

NATIONAL UNIVERSITY OF SCIENCES & TECHNOLOGY
(NUST)
NUST BUSINESS SCHOOL



FINAL THESIS REPORT:
“CHANGE MANAGEMENT IN
MOBILINK –THE HUMAN SIDE”

BY:

MUHAMMAD NAUMAN

EMBA 2K11

NUST REGISTRATION NO: 2011-NUST-EMBA-19

DATED: MARCH 14TH, 2014

1. ABSTRACT

In this Business Project I have aimed to analyze how change management was carried out in a post-merger scenario at Mobilink, what were the multiple facets of the change and how were the employees affected.

The report seeks to study and discuss the organizational change with its various perspectives.

The report discusses two major changes: one at international (group) level which involves the large scale merger and the other more inner change which involves the merging of two separate divisions within the organization.

2. INTRODUCTION OF MOBILINK

Pakistan Mobile Communication Ltd. (Mobilink) is a leading cellular service provider of Pakistan. Having more than 36 million subscribers, Mobilink maintains market leadership with its cutting edge technology, strongest brands and very rich & diversified offerings and portfolio of value added services. It boasts country's largest cellular network with more than 8000 cell sites.

3. HOW IT ALL BEGAN

Pakistan Mobile Communication Ltd. (Mobilink), along with few other telecommunication operators in Asia, Europe and North Africa, was a subsidiary of Global Telecom Holding (formerly, Orascom Telecom Holding) till May 2011. Orascom Telecom was part of Weather Investments which owned 51.7% shares of Orascom and 100% shares of Wind Italy. In May 2011 VimpelCom (Russia's second largest telecommunication provider) in a landmark transaction merged with Weather Investments to form world's 5th largest telecommunication operator by subscribers.

The over-all value of transaction was 6.8 billion USD in which VimpelCom acquired 51% controlling stakes in Orascom Telecom – creating a top tier global telecommunications company with strong and diversified platforms across Europe, Asia and Africa.

3.1 What did this all mean for us as Mobilink employees in Pakistan?

For Mobilink employees and local Pakistani management, the reporting line was changed from Egyptian to Russian bosses! The new headquarter was Amsterdam instead of Cairo. We were all to gear up to adjust to Russian style of management which, over time, proved to be

stricter and far more professional as opposed to previous management style which was on the lenient side and less professional in approach.

4. THE CHANGE

Change occurred in Mobilink in two phases:

4.1 The First Phase of Change

The first change was the merger of Orascom and VimpelCom in which VimpelCom, Russia's second biggest telecom operator merged with Egypt-based Orascom Telecom Holding and VimpelCom bought the controlling stakes of Orascom Telecom. The new entity, 5th largest operator in the world in terms of subscribers, now boast about 180 million subscribers with operations in 20 countries, 80,000 employees and more than 25 nationalities across Europe, Asia, Africa and North America. Mobilink now became the subsidiary of VimpelCom.

4.2 Why did the situation arise to merge (why was the change required)?

This change happened primarily because Naguib Sawiris, the billionaire chairman of Orascom Telecom Holding (now Global Telecom Holding) wanted to sell off majority of Orascom shares. From Orascom's perspective, greater synergies and greater economic value was seen by this merger especially in the area of procurement and strengthening the balance sheet of Orascom. It brought exciting prospects for both the parties with new enlarged and diversified telecommunication platforms.

From VimpelCom's perspective, its then CEO, Alexander Izosimov termed this merger as a great exposure to attractive growth markets in Asia and Africa. He saw the merger as an opportunity to diversify the revenue base further in terms of geography, currency and market characteristics. Consolidation and scale was aimed to be achieved.

In one of his early comments he said that it also positions VimpelCom to take full advantage of the significant opportunities that they see in the fast-growing mobile data services market and to leverage the experience that already exists in this area within Wind Italy and other parts of the Weather group.

Immediately after the change (merger) which happened in March 2011, employees at Mobilink did not feel any difference. Undoubtedly the change was at a very large level and it required time for the subsequent cultural / management related changes to trickle down to the level of employees.

4.3 Effects of Change

The new CEO of VimpelCom strongly believed in strengthening and maintaining the local brands as they hold a lot of appeal and relevance to the local population of the country. He stressed on having greater focus on local operations and local market activities. The CEO also believed and communicated in one of his earlier addresses that people are the greatest asset and that – right people in the right positions at the right time should be the group's focus. He emphasized that people are the most valuable asset VimpelCom has as part of its DNA and corporate identity. Right people should be hired to take care of & look after the huge investments VimpelCom is doing in the telecom business.

Hence if people are developed, trained and have a strong career path then there is no reason why they would leave the group. So it is important for leaders and managers to put the system, processes and culture in place to make people love their jobs.

