

Perspective Management

PM 01

Roll No.

No. of Printed Pages 03

Total No. of Questions : 3 THREE

Maximum Marks :30

Duration (hrs.) :02 Hours

Section , if any : -----

Note : All Questions are compulsory

Q 1) Attempt Any two : 10 MARKS

- A) How does the Management concept contribution & approach of Henry fayol differs from F.W.Taylor?
- B) Explain various decision making tools used in functional areas
- C) What are types of organization structures . Explain advantages &disadvantages of Martix organisation

Q 2) Attempt Any two : 10 MARKS

- A)Which are different types of control mechanism adopted by the organisations?
- B) Explain various planning tools used in functional areas of production, marketing, finance & project managemnt
- C) Explain Expectancy &Equity Theory of Motivation? Which theory according to you is most suitable to motivate individuals

Q 3) Attempt the following two questions given below the case study 10 MARKS

Organization Restructuring at Nokia

"The industry and corporate structures that were established a decade ago at the dawn of mobile communications were very different from what is needed going ahead."

"With our flexibility and the new structure, we are truly in the best position to bring the benefits of mobility to everyone and to take the opportunity of the next growth wave in this industry."

– Jorma Ollila, president and chief executive of Nokia.¹

Finland-based Nokia was a leading manufacturer of mobile handsets in the world and a renowned supplier of fixed broadband and Internet Protocol (IP) networks. The company was the original producer of hand portable phones. Its phones, introduced in 1987, revolutionized the phone market, which had been characterized by huge, bulky models till then. Nokia was instrumental in popularizing GSM (Global System for Mobile communications) technology, which was in its nascent stages in Finland. Nokia had two business units – Mobile phones and Networks – along with a separate venture fund and a research unit. Mobile phones were the major source of revenue for Nokia. During 2000, the company's revenues increased by 54%.² However, stiff competition from other mobile phone manufacturers like Samsung and Sony Ericsson affected Nokia's sales during the first quarter of 2001. As a result, sales growth was not expected to cross the five per cent mark in 2002.

In a move to resurrect the company's profits, Nokia restructured its US\$21 billion worth mobile phone business into nine units in the spring of 2002. Each unit, equipped with its unique marketing as well as research division, catered to the needs of a particular market segment. However, in a bid to avoid complete decentralization, there was a common operations and logistics group for all these units. Further, separate business units were established to focus on developing countries like India and China to market Nokia's low-priced mobile phones and expand the market base. In September 2002, all these efforts bore fruit and the company registered a sales increase of two per cent (around Euro 7.2 billion) over 2001 levels. The company's profits were helped by an increase in the purchase of mobile phones with multimedia and messaging capabilities. Further, the company expected to see a growth of at least five per cent in all its markets – Asia Pacific, Europe, and America – by the end of 2002.

However, things did not go well after 2002 and in July 2003, Nokia reported a 28%³ fall in net profit; its sales grew by only one per cent during the second quarter of 2003. The company was facing severe competition from Siemens in the low-end segment while Sony Ericsson and Samsung were giving it a run for its money in the high-end market. Further, analysts predicted a gloomy future for mobile phone manufacturers in the years to come.

To meet the situation, the top management of Nokia, in the latter half of September 2003, announced restructuring of the organization and this was implemented in January 01, 2004. The restructuring was aimed at increasing the company's focus on convergence, market growth, and mobility. Accordingly, the new structure consisted

of four business groups – mobile phones, networks, enterprise solutions, and multimedia. These verticals were supported by corporate-wide horizontal functions like sales, marketing, logistics, manufacturing and technology units, and a central corporate strategy, development and research unit.

Of the four units, the mobile phones unit remained the biggest and offered a wide range of mobile phones to customers around the world. The networks unit offered network technology and other related services. The multimedia unit provided music, entertainment, games, images, etc., to mobile phone consumers and it was made responsible for releasing new multimedia phones. Nokia's 3650, a new camera-equipped phone, was a product of the multimedia division. The enterprise solutions unit provided corporate network access for frequently traveling businessmen on their mobile phones. The latter two divisions were a result of the company perception about new growth initiatives in the mobile phone industry. Further, there were some changes in the management such as the appointment of Rick Simonson as the new chief financial officer replacing Olli-Pekka Kallasvuo, who looked after the company's mobile phones division. This restructuring was considered as the next step following the division of Nokia's mobile phone business in 2002.

The corporate-wide horizontal functions were to work with the four business groups to enhance the company's efficiency and increase its global customer service along with providing economies of scale and new business opportunities. Analysts welcomed the restructuring process, saying it would help Nokia to focus on multimedia and enterprise divisions and work toward developing software applications for mobile phones, one of the major growth drivers for the mobile industry in future. It was important for Nokia to restructure its organization as its market share in Western Europe was gradually decreasing.

Questions for Discussion:

1. Nokia divided its mobile phone business into nine units in 2002. Again in 2003, the top management announced a restructuring of the organization. Discuss the reasons that led to restructuring Nokia's organizational structure in 2003.
 2. "With our flexibility and the new structure we are truly in the best position to bring the benefits of mobility to everyone and to take the opportunity of the next growth wave in this industry." Mention the benefits that Nokia expected to derive by restructuring its organization.
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