

Opening Case

HOW NOKIA USES TEAMS TO INCREASE GLOBAL EFFECTIVENESS

How can teams help increase performance?



Nokia, headquartered in Espoo, Finland uses teams to increase performance, which allows it to provide low-cost phones that can be customized to the needs of buyers.

Nokia, headquartered in Espoo, Finland, employs over 60,000 people around the world, and in 2010 it was the world's largest cell phone maker. All its major competitors such as Apple, BlackBerry, and Samsung outsource their cell phone production to specialized Asian companies in Taiwan and China, but Nokia does not. Why? Nokia has gained a competitive advantage because of its skills in global supply chain management and manufacturing that allow it to provide low-cost phones that can be customized to the needs of buyers in different world regions. And, the source of this competitive advantage is in the way Nokia makes extensive use of teams to increase the performance and effectiveness of its global operations. In fact, it has been said that any task or project of any significance in the company is assigned to a team.¹

Nokia's commitment to teams starts at the top of the organization, where managers work together intensively to plan Nokia's most important business strategies.² Then, the number of teams cascades down through the organization and almost all its employees are in one or more teams that mirror the model set by the company's top managers. In what ways does Nokia's extensive use of teams increase organizational effectiveness? Teams are given a high level of autonomy and encouraged to be innovative and take control of their activities to find ways to make better products and reduce cost. Managers place a major emphasis on allowing the employees that are the most knowledgeable about a problem or opportunity to make decisions concerning it—regardless of their position in the hierarchy (which Nokia keeps as flat as possible). At all levels, teams and their members take personal responsibility for decisions and believe that they are contributing in an important way to Nokia's continuing success.

Good communication, mutual respect, and a high regard for the members of one's team are some of the company's central values and norms. Annual meetings, referred to as the Nokia Way, also help keep teams on track as well provide a vehicle for teams throughout its global organization to help actualize Nokia's vision for the future. Through these means, Nokia ensures that team goals are aligned with organizational goals and that its cohesive groups work to benefit the organization as a whole.

As an example of why its teams work so well to increase its global performance, consider Nokia's approach to organizational behavior at a new manufacturing plant it opened in Romania in 2008 to make phones for the expanding eastern European and Russian market.³ To help its new plant operate efficiently, Nokia's managers worked to create a culture in the factory that would be attractive to its new Romanian employees so they would stay with the company and learn the skills necessary to make it operate more efficiently over time. For example, the factory's cafeteria offers free food, and there are gyms, sports facilities, and (of course) a Finnish sauna. In addition, Nokia created its usual system of teams throughout the plant and made it clear that the members of the best performing teams would be promoted to higher level positions and become team leaders as the factory expanded in the future.

Moreover, Nokia provided these teams with explicit guidelines about how effectively the plant should operate because all its plants are required to operate at the same level of efficiency that its most efficient global factory has achieved. This is a tough approach, but its purpose is to encourage all teams to develop and learn more efficient manufacturing techniques that are then shared with all its other plants around the world—if team members are to obtain the bonuses they receive as a result. Just six months after it opened in June 2008, the Romanian plant reached the 1 million handset produced milestone and the plant's efficiency exceeded Nokia's expectations—so much so that Nokia opened a new cell phone accessory plant adjacent to the cell phone plant and the members of the best-performing teams were chosen to lead the teams composed of the hundreds of new workers who were recruited. Once again, these teams performed so well their members received a 9% pay increase in 2010 and hundreds more workers were hired.

Overview

In Chapter 10, we discuss the nature of work groups, how they control their members' behavior and how they socialize newcomers to help achieve group and organizational goals. In this chapter, we continue our study of work groups and focus on what makes groups, like the teams organized using the "Nokia Way," perform at a high level. Recall from the last chapter that effective work groups perform at a high level and help an organization achieve its goals.

Several factors determine how effective a work group is and how well its members work together. In fact, the group characteristics we discussed in Chapter 10, such as the ways that groups control their members and the socialization process, all have the potential to influence how effective a work group is. In this chapter, we build on this foundation and examine why, and under what conditions, groups can perform at a higher level than individuals working alone and so boost or heighten an organization's performance. We also examine the factors that can lead to problems or conflicts in groups and contribute to poor group and organizational performance. Finally, we examine four important types of work groups in detail: top management teams, self-managed work teams, research and development (R&D) teams, and virtual teams. By the end of this chapter, you will understand how using the right kind of organizational behavior tools can improve work group effectiveness in organizations.

Process Losses, Process Gains, and Group Effectiveness

Effective work groups contribute to the achievement of organizational goals because they provide an organization with important types of outputs. The outputs might be finished products, such as correctly typed reports and high-quality automobiles, or less tangible but no less important outputs, such as satisfied customers and patients. Important outputs also include behaviors not directly related to a group's specific tasks. Such behaviors include promptly reporting broken-down machinery, suggesting ways to improve work processes, going out of one's way to help customers, helping coworkers when they are under pressure, and many other forms of organizational citizenship behavior (see Chapter 3). As you will learn in this chapter, effective work groups perform at the highest level possible by minimizing performance difficulties or *process losses*. Moreover, effective work groups increase their potential performance over time by achieving *process gains*, that is, by finding better ways to work together.

Potential Performance?

Managers strive to make every group perform at the highest level possible, which is called a group's **potential performance**.⁴ Although potential performance is important because it reflects a work group's capabilities, it is often difficult to measure in advance and it can change as conditions change. When Japanese car companies such as Toyota were experimenting with ways to improve the productivity of groups of assembly-line employees, one innovative approach they

POTENTIAL PERFORMANCE
The highest level of performance a group is capable of achieving at a given time.