

Siemens case study

Business



EVALUATING THE CHANGE AGENT PROGRAM AT SIEMENS NIXDORF (A)

Siemens Nixdorf Informationssysteme (SNI) was the largest European-owned computer manufacturer and information technology vendor in 1994. The company was created by 1990 merger between Nixdorf Computer, an entrepreneurial minicomputer firm and the mainframe computer division of Siemens AG, the German electronics giant.

The company offered a broad range of computer product, from personal computer and mainframes to software and support services. In 1994, the company posted \$8 billion in revenues and employed 39, 000 employees worldwide.

Despite its size and a strong market presence in Europe SNI has not posted a profitable quarter since merger. The company lost over \$350 million in fiscal 1994. Over 65% of its products were sold in the Germany, and the company has a weak base in the growing Asian and North American Markets.

While the organization has a strong technological focus, SNI was slow to respond to market changes requiring more customer responsiveness and market shifts away from large mainframe systems. In Addition, SNI's efforts to trim high labor costs were hampered by strong union pressure and strict German layoff regulations.

Industry analyst observed that the company was constrained by rigid corporate culture established during the merger. The organizational structure was considered too bureaucratic in its approach to decision making for rapidly evolving market. In mid 1994, in the search for profitability a decision was made by the Chairman of Siemens AG (100% Shareholder of

SNI) to bring in the new CEO for Siemens Nixdorf. Gerhard Schulmeyer, President and CEO of the American Division Asea Brown Boveri (ABB), a Swedish-Swiss engineering company, was chosen.

Schulmeyer wanted to SNI to become more customers driven and responsive to the market, and he was convinced that the major adjustment necessary to recreate SNI could only occur alongside a radical change in the corporate culture. He wanted to create an SNI culture that enhanced entrepreneurial thinking and team building. He aimed to replace top-down procedures with innovative leadership that rewarded decision making and risk taking. To accomplish the goals, Schulmeyer initiated a companywide culture change program that had three major objectives: 1.

To change the behavior of the managers and employees with a view to achieve dramatic improvements in performance and results.

2. To change work systems to foster a culture of operational excellence. 3.

To change processes to emphasize the customer and to ensure the primary of the customer service. He believed that SNI's radical change requirements could only be met holistically, addressing structure, systems, behaviors, and strategic philosophy together, underpinned by a continuous learning process for both individuals and the organization itself.

A road map was created and published, and execution as set in motion in October 1994.

Of particular importance in creating a foundation for change at SNI were the behavioral and learning components of the road map. On the behavioral side, a set of mutually reinforcing initiatives was introduced to encourage

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new ways of acting and support the development of new capabilities. These initiatives included the Culture Change and Friday Forum Programs, fine Tuning of the organization's matrix structure, a reengineering and profit improvements program, the introduction of a new management information System (MIS), and corporate strategy initiatives.

On the learning side, the organization committed to a Change Agent Program and Management Development Program and supported the learning objectives of the change agent program. THE CULTURE CHANGE PROGRAM The process started with scheduling of four major changes events in Hanover, Germany.

The first, Hanover I, held in December 1994, was a gathering of selected SNI employees with theme of “ Giving Employees a Voice Defining the New Culture”. Over 300 employees, called Opinion leaders, met with 75 Managers, known as business leaders, to agree on changes that were worth striving for at the company.

Nineteen topics were identified (e. g. “ Establishing an Environment of Creativity”), followed by the brainstorming to translate ideas for change into actions.

The discussions led to establishment of 60 action teams with agendas that required tangible results within 90 days. A results fair was held in Munich in May 1995, where 1200 employees were shown what had been accomplished so far the action items and what would happen in the future. Hanover II, in June 1995, followed the theme of “ Giving Customer a Voice in defining the New Culture”.

A new set of 300 SNI Opinion Leaders and 75 SNI Managers teamed up with 54 Customer representatives to develop change ideas and recommendations. An additional 18 action initiatives were generated, such as “ How to hear the voice of the internal Customer”.

As with Hanover 1, a Result Fair January 1996 presented the status of work on the action identified and assigned during Hanover II. Hanover III, in December 1995, had the theme of “ Giving Partners a Voice in Defining the New Culture. ” During this meeting, SNI worked on strengthening its partner relationships.

In attendance were 350 employees and 40 SNI partners, who looked for new ways to reinforce and expand the areas in which they worked together. Hanover IV took place in October 1996, with a presentation by Schulmeyer on the need to develop a new matrix organization.

This final event involve decentralization the organization’s business and associated responsibilities and delegating them to some 250 “ entrepreneurs” (Unit Managers) out in the field with full profit and loss responsibility.

The Hanover meetings were designed to help people learn new patterns of behavior. Instead of typical hierarchical distinctions, first names were rule, and everyone was free to intervene in the discussions. This atmosphere deeply affected participants, who returned to their day-to-day activities motivated and fired up with a new sense of mission. To disseminate change information from the Hanover conference and stimulate change ideas from throughout the company, a series of Friday Forums was introduced.

