NOKIA

The fall of a Meteoric Rise

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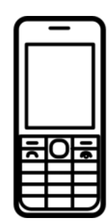

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Abstract

Nokia came out from Finland to lead the mobile phone revolution in less than three decades. It went on to become one of the most recognisable, successful and valuable brands in the world. It became an example of success to many, but after its great stint for a reasonable period, it started to fall into its decline, leading to the sale of its big worldwide mobile phone operation business to Microsoft. This Monograph analyses andexplores that journey and fractionate observations and lessons for anyone keen to understand which key strategies led to Nokia's amazing success and which not so greatones that led to its sudden downfall. It is very convenient to put the blame for Nokia's failure at the doors of the then budding companies who will become giants in near future: Google, Apple and Samsung, but this would pave away our discussion and would allow us to not look at a very important underlying fact that Nokia had started to collapse well within before any of these giants entered the mobile communications market, which makes Nokia's story more interesting and worth to analyze. This monograph describes and analyzes the various stages and strategic management decisions made throughout this journey. Leaders making strategic and organizational decisions, of their behavior and interactions, and of how they succeeded and failed to inspire and engage their employees.

Perhaps most interestingly, it is a story that opens the proverbial "black box" of why and how things actually happen at the top levels of organizations.

For what reason did things self-destruct? How much were avoidable errors made? Did the world around Nokia change excessively quickly for it to adjust? Did Nokia's prosperity contain the seeds of its downfall ?

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Introduction

The proverbial telecommunication giant as we know today, Nokia got its name from its city of origin Nokia in Finland and was founded by *Fredrik Idestam* in 1865. Interesting, but it was not known as something related to technology but as a pulp mill. Don't believe it ? Go check it out, the rubber factory (one of its branches) still operates in Nokia as Nokian Tyres[1]. Back then, people knew it by the name "The Finnish Rubber Works Ltd" until its final conglomeration (Kaapelitehdas, Nokia and Finnish Rubber Works) in 1967 forming Nokia Corporation with four major businesses: forestry, cable, rubber and electronics. In the early 1970s, Nokia entered into the radio and network industry and never turned back. Soon the charismatic leadership transformed the company's business and Finland was becoming what has been called "Nordic Japan". But it wasnot until 1990's that Nokia sowed seeds for something unprecedented and outstanding under the leadership of Jorma Ollila. Ollila had been the head of the mobile phone business from 1990 and turned Nokia into a 'telecom-oriented' company. He eventually got rid of several obsolete divisions, his strategies proved to be very successful and Nokia's operating profit went from negative in 1991 to 1$ billion in 1995 and almost $4 billion by 1999. That's not it, they went back to a negative $3.06 billion in 2012 too. Curious ? Let's dive deep into the major **strategic business unit** of Nokia, T**he Nokia Mobiles Phones!**

The Bright Morning

The full-fledged entry of Nokia in the telecommunications market under the leadership of Jorma Ollila was nothing short of a breakthrough and a bright morning for Nokia. As 1995 unfolded it became a clear notion among the industry gurus that Nokia was on its course to play a leading role in the growing telecom industry. Nokia moved towards a

Fact Column : One of the most successful CEOs of Nokia Mr Kari Kairamo (1977-1988) committed suicide on 11 December 1988 . He was suffering from bipolar disorder and people often say that he was manic-depressive like many great artists of the world. He was one of the biggest reasons we know about Nokia in the tech world!

new strategic framework, focused on turning mobile phones into a consumer product.

Insights		Implication
Digital coding removes capacity barriers inherent to analog networks	=>	Cellular networks with millions of customers are feasible
Cellular networks end natural monopoly character of telecoms networks. This should trigger deregulation and new competition	=>	Foreign markets will come to resemble Finland's. Competition will drive service rates down
Digital technologies will drive massive cost reductions	=>	Particularly if we can use standard components. Radio loop technology is already mastered in Finland
Emerging countries may bypass fixed lines in rural areas and go direct to cellular networks	=>	China will be an enormous market, India and others will follow
Apple turned PC into home / fun consumer products, why not for phones?	=>	Outstanding design, user-friendly interface, branding are key (experience of consumer electronics may be valuable)

Figure 1.1 Nokia Towards a new strategic framework (1995) source : Yves Doz.

The Lustrous Shine

In June 1998, Nokia overtook Motorola and became the world's number one mobile phone producer.They expanded the business in 130 countries and they successfully turned the mobile handset 'terminal' into a consumer product. Now, they started segmenting the marketing based on customer lifestyles with the idea that different customer segments would like the phones with price points, features and designing that meet their needs . As the new millennium got underway, Nokia was prepared and better placed than its competitors to roll out the new 3G data communications. It was also the time of new camera phones and Nokia, though a late innovator in this area got hold of the camera phones market with the quality it delivered. In 1999 and 2000 it was ranked as the 8th most valuable company in the world.