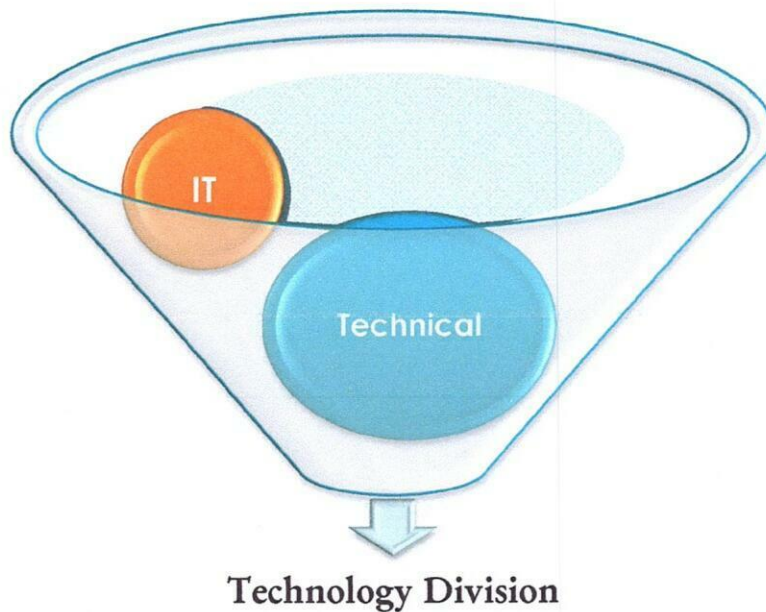
After about 1.5 years we started feeling the change when VimpelCom assigned auditors in various areas who would audit various operational areas including employee base and give a comprehensive report back to the head-quarter. It was followed by policies which were developed and implemented in all the subsidiaries by head-quarter.

People generally became uncomfortable when they were asked to submit man-hour calculations and list down all the tasks done by teams. They started to have an internal fear of losing the job as someone would come and question their job role. Gossips and table-talks started rising during work hours and it created a lot of distraction for employees.

On the sales and revenue side, targets were stiffened and the top management started feeling the clutch of the new management and its strict demands.

There were some good initiatives by Human Resource department to develop a succession plan and create a management pipeline which gave people hope and chance to move around at the group (international) level.

This merger was followed by an internal merger of two separate divisions Information Technology and Technical into one division named, Technology.



4.4 The Second Phase of Change

The second change was again a merger. This time, an internal merger of two distinct divisions: Information Technology Division, which was responsible for all IT operations & enterprise IT services and Technical Division which was responsible for GSM and cellular operations. Information Technology Division comprised of 180 team members while Technical Division comprised of 1100 team members and employees. Technical Division was by far one of the largest divisions in Mobilink in terms of staff strength and budgets due to their logical importance of being in the mainstream operations whereas IT was seen as a support function.

These two divisions were merged into one, and gave birth to Technology Division. This was as per VimpelCom's strategy as they had experimented this consolidation in other Operators within the group and found it to be beneficial to bring about synergies.

The first change became the antecedent of the subsequent internal change.

Before discussing this change it is important to throw light on the multiple constituencies perspective of change.

4.4.1 The Multiple Constituencies Perspective of Change

The multiple constituencies perspective refers to the way that complex organizations have to negotiate objectives with different groups of stakeholders who have overlapping and often conflicting needs. Multiple constituencies bring their own interests and motivations into the organizational arena. This perspective focuses on how goals are achieved and whose interests are satisfied and affected by the actions taken in the name of the organization.

In the case of this merger, the two constituencies were IT Department and Technical Department. In order not to make their senior management lose their jobs, the change was maneuvered in a fashion that all the senior management of IT was brought under the reporting of the senior management of Technical in the re-organization – although some of the IT senior management was more senior in terms of experience. In this manner a message was conveyed right in the beginning that this IT layer was redundant and would be eliminated sooner or later.

The senior management of IT was treated unfairly and this created a lot of inequity in the IT management as well as teams below. As a result some very good senior resources chose to leave the organization.

In general, this brought a fresh wave of uncertainty within the entire Technology Department. Employees started to feel that their jobs were threatened even more than before. Gossips and office grapevine started picking up and each Friday was termed as Black Friday, expecting that a list will be executed. This fear was logical, as, after the merger it was found that in certain areas there were redundancies and in some areas synergies needed to be built by combining the teams and complementing the skill sets.

4.4.2 The Structural-Functional Perspective of Change

The other perspective with which this change can be studied is the structural- functional perspective of change – which is the oldest perspective on organizational change.