Whereas the Hanover meetings were large and one-off public events, Friday Forums were small-group discussion that attempted to build a frank and open communication environment within the fabric of the company. Any topic could be brought to the meeting, from day-to-day problems to “ Hot Potato’s” and involved employees from all levels of the company. Information exchanged in the forums was broadcast more widely throughout the organization via electronic mail twice a month. In addition to sharing information, employees were encouraged to forum small groups to act issues raised in meetings.

THE CHANGE AGENT PROGRAM During Hanover I, Shulmeyer introduced the Change Agent Program (CAP) that sent 20 employees to United States to participate in a 13 week training event administered by a well known management consulting firm known for business reengineering. The goal of CAP was build to an understanding of the business fundamentals and business change along three dimensions: customer, competitiveness and culture.

The high potential participants were selected from the original 300 “ Opinion Leaders” invited in Hanover I conference.

A key element of the cap was that each participant, or change agent (CA) was sponsored by two member of management: (1) a “ Business Leader” who was typically a senior manager in the division in which CA worked and who funded the CA’s participation in the program and (2) an “ Executive Sponsor” one of 14 Executive Board members, who was responsible for the entire division in which the CA worked. The 13 week program was held at

MIT and Stanford, with site visits arranged to high technology companies in the Boston and Silicon Valley areas.

In addition to class room learning, each participant performed an analysis of project drawn from previously defined list of the most important challenges facing the company. The project spanned a variety of topics from improving innovation at SNI to exploring internal markets for the company. The CAs discussed and defined their projects in cooperation with their sponsors.

The program expected the sponsors to provide leadership, guidance and support to CAs, and help them to implement their project and other goals upon return to SNI.

Much of CAP instruction, including case study, company visits and coaching was intended to help CAs find innovative ways to approach and implement their project. The project findings were to be implemented on the employee's return to SNI. A further post program task for the employee was to act as catalyst and multiplier for change to ensure that culture change initiatives would be spread across the company. Over the course of 6 years and 142 participants, several changes were made to the change agent program.

Although the board “ catalyst for Change” goal remained constant, the operational dynamics shifted over the tenure of the program.

For example, although the first program comprised 13 continuous weeks of study, subsequent programs broke down into 2-3 weeks modules to avoid long periods away from home. The projects continued to receive heavy emphasis as did the retention of a high level of stress among the

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participants. In years 2 and 3 of the program, the management consulting firm administering the program also changed. Internally, questions were raised about whether the consulting firms or Siemens Nixdorf was in control of the program.

Towards the end of the third program, the participant's level of discontent grew to a point where they decided to take over design of the final module. There was a sense that project was too dominant with a resultant lack of concern in the program design for individual development. In 1998, substantial changes were made to the program. An internal design team was formed that included three CAs from the previous year's program. Supporting the culture change process within SNI continued as an important goal, but the development of leadership, business and project management skills grew in significance.

The project shifted from being driving force in the program of being important but not dominant ways for participants to apply their new skills.

An original new intent for a "10X" return – the cost of instruction was estimated to be about \$100,000 and the project expected to produce \$1 million in revenue increase or cost decreases – was dropped. It was replaced by a stretch goal agreed on by the participants and his or her business leader executive sponsor. A study trip to Southeast Asia was added to the program, to complement the time spent in Boston and Silicon

Valley and a module INSEAD was added in 1999. Thus, although geographic coverage was extended, considerable effort was expended to make it more cost-effective program. Cost per participants dropped from \$100,000 to \$

50, 000 when the program was brought in house. Internal management of the CAP by SNI proved short-lived.

In October 1998, SNI was fully integrated into the parent company, Siemens AG, and cease to exist. Siemens has become exasperated with the perceived underperformance of its computer subsidiary and absorbed all of its activities.

With this transition, the culture change program came to an end, as did Gerhard Schulmeyer's champion's role. It was decided, however to continue the CAP under auspices of the newly formed division- information and communication (I&C) – at Siemens while retaining the same internal program team. A strong content program was delivered in 1999, with significant individual benefits resulting.

Unfortunately the raison d'être of inculcating the whole corporation with culture change had been lost because most senior managers at Siemens showed little interest in learning from either the project result or the enhanced skills of participants.

Interestingly, one or two business units did continue to encourage the CAs to act as change catalyst, with the positive result in term of both behavior and performance. The program was run again in 2000, when mid level managers rather than high potential participants were chosen. By this time, the focus had changed to become more of leadership excellence program. Because of these shifts in the environmental and political situation, the official CAP was terminated at the end of 2000.

Questions 1. Critique the change process initiated and executed by Gerhard Schulmeyer.

What do you see as the strengths and weaknesses of his efforts? 2. Assume that the head of the information and communication division at Siemens contacts you after receiving a variety of emails and voice mails supporting and questioning the CAP program. A request is made for you to conduct an evaluation of the CAP program.

Based on the above information, design and justify an evolution process, including the contracting terms or “ essential wants” that you think are critical in carrying out the assessment, the interview and/ or survey questions you would ask, and the sampling design you would use.