How did Nokia was able to do it so efficiently ? Here's their strategy : Nokia has always learned its lessons from the PC industry and it had realised that vertical integration from hardware to software was not sustainable at a large scale. So they swiftly moved the competition to the areas where they could win . Nokia proposed to the major telecom companies to form an alliance of “equals” in terms of using the OS for the phones but was however more equal than the others and this also proved to be a significant advantage to them. They could persuade Symbian’s management to carry out further due diligence with Nokia’s product and could gain advantage there as well. Basically they collaborated with the major telecom players of that time (Ericsson, Motorola and many more) to adopt common standards for access protocols and OS (Symbian) and they brought the competition on the areas where they excelled (manufacturing, product design and the supply chain) and their large industrial scale, lower cost hardware could capture the market.

But the whole market “the rules of the game as some say” were about to change the future prospects of the whole telecom industry.

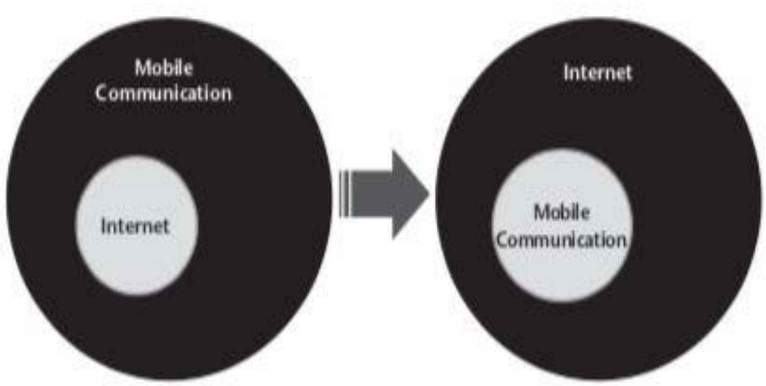
The Beautiful Dusk :Unprecedented growth and seeds to something bad

From 2004 and 2007 Nokia looked more stronger than ever with the revenue rising up to 15% average, a revenue of 33,677m in 2006 and 37,691m in 2007. Nokia handsets conquered the whole world markets and it seemed that there’s nothing that could beat them. But these were the silence before a storm or we could tell in reverse, a great storm and noise before Nokia could become silent for a long time.

The telecom industry changed over the course of time. The nature of mobile phones was changing from being a global product to a local/culture product. This meant that while the technical standards in terms of mobile technology were same throughout the world but the consumption, the access to content, invent of social media was different and varied over the geographies. This required a deeper understanding of the contextual and complex knowledge and the focus of the market shifted to more of a data/market-driven analysis to the varied usage patterns.The second major shift was from the hardware products to software which Nokia who is majorly a hardware competent firm, could not adjust to very well. Their lack of software industry expertise was one seed which could hurt them and within Nokia it was difficult to see how software innovation could gain any sort of strategic advantages. While some believe that Nokia's management acted arrogantly with their huge success in the past and thought that they could take on new trends with old strategies and techniques. Though, we would disagree and say that they were slightly ignorant and were unable to see through these changes as opportunities.

The Black Night

Tensions arose at Nokia's headquarters when the so called "Dream Team" members (Responsible for the key strategies and advancements of Nokia) started leaving Nokia when Ollila changed the functional structure of Nokia to a matrix structure to centralise more power under his bucket. The new structure didn't work for Nokia and it was seen to be clearly dysfunctional by 2006. The process of innovation, approvals and arbitration among managers became too slow and left a void. Nokia was already late in adapting to new innovations from the beginning of 2000s and this was about to reflect in their balance sheets in coming years. The idea of the internet overtaking mobile communications was not widely acceptable within the company. They dismissed the prospects of Apple launching its iPhone with 2.5 GPRS connectivity and could still rely on a loyal customer base which stated that 53% of Nokia customers re-bought Nokia in 2006. But, it was very clear that it is the century of smartphones and Symbian's suitability to this change can not be avoided. Although Nokia was trying to create a new Linux-based OS named Maemo but received huge retaliation from within the company as migrating to a new OS would be difficult with thousands of software developers working on Symbian within Nokia. Even the collaboration never happened due to compatibility issues between Symbian and Maemo Symbian was running on more than 50 versions compared to just one version of Android at a time. If we observe the condition today, Nokia



(Figure 2.1 Industry view on the new alignment) seemed directionless in terms of innovation and market in smartphones and this was well before the arrival of 2 big sharks who will eventually eat Nokia's market. The Android and iOS!

