be stimulated; they want to grow; they want to be part of a winning team. Do you agree with that, or do you think people are motivated by other things?

KALLASVUO: People want to be part of a winning team and to have a sense of belonging. They want that very much. They want to know they belong to a team and that their work is important. Work takes so much of our time. So we need to have those dimensions as well — that sense of belonging, that sense of purpose. In fact, I think it has helped us a lot that what we are doing helps people, especially in the emerging markets where mobile communication has changed people's lives in very practical and fundamental ways. People like to feel that what they do helps other people and therefore has meaning.

We are doing that as a business, of course. And having that sense of purpose, in our case, has been very important. As a result, "Connecting People" has been a wonderful meaningful corporate slogan. Fundamentally,

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we help more than a billion people around the world connect to what's important to them every day. People who have never heard a dial tone, who carry their first phone in their pocket — they can now help themselves.

Take India, for example. To a large extent, India is a self-employed economy. Think what wonderful benefits mobile communication has brought to India's carpenters, gardeners and to other people who have small businesses. Or think about someone who is living three days from a doctor in Rwanda. The possibility of calling a doctor when a child is sick, as opposed to having to travel three days to get to a doctor — that can actually save a life. Our people talk about this a lot. It gives them a real sense of purpose and satisfaction.

So, would you say that having a sense of common purpose and a vision for the company is important to what you do every day?

KALLASVUO: Yes. But I think it's more than that. People need vision and they need direction. But they also need concrete action. They need victories. They want to have the possibility of celebrating. Vision alone is not enough.

People need successful execution, is that what you are saying?

KALLASVUO: Yes. People need to see the execution. They need to see, experience and celebrate the progress.

How do you do that?

KALLASVUO: There is no shortcut. Really doing it, and then communicating it, is what it takes. Telling them, "This is what we did this month, and this is where we have made progress." And also telling them, "This is where we have not made progress."

The granularity of the information people expect today is much, much greater than in the past. People are blogging and on the Internet. They are discussing everything.

When I was younger, people within the company thought there were some things that we should not talk about to everybody. But now, with this culture of global, instant, around-the-clock communications, everything is discussed openly. Everything is very transparent. If a product is late, people start blogging about that. It's not just people in R&D who know about it. Everyone knows. Hence, the granularity of information that people need within the company, for good or bad, is much greater now. You don't get away with just saying, "Okay, we are going to go this way now; please follow us." You need to give them much more, and sometimes doing that is really demanding — and risky!

Can you give me an example?

KALLASVUO: Sure. For years, we were largely a hardware manufacturer — we made phones. Last year, for the first time, we started measuring the number of active users of the new services that we are providing. We targeted to have 80 million users by the end of 2009. Why 80 million? Because I felt we needed a number. Whether it was 70 million or 80 million or 90 million didn't really matter that much. We needed a big number for people to rally around.

Then we decided to make it visible to everybody, and update the number on a weekly basis. We used it as

an incentive target, even though not everybody can have a direct impact on it. We said, let's do this openly in a way that everybody knows. Even though we realized that if we say 80 million and get only 35 million, it's not going to be very good for morale!

So, we put monitors up in our offices to track the number on a weekly basis. I was really nervous about that, because I knew this could really backfire. Fortunately, we made our target, and it was a happy ending. But you need to take a risk as a leader, because people need more than just a direction. They need to know how they are doing. They need to *see* their progress.

In your industry, the product life cycles are very short. How do you keep up with all of the changes that occur?

KALLASVUO: Yes, and they are getting shorter! The clock speed is very high. But there is more than one answer to your question. In fact, I have been thinking about it for a long time, and I asked myself, who were the people running companies in the past? In the 1930's and 1940's, they were run mostly by manufacturing people. All the intelligence was inside the company. In the 1950's, the person typically running a company had a different background: sales and marketing. Then what happened? Creating shareholder value became the goal, and we had all these MBA's and finance people.

Today, the business challenge is different. Think of all the information that is out in the marketplace, about all the diversity that is in the marketplace, all the communication that is instant and is constantly happening globally. The question is, how do you sense what is happening and then create products and services based on that sense? This is a very different challenge than we faced in the past.

The intelligence is no longer on the inside, it is outside, and you need to sense that, especially if you are in a business where the clock speed is very fast or the product cycle is very short. In our business, if you are six months late with a product, you have lost one-third of the potential market, if the life cycle is, say, 18 months. So the question is, how do you sense what's happening globally? How do you understand people in different parts of the world? How do you conceptualize it and create solutions?

Do you have people solely focused on this?

KALLASVUO: Yes. For example, we have cultural anthropologists who travel to remote areas of the world trying to understand how people are leading their lives and how mobile devices can help. These are people who we don't

hear from for weeks. They are somewhere in the jungle or in a remote mountain range or in a crowded slum. They are trying to find out what's important now in people's lives because everything changes so quickly. This is a major challenge, and a major opportunity as well.

And this translates into products, and tells you where they should be headed?