Just as organisms evolve and become more sophisticated in their structural properties, so do organizations. As organizations grow, they become much more complex and require new types of structure. The structural-functional analysis encourages us to think about the structural arrangements and functional inter-relationships within organizations. The advantage of this perspective lies in its ability to look at an organization as a control mechanism: that is to understand the important structural components and to articulate the functional inter-relationships between the parts. Inevitably, structural redesign will therefore influence the functions that each part produces for the whole. A disadvantage of this perspective is, because it is a model for controlling operations, it is therefore mechanistic. It

tends to ignore how motivations, behaviors, attitudes and values contribute to effective performance.

Structural-functional change occurs for dysfunctional reasons when internal functions fail or when structures do not reflect the rational design of the best system.

It focuses on the alignment of functional relationship and the structural re-design of the system to accommodate changing external environment conditions.

In the case of Mobilink, the new owner, VimpelCom, by the success of their experiment in other OpCos, made one Technology structure which would take care end-to-end of all the technology-related needs of the organizations (rather than having IT and Technical as separate functions).

This structural change was made because the separate domains of IT and Technical were seen as a dysfunction – a dysfunction which was seen as causing unnecessary delay in product roll-outs and time-to-market of value-added-services (VAS) due to internal procedures and bureaucracies in both the departments.

As a typical Structural-Functional approach, improvements in organizational efficiencies were sought in redesigning the organization's environment.

Organization Chart of Mobilink before the divisional level merger



Fig. 1



Fig. 2

Internal Structure of Information Technology Division (Pre-merger)

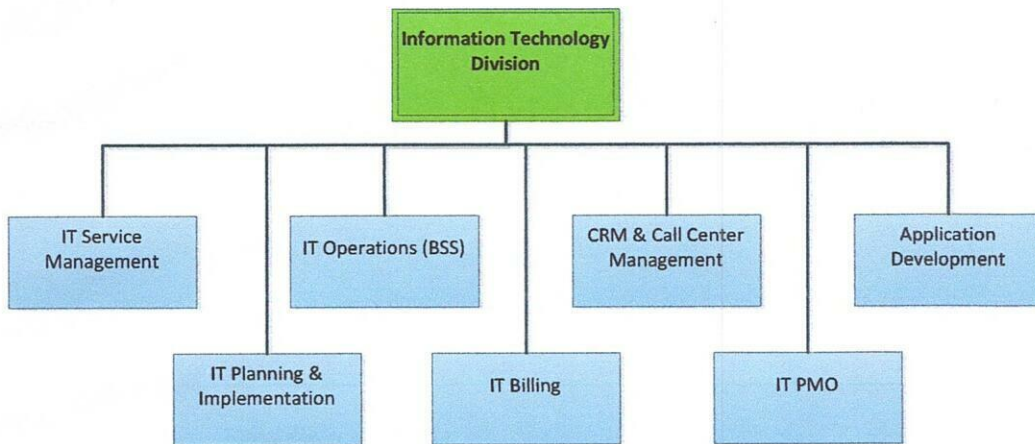


Fig. 3

Organization Chart after the merger



Fig. 4

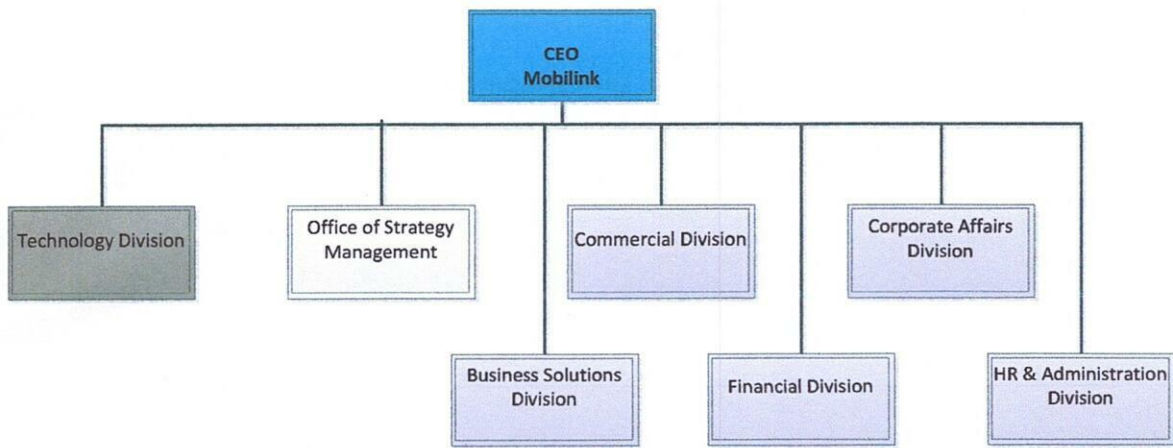


Fig. 5

The new internal structure of Technology Division

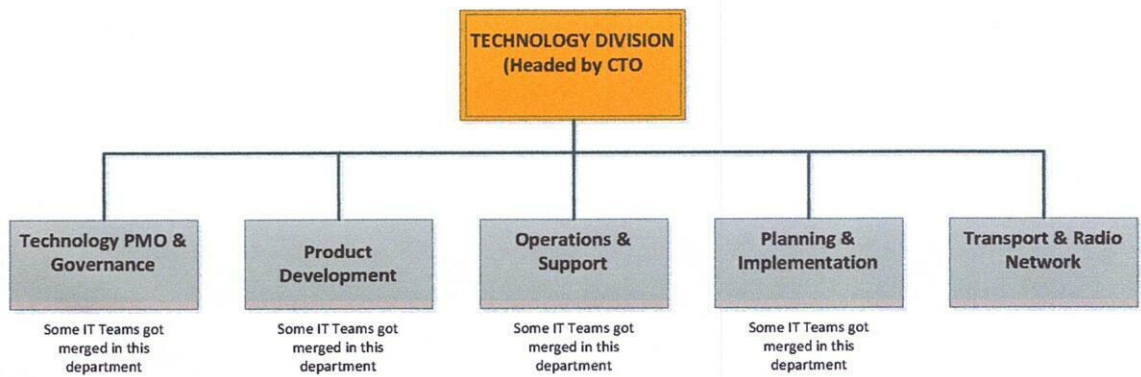


Fig. 6

4.4.3 The Organizational Development Perspective of Change

Before we see the change in Mobilink through the window of OD Perspective, its important to throw some light on what OD perspective is about.

Organizational Development perspective would share much with the two previous perspectives because it embraces both a systems approach and a focus on stakeholders and governance. For the first time people are seen as resources which need to be developed rather than simply cost on a balance sheet. This perspective emerged from human relations approach which focused on personal and group development.

Organizational Development is also associated with the idea of planned change and the need to clearly diagnose client's needs before making any intervention. It takes a more humanistic approach to change.

What happened in Mobilink was, an environment of uncertainty was created and that too for a very long time. Employees felt a great threat of their jobs and feared to be laid off. The management also did not move to make any clarifications nor put the rumors to rest. In fact in one of the town-hall meetings the president denied any such actions which would.

This gave rise to a lot of discomfort and serious motivational issues within teams. Many team members who could find better jobs or who already had the job offers left the organization, creating vacuums and a lot of work related pressure on the teams members left behind.

Finally we experienced two separate waves of layoffs after a lot of delay and prolonged period of uncertainty. By that time lot of people already had lost confidence in management. Despite management's assurance, the lay-offs did not quite end the discomfort and uncertainty amongst the employees.

The delay in the executing the lay-offs tarnished Mobilink's image in the market and we were not seen as employers of choice any more. During all this, HR seemed to be a silent player and the problem of purpose of HR was high-lighted.

Moreover, in the lay-offs when the lists were prepared, one could see the bias of Head of the Departments of the ex-Technical department as they made all efforts to save their old teams and let the axe fall on ex-IT teams in order to meet the percentage.

One could gather and see that humanistic approach was not adopted and a lot of inequity was created. Moreover, synergies were only created where there interests were suited. The importance of IT functions and teams was very openly underestimated.

One reason of delaying the execution, given by management was that, management and HR were trying their best to reduce the number of people to be let go as much as possible and to increase the severance package for those who had to be let go.

These lay-offs sent a very disturbing and negative message in the market. Potential applicants, aspiring young interns and talented resources wanting to join Mobilink for a career, started thinking twice.

One of the major reasons of lay-offs was the network modernization and infrastructure swap – in which major portions of the network would be outsourced to Huawei and Ericsson.

These lay-offs, termed as right-sizing, were done in the name of restructuring in line with changing business needs, changing externalities and constant evolution.

During this time Mobilink went into a re-branding exercise where all the brands (Jazz, Jazba, Indigo etc.) were unified in one brand called “Mobilink”. There was a change of logo and the new Mobilink organizational behaviors were communicated. HR carried out a massive campaign across the board to communicate the meaning of the new brand, the philosophy of the new tag line “HarDil – Har Din” and the new culture of passion, professionalism and leadership that we all should seek to develop.

For the staff in Technology, this was quite mistimed. How could the teams fully participate in these re-branding drives and feel themselves as being part of the new energy when they did not even know whether they would be here the next day or be asked to resign.

AREAS OF IMPROVEMENT

1. The existing workforce should have been retrained to fulfill the changing needs of the infrastructure and adjusted in new emerging departments and functions rather than being laid off
2. Once the decision to lay-off in any huge organization is taken, whatever surgical strike needs to be done, it should be done very quickly. Delaying only affects the morale and motivation of teams - has a very negative effect over-all and reduces productivity and efficiency.

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