Losing the Shine

All is not well with Nokia! Nokia's board finally decided to change the leadership and appointed Stephan Elop as Nokia's CEO in 2010 and hoped that he could put a stop to a freefall in the market share from 49.7% in 2007 to 27.4% in Q4 2010. Mr Elop has an extensive background with Microsoft and many inside Nokia didn't like this move which again led to a series of resignations. Nokia was already hit by the new and cheap Korean and Chinese mobile phones in the mid-low price segments and it was difficult to fight them on cost-reduction strategies and now, Nokia was seeking for collaboration to develop a new strategy for the smartphones. The onslaught of Apple, RIM and Google and moreover their wider acceptance among the customers had made the competition stiffer for Nokia. In 2010, Nokia made a tie up with Intel to jointly work on expanding it's traction OS, Maemo with their Moblin. They changed the name to MeeGo and changed the strategy to sell one flagship phone each year. However this didn't work due to incompatible modular architectures of both softwares.One obvious route for Nokia was to join Android and it was perfectly compatible with Nokia's hardware. This was a low risk choice but it seemed to be a low reward choice as well for Nokia's management. It reduced the differentiation factor while choosing Nokia and its competitors. It would reduce loyalty since customers could shift easily to another android platform handset. Also Nokia's highly successful mapping services Navteq could not co-exist with Google maps. MeeGo seemed to give Nokia an opportunity to compete with iOS and android head-on but the risk was very high and with 6200 engineers working on Symbian in 2010, it seemed difficult. Under the leadership of Mr Elop, Nokia searched the prospects of allying with Microsoft, who was looking for opportunities to enter the mobile phone market but couldn't find any. For Nokia it seemed to be a partnership of equals (compared to Google, Nokia was on lower end) as both parties needed each other. But the benefits of moving to Microsoft OS were not clear cut though. One thing was clear, Nokia finally lost its shine. Will it succeed with its new advent ?

Unanswered Questions, Disconnecting Strategies ?

The case of Nokia seems very obvious when seen superficially, but if we dig deeper into it, it seems multilayered and unique. From this adventurous story of Nokia we discussed in the initial chapters of this Monograph, we have got some unanswered questions and we will try to decipher at each of them with a strategic lens. Is it really as obvious as it seems or as complex and multi layered as we quote ?

- **With the changing environment, what were the factors that played a role in pushing Nokia towards its failure?**

- **How did the different stakeholders impact Nokia's journey in the telecom industry?**

- **Did Nokia have the necessary Resources and Capabilities in terms of sailing through this new ecosystem ? What can we say about the value chain ?**

- **What was Nokia's Strategic Direction?**

- **With so much in hand and the highest market share, what did Nokia miss?**

- **Was the alliance with Microsoft a good move ? How did Nokia justify this plan of action ? Could they have gone with some other player?**

Strategic Analysis of Nokia

Initially, we would explore the surrounding macro environment through a PESTEL analysis followed by the analysis of Nokia's different stakeholder. A resource based view of Nokia coupled with a VRIO analysis would help us dive deeper into the strengths and competencies of Nokia which helped it flourish in the first place followed by the gradual erosion of those competencies. Moving forward, we discuss the new opportunities and capabilities that other competitors had discovered and Nokia wasn't able to leverage through the Strategy Canvas. Towards the end, we discuss the nature of the alliance that Nokia had with Microsoft .

Environment (PESTEL) Analysis

Political

The Finnish company Nokia, had little to worry about in terms of political stability. Finland is a small European nation with limited disputes with other countries. Originatingfrom such a country worked in Nokia's favour in the initial days. Leveraging low trade barriers and foreign direct investments, especially from other European Nations helped Nokia establish a stable entry into the market

However, the repercussions of being a nation with little power became visible when Nokia's performance took a downturn. The Finish government denied help for Nokia, either in the form of a bailout package or in any other form. Unlike other homegrown firms in countries like the USA or China, it lacked any significant political support in suchnations as well.

Nokia even had to engage politically with Asian countries like India & China, as it set up manufacturing facilities here to profit from the lower production costs. Even here, Nokia got caught up in a feud with Indian government in 2013 over the return of promised taxes in the form of VAT. Despite their will to move out of India, Nokia maintained manufacturing facilities there to de-risk production shortage, which otherwise wouldhave solely depended on China.