KALLASVUO: Sure. The mobile phone used to be basically for making voice calls. And then it started changing, and more and more functionality was added. The mobile device industry has been quite good at capturing value from other industries. As a result, things like a camera were added, and Nokia soon became the biggest camera manufacturer in the world. And now when you buy a mobile device, it comes with a camera included in the price.

But now, people want more. They are in the stores and are saying, "I want a phone that also allows me to listen to my music anywhere." So, we've introduced new concepts, like "Comes with Music." We've made agreements with record labels, and we provide access to all the music you can download for one year when you buy our device — and you can keep the music forever. So, this means that the device now comes with a camera, yes, but it also comes with free music.

Now, from a business logic point of view, it's the same. You get paid for that functionality. But, from the point of view of skills and capabilities, in terms of business dynamics, it's not the same. One is a hardware component added to the device: a camera. The other is content and a service, which is software, basically. So this means that we've had to develop new skills, new capabilities, and bring in new partners and new people.

Transforming from a hardware company to a company that's also content- and services-driven requires a major change. We have many people who are trying to make that transformation work.

What's the best leadership advice you've gotten in your career?

KALLASVUO: Fortunately, I've gotten a lot of good advice. But one good piece of advice I got many years ago was more on a personal level.

When I became the chief financial officer in 1992, I was young and far too inexperienced. Nevertheless, I was given the job. And I was told by a mentor that it's very important to remember that I was not only an individual. Now I was also a representative of a system or a corporation called "us." As a leader in an important position, I had to step up in a different way. I was

thinking about that recently, because I am by nature a private person.

I am, too.

KALLASVUO: I realized back then that I could no longer be so private anymore. I had a role and responsibility as a senior leader at the company to set an example. I've really taken that to heart ever since.

Are you saying that as a senior leader, it's no longer good enough just to articulate the strategy or the company's values? You now are the company, and you have to live its strategy and values, too?

KALLASVUO: Exactly. That was something I hadn't thought about. It was simply: I am the CFO. So it was very good advice.

How did you make the transition from being a numbers guy — the CFO — to a guy who is leading the business?

KALLASVUO: Well, it wasn't a big transition in that sense, because I am *not* a numbers guy!

Before I became chief executive, I was the CFO of Korn/Ferry International, and that is exactly what I said, too. I am not a numbers guy!

KALLASVUO: Yes. It's a paradox. I was CFO for many years, but I'm not really a numbers guy. I started as a lawyer. My problem was that I was a poor lawyer because I was too interested in the business side of things. I would close one eye and sometimes two trying to find a business solution to an issue. I decided I would try to do something else. So I got involved with strategy and finance and then became CFO. But I did it more as a strategy person than as an accountant.

When you were at university, did you ever think you would eventually lead such a large company?

KALLASVUO: No. I just wanted to make a living and not disappoint my parents!

So how does someone become a leader?

KALLASVUO: I think you grow into it. And I don't believe there is only one leadership style that's effective. There are certain qualities — you need to respect people, you have to be honest, and you have to have courage. But people lead in different ways. We are not all alike. And just as you grow as a person, you grow as a leader, too. And you learn when you are leading people. I'm sure there are some people who are natural-born leaders who have charisma that makes people follow them automatically. That's not me. So, you learn and you practice, and you grow into your leadership role.

Do you think leadership is about charisma or authenticity?

KALLASVUO: I don't have great charisma, so I have to say it's the other! When we hit difficult times a couple of years ago — when the global economy was really suffering — I held these internal town hall meetings. And I said, quite often, that to effect change in a large organization, it helps to have a crisis *and* a charismatic leader. I'd pause for a few seconds, shrug my shoulders and say, "Well, at least we have a crisis!" Sometimes, a little bit of humor goes a long way toward reducing the tension.

When you make decisions as a leader, you have to have a great deal of confidence that, at the end of the day, it's your decision. Do you agree?

KALLASVUO: I would say confidence *and* courage, as I mentioned before. You need both, and they are not the same thing. But when you make decisions in a company like ours, you typically are not alone. Sometimes, of course, you need to step up and say, this is my call. But only sometimes. In my view, making decisions is a team sport. So when we make decisions, we typically do it with the senior team. This company is so big and complex that if I started to make all the big decisions on my own, I would be shooting from the hip. I would make a lot of mistakes.

Having said that, sometimes there are moments when you simply have to say, this is what we do. And sometimes that's also what people want to hear. It's quite interesting. Very often people say, "Oh, it's difficult!" and someone says, "Okay, then, this is what we are going to do." And, very often, after that there is relief, because a difficult matter has been decided. Then it's, "Let's move ahead!"

As the leader of Nokia, what's your work/life balance like?

KALLASVUO: My children are grown up and out of the house, and my wife is an experienced businessperson. So, she knows what my job demands. She is not working actively now; mostly she does board assignments. So for me, family/life balance is less of an issue today. I can devote myself more fully to my work. On this one point, however, I have to tell my people, "Don't do as I am doing; do as I say!"

People need a good balance between work, family *and* themselves, and achieving that balance can be very difficult. Too often people put *themselves* aside, and the balance becomes between just work and family. That's not good, either. You need to take time for yourself, too.

