

Nokia's Evolving Organizational Structure

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**Abstract**

Departmentalization is very significant and plays a very important role in determining how an organization carries out its activities. In the recent world, departmentalization has been used to influence how activities in an organization are grouped. Organization structure, on the other hand, helps to show how activities in an organization are arranged. The arrangement of activities is crucial in determining the levels of authority and the hierarchy level. (Rogers, 2012)

The study is going to focus on how departmentalization and organization structure have influenced the profitability of Nokia Corporation. Nokia Corporation changes its organization structure depending on the external environment. The external environmental factors have influenced the change of organization structure by Nokia Corporation. Some of these factors include competition, technological changes, political and legal factors.

**Introduction**

Departmentalization can be defined as the process of grouping similar activities into the same department. Departmentalization can be based on functions of the company, product, customer, process and geographical departmentalization. Functional departmentalization is grouping of activities depending on the functions performed. The functions of an organization include accounting, engineering, information technology and human resources. The organization may set up a department for each functional activity. Product departmentalization is grouping of activities by their product line. Customer departmentalization involves grouping activities based on the type of customers of the organization. Customers can be categorized as wholesalers,

retailers or government accounts. Geographic departmentalization involves grouping activities depending on the territory of interest. An organization may decide to operate from a specific region(s). Process departmentalization involves grouping of activities depending on the product or services produced by the organization.

Organization structure, on the other hand, refers to the division of total activities of an organization into related groups to be performed by the prescribed authority. It shows the hierarchy of activities in an organization according to work and the reporting relationships. The organization structure depends on the size of the company, the nature of the products and services being produced and the complexity of challenges that arise in the organization. Types of organization structure include the functional organizational structure, divisional organizational structure and matrix organizational structure (Kuprenas, 2003).

### **Case Study Analysis**

The case is about Nokia Corporation and its organization structure. Nokia Corporation has been applying product based organization structure since 1990s. Nokia manufactures a wide range of products that include consumer electronics, power transmission cables, industrial rubber and telecommunication devices such as mobile handsets. The different types of products make it possible to apply the product based departmentalization process. This type of departmentalization is important as it enables managers to become experts in their field of interest.

Nokia Corporation is the market leader in cell phones since 1998. Motorola was the market leader before being overtaken by Nokia. Nokia adopted functional and product based organizational structure in order to remain as the market leader in the cell phone industry. The

various functional groups in Nokia Corporation included finance functions, human resource functions and engineering functions.

Innovation and technological changes led to incorporation of photography, music, game and other multimedia content on cell phones. Nokia Corporation came up with a multimedia division in its organization structure. This helped to ensure that products manufactured by the company are of high quality and meet customer specifications (Orlikowski, 2000).

Increase in competition, in the cell phone market, led to Nokia Corporation changing its organization structure. Nokia Corporation faced stiff competition from Canada based corporations, which were involved in the manufacture of BlackBerry and iPhone. The new organization structure focused more on power, resources and products. They came up with a smart devices division, mobile phones division, markets division and functional groups. The type of organization structure, which is being used by Nokia Corporation is known as the matrix organizational structure. The matrix organization structure incorporates functional structure and divisional structure.

### **Case Study Questions Response**

Nokia Corporation has been applying product based organization structure in the past three decades. Product based organization structure is important in organizations which produce multiple products. The products are manufactured and sold together. There is, therefore, need to ensure that each product is manufactured using the right process. This is to ensure high quality products are produced. Nokia Corporation manufactures different products. The product based organization structure helps the managers of the corporation to develop expertise in their duties.

Nokia Corporation changed its organization structure from product based organization structure to matrix organization structure. The change of the organization structure is meant to ensure that Nokia Corporation remains competitive in cell phone market. External environment plays a very crucial role in the operations of a company. Competition, technological changes, political changes and legal changes are examples of the external environment. There have been changes in technology and competition, in the market place. Nokia has adapted to this change by changing its organizational structure. For example, Nokia Corporation introduced a new department called multimedia division due to changes in technology. The change in organization structure has been useful to the corporation (Sy, 2005).

The organic organization structure is flexible in nature and takes into account the external knowledge from third parties. The type of organization structure exists where all employees are on the same level, and there are no defined job descriptions or classifications. On the other hand, is rigid, high degree of job specialization and involves many levels of hierarchy.. Nokia Corporation should incorporate organic organization structure in product development. The workers should be involved in decision-making regarding the components to be included in cell phones. High degree of decentralization acts as a motivation for workers. The workers can contribute important ideas regarding the production process and how to improve on the quality of cell phones manufactured (Rao, 2008).

## **Conclusion**

Organization structure is important in determining the success of an organization. A corporation should design an organization structure that incorporates all functional activities of

the corporation. It is, therefore, important to have a good organizational structure with well-defined duties and roles (IBRAHIM ALI, 2005).

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