Economic

The impact of Economics on Nokia doesn't seem to be that prevalent. Despite the global financial meltdown in our study period, that is 2008, the sales and revenues of Nokia were at an all time high. A possible explanation of this contradictory trend lies in the nature of the product that Nokia sells. Mobile phones were no longer products whose purchase can be postponed for sometime or commonly known as "discretionary spend products". Hence, the reduced impact of the global economic downcycle is observed.

A possible repercussion of this major crisis may be a contributor to the subsequent downfall of Nokia but is not clearly correlatable.

Social

The period after 2007 saw the market and its preferences change drastically. The smartphones soon shifted from being a luxury that only early adopters could afford to a more common device. Complementing technologies and high utility of smartphones generated a shift in the preferences and usage trends.

2012 Nokia was dealing with the vast perception carried by people that there are only two acceptable brands Apple and Samsung and also there are only two operating systems IOS and Android.

Although nokia eventually also switched to android but it was too late to jump on the train. The Widespread popularity of android and apps along with growing class preference towards IOS was the major reason for social trends against Nokia.Over all people stopped considering Nokia Phones and its reach have decreased exponentially against its IOS and Android Rivals. The Word of mouth was more in favour of the current Giants and so are the current socio cultural trends.Also the Country Specific Attachment and domination which brands like Apple Hold within America is also a majorchallenge.

Technological

With the increased internet penetration and the sudden explosion 3G usage, mobile phones became a sought after commodity. The usage of mobile internet and mobile phone sales complemented each other. Along with this trend, came the rise of highly functional Operating systems, unlike the Symbian that Nokia was using. With the launch of IOS in 2007 and later android in 2008 changed the dynamics within a few years. The open source operating system like Android revolutionised the app market and created a customer friendly system with limitless possibilities. Mobile phones were transformed from mere communication devices to handheld computers which can do a wide variety of tasks.

Some players like the Symbian & Microsoft were not able to match up to this technological race and finally succumbed to the competition.

Environmental

Just like all the other electronics manufacturers, Nokia had to do its due diligence in terms of safely and economically disposing it's used products in an environmentally friendly manner. Nokia never faced any extra-ordinary environmental issues and was dealing well with the regulatory bodies.

Legal

Though Nokia's Legal environment was extremely challenging owing to the fact that it's major production is in European Union. The EU is very strict when it comes to user data protection and antitrust issues. However, There was nothing new or extraordinary when we analyse Nokia's case in terms of Legal issues.

Competition (Porter's Five Forces)

Porter's analysis focuses on the period from 2007-2010 wherein lies the roots of the competition that came in Nokia's way significantly.

Competitive Rivalry

1. **Competitor Concentration & Balance:** Primarily, apart from Nokia, there were three major incumbents. Two new entrants have also joined the market, namely Apple and Google. The market is not so concentrated currently and is largely dominated by 4 players in this period.
2. **Industry Growth Rate:** The industry is on the verge of entering an accelerated growth rate, complemented by the rise of internet and 3G networks. Also, the entrance of highly functional OS like iOS and Android give new impetus for the market to grow as they redefine the functionality of the phone to more than just a simple calling device.
3. **High Fixed Cost:** Fixed costs are largely characterised by investments into manufacturing facilities and Research. An upcoming market with a larger appetite for new technological trends is likely to push the research commitments further and hence discourage any player.
4. **Exit Barriers:** High amount of monetary investments into property, plant & equipment may make one think that exit is not easy for an incumbent. Since it is a growing market, it is likely to attract new players who may not mind buying existing resources from the existing entity. So, exit barriers may not be that high, conditional to the kind of capabilities possessed by the player.
5. **Low Differentiation:** Differentiated features have been typically easy to catch up by competitors till now, especially with Symbian OS being prevalent in mostmajor players. Till now, product differentiation was typically focussed on hardware and required constant innovation to differentiate from players. After

2007, introduction of two new OS along with the internet boom have increased the scope of differentiation. Software differentiation is difficult to replicate as compared to hardware differentiation.

In conclusion, this force is **MODERATE** in terms of strength, as competitors are yet to come and there is a high potential for growth, especially for established players. Since differentiation is possible, a price war may not even start at this stage and the possibility of exit is.

Threat of Entry

1. **Scale & Experience:** Traditionally an industry with deeply entrenched players selling mostly lesser differentiated products at similar prices, scale was a factor before 2007. With the rise of 3G networks and increasing internet penetration, software based innovative differentiation has the possibility to erode the advantage of volumes possessed by majority players.
2. **Access to Supply or Distribution Channels:** Existing manufacturers have deep complementary ties with most of the world's largest carriers. This allowed them some limited control. But the most crucial differentiator in terms of supply is the OS for the mobile phones. Apple with it's iOS and Google with Android have brought in the possibility of bypassing the traditional Symbian OS. Google offering Android for free, despite the fears of commoditising this differentiator, liftsa major barrier for any new entrant into the mobile market.
3. **Expected Retaliation:** Incumbent players may retaliate with price wars, but may not be much fruitful as the new entrants are likely to come with differentiation in software, which is yet to be commoditised. This can force existing players to invest in their own OS or adopt third party OS like that of Google or Microsoft. This seems to be the only threatening retaliation to a new entrant.
4. **Legislation or Government Action:** This factor is likely to be less relevant, in most geographies, hence shall not be discussed any further.

5. **Incumbency Advantages:** Already developed economies of scale would be a higher barrier of entry for a player with a lesser differentiated product, as compared to the current market portfolio. Product differentiation may likely reduce the extent of this barrier as well.

In conclusion, this force is **Very Strong** in terms of strength. The current mobile phone market is being influenced by the onset of many other external factors. This is likely to spur the growth of new entrants looking to exploit the gap that the existing market leaders may not be able to service.

Threat of Substitutes

1. **Price/ Performance Ratio:** The mobile phones have taken over a limited range of functionality of many common household devices like a calculator, camera, radio, etc. Since the price to performance ratio is generally better for the phone, itis unlikely that it may be replaced by a any of these single devices
2. **Extra industry Effects:** The rise of mobile phones was a result of extra industry effects like increased internet penetration. There seems no replacement in sight of the mobile devices.

In conclusion, this force remains **Very Low** in terms of Strength. No viable substitute is in sight, which is partly due to the fact that the mobile phone is being looked upon as a substitute to different existing devices.

Power of Buyer

1. **Concentrated Buyers:** Since the buyers are individual customers and not institutional buyers, they are generally not expected to be concentrated to select people. Some cases where institutional buyers purchase for their employees may

be present in some pockets. Except the mentioned pockets, buyers are not likely to be powerful by virtue of their concentration

2. **Low Switching Costs:** Mobile phones have been typically characterised by low costs to change phones due to their simple functionality and similar user interface. The advent of new players may change this trend as they bring more functional phones with different user interfaces & OS, but it is a mere speculationin the time frame of this study.
3. **Buyer Competition Threat:** This point is not relevant for the kind of clients that mobile markets largely cater to, i.e. individual customers. Hence shall remain out of discussion.
4. **Low buyer profit & Impact on profitability:** This point is not relevant for individual buyers rather for organisational buyers. Hence it shall remain out of discussion.

In conclusion, this force remains **HIGH** in terms of strength. Low switching cost for a product that is close to commoditization, especially the traditional, hardware differentiated phones, makes the buyer extremely powerful in dictating their purchases.

Power of Suppliers

1. **Supplier Concentration:** In the case of simple cellular phones, the suppliers for components and raw materials are generally less concentrated, hence substitutable. Since Nokia commands the largest market share, in the initial period of our study, it has more power than most suppliers.
   a. The exception to this rule are the chipset manufacturers. In 2007, Nokia exited the chipset design and making. It outsourced this capability to multiple suppliers. While the capability is still limited to a few suppliers, Nokia has started off by deep engagement with multiple suppliers to reduce dependency.
   b. Towards the end of the decade, a few major and minor chipset players emerge. As computing capability remains the mainstay of the competitive

advantage of upcoming tech, supplier power slowly increases with their concentration of capability and resources.

c. Similarly, with the OS, while Nokia had Symbian earlier, it became dependent on Microsoft for its OS in a market where there were two other more significant players apart from Microsoft. The power of OS provider has surely increased within this period

2. **Switching Cost:** Such costs are generally low for most components, but this changes as we progress along this period. While chipset switching is still easier, switching OS entails massive costs as it affects the whole app development environment and R&D.
3. **Supplier Competition Threat:** As observed in the case of Google and Nexus devices, threat from suppliers is a real possibility, especially from those that own crucial components like the OS. As OS development is a crucial and rare ability, such suppliers find it easier to integrate their capabilities vertically.
4. **Differentiated Products:** Towards the end of the decade, as new operating systems started gripping the market and challenging the dominance of Symbian OS through differentiation. Similarly for chipsets, the rise of players like Qualcomm with innovation in computing abilities of chipsets enabled phone manufacturers to distinguish their capabilities.

As per the above analysis, this force moved from being **LOW** to **HIGH** in strength in this period of study. The transition of mobile phones functionality and utility promoted the growth of several other components that used to be either undifferentiated (OS) or developed in-house or with deep ties with one of many suppliers (Chipsets). By the end of the study period, this force is certainly a factor to take seriously and is expected to grow in strength.

Fact Column: Nokia was always considered to be a late adopter of the new technology. For example, Ericsson released its first full colored graphic display phone in 2001 and Nokia released the same tech in the last quarter of the next year. Nokia had been a year and a half behind the first camera phone's launch by Sharp. The customers not only accepted this delay but bought Nokia products in huge numbers. This was the dominance of Nokia with the 5 forces of porter during 1995 to 2004 ! We can observe a similar kind of case today with Apple being always late than android devices in bringing features with its devices.

Resources and Capabilities

"Resources are assets that an organisation has or which it can rely upon and capabilities are the means by which those assets are used". The strategic definition can be as simple as this. If we talk about the period 2000 - 2008, Nokia had more than enough physical, financial and human resources to sail through the new trends, demands or one could say the new change in the value chain of the market. However a major chunk of the company relied on the old model of success. They were also a majority of hardware experts and their capabilities to understand the new trend (which required a more holistic response) and to use their existing resources to create the difference were limited and this was apparent from the strategic decisions they made during this time.

The figure below illustrates the change in value chain for the mobile industry before 2005 and after 2005. This change of creating a whole ecosystem for a product quickly became a threshold in terms of the capabilities that a company should possess if they want to survive in the market.

Before 2005	After 2005
Competence-enhancing product innovation	Product proliferation, but limited differentiation
Product Sales : 	**Ecosystem Success :** 
Very simple value chain and revenue model	Complex value constellation and revenue models
Mobile as core "voice" product	Mobile as "screen" to access and share data (content, search, entertainment)
Product sales/profitability	Multisided markets, size of ecosystem
Device differentiation	Device and OS standardization and application-based differentiation

Figure 3.1. Transformation in Value Chain

If we see this whole evolution in terms of the VRIO framework Nokia can be clearlyseen to be the leader of the market in one timeline (1990-2004) and the loser in another(2004 -...)

Value

Nokia was able to take advantage of opportunities (the onslaught of 3G) and was neutralising threats (the early OS collaboration deal with major companies) . Nokia was a brand which created valuable handsets for customers and this truth could be observed from a high market retention rate.
However a valuable handset was not enough for this new timeline and customers required more value from a product than what Nokia was offering at that moment.

Rarity

Nokia had special relationships with its customers and suppliers which was not common back in 1995s and Nokia could leverage this rarity even if they were late in adapting the innovations. Their powerful brand was also a key rarity that led to retain their success.
But with the variety of options available in the market and the agility of the new firms to work fast on the new consumer demands faded the market of Nokia over years.

Inimitability

With its huge supply chain network and high competency in creating a effective product, Nokia was able to navigate the market at any moment. None of the competitors could imitate the level of hardware differentiation that Nokia could achieve.
Again, the cheap Chinese and Korean supply chain network took the advantage of Inimitability from Nokia and again the consumption trend changed with time and customers demanded a ecosystem which entails a hardware to software integration and Nokia couldn’t adapt to such change.

Organisational Support

Nokia had the planetary alignment right as mentioned by the former CEO Mr Ollila. It was backed by super genius innovators and the so called ‘Dream Team’ who was leading the functional organisation to such great success over the time.
Ollila**,** changed Nokia’s working structure to matrix in 2006 to gain more central power under his bucket and the dream team resigning had a huge impact on the organisational support that Nokia had. Decision taking became slow and Nokia was surrounded by several internal conflicts and competitions which finally reflected in Nokia disorienting and looking lost in the smartphone industry

Generic Business Strategy

In the 1990s, Nokia had decided to focus only on the telecommunications market and sold off all other businesses that the group owned. This focus, with the aspiration to become the market leader, held Nokia gain and sustain tremendous market share till the late 2000s. A major reason for this was the ability of Nokia to continuously innovate new products for the market. Initially, while telecommunications devices were not very common, the innovations proved to be a major differentiator. As phones started becoming more and more of a commodity, Nokia not only wanted to introduce differentiated products but also cater to the budget friendly market in order to keep their market share and sales volume high.

At this critical juncture, around 2009, the generic business strategy was very unclear. Did Nokia maintain its differentiation leadership, or did it switch to a model centred around cost leadership? The answer to this question is that Nokia, being entirely focussed on the telecommunications business, wanted to cater to all the markets. Whilethe intent was not entirely wrong, what might have been counterproductive was to use the same brand name to release both products. The failure of Nokia could also be a result of the dilution of the brand's identity as an innovator of unique products.

Fact Column: In 2007 the new CEO of Nokia, Mr Kallasvuo took his top team together to a two trip to New York in the hope of finding solutions to the scrambled strategy Nokia had been going through and the deepening fragmentation with the new matrix structure. This meeting was an indication that Nokia's top management knew about the strategic issues and were trying to deal with the problems but while the world was changing around Nokia, continuing with a visionary strategy that focused on mid-segment handsets at its core showed lack of technological leadership which was highly ironical for a company who became successful with technological breakthroughs!

Nokia's Limitations through Strategy Canvas

Nokia played a dominant role in the telecom industry for a long period of time but the ocean turned red with the course of time and the competition became fierce with the arrival of new technology and innovative players. Now, it was the time to find a blue ocean and Nokia's strategy team could not appropriately leverage their position in the market. The shift from hardware centric approach to software centric approach which was essentially the blue ocean and the new path of this industry, but didn't quite click well with Nokia's management. They were hardcore engineers who still thought of a software to be just like another physical part of a phone. Building a state of art software requires huge sums of money, research and time and the major problem with Nokia wasthat they couldn't understand how valuable a piece of code can be. Although few in Nokia thought of this and worked for a new linux based OS, all the efforts were let downby the highly skeptical management at Nokia. They thought of it as a usual wave of things and they can still beat the competition with high customer loyalty, hardware and their old approach of doing things would still work with Symbian, but Symbian was not capable of leading Nokia to another victory. Samsung in partnership with Google's Android and Apple with iOS recognised the opportunity and deftly invested in the software integration of their products. The below graph clearly shows that Nokia in the year 2009 was handsomely above these new threats in most of the critical performance areas but clearly lost its way when it came to software(OS) which was the blue ocean of the time.

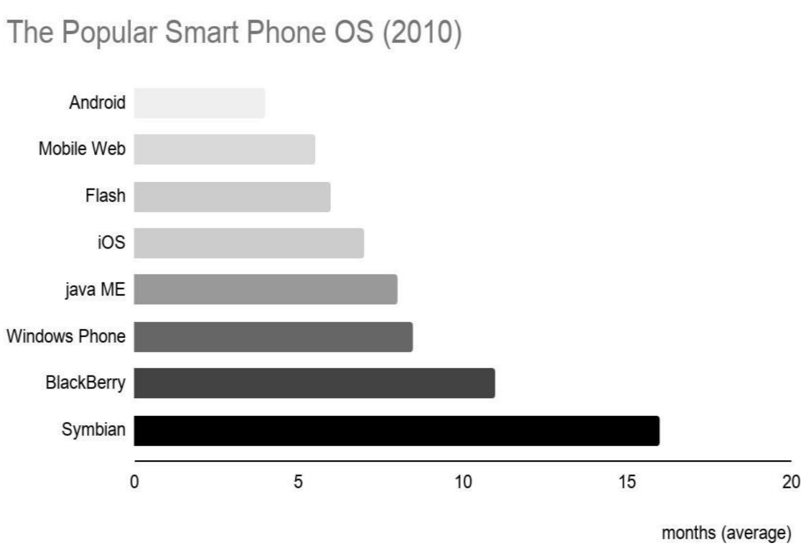


Fig 3.2. Average time required to master each platform

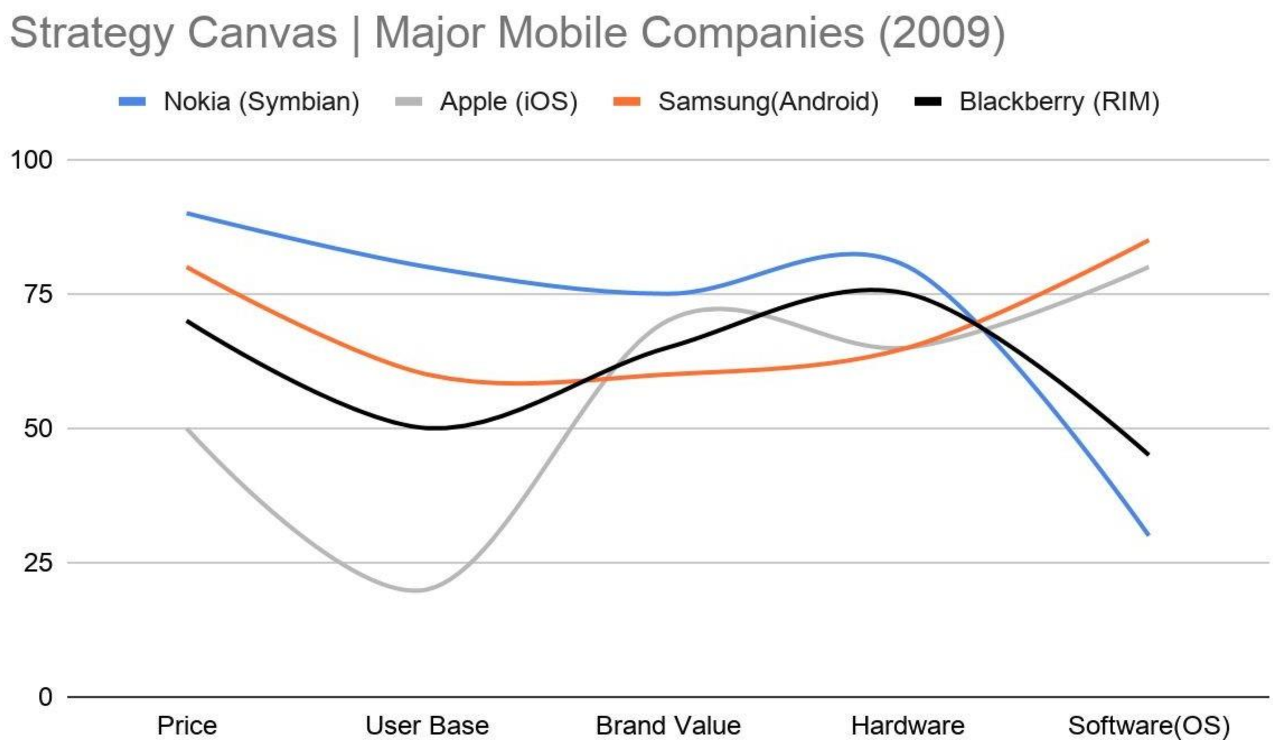


Fig 3.3. Strategy Canvas Blue Ocean can be observed in Software Area (OS)

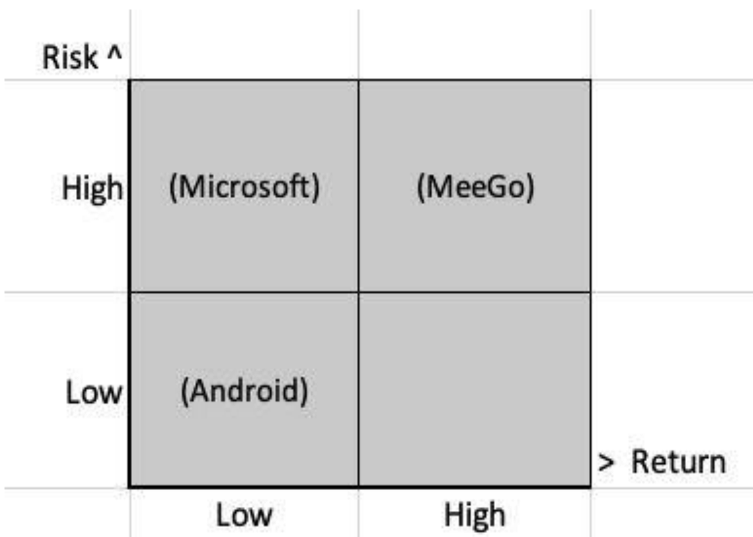
Fundamentals	**Apple Store**	**Ovi Store**	**Android Market**	**BlackBerry App World**
Owner	Apple	Nokia	Google	RIM
Distribution Model	Via Apple Store	Via download and pre-loaded	Via Playstore	?
Platforms	OSX	Android	Symbian, S40	BlackBerry
Key Figures				
Sales Base Since Launch (2010 est.)	90m (^)	400m (-)	68m (^)	125m(-)
Downloads per month at the end of 2010(est.)	510m	90m	270m	60m
Cumulative downloads since launch as of end of 2010 (est.)	10b	N/A	2.5b	N/A
Applications to end of 2010 (est.)	300,000	25,000	130,,000	18,000
Revenue	70% to developer	70% to developer 30% optional to operator	70% to developer (les w/ carrier billing)	70% to developer

Figure 3.4. Mobile Application Stores 2010 (Blue Markers Shows the amount of investment, development and user response)

Complimentary alliance Microsoft Nokia

2011 Deal

Nokia cut the first deal with Microsoft in 2011 . By this year android almost took most of Nokia's market share followed by iOS . Nokia and Microsoft both joined forces in an effort to gain back the lost market from google and apple. It was an attempt by nokia to save itself and it seemed then to be a low risk and high return strategy to many internal officials, but now as we see it through a strategic lens, it was a high risk and low return strategy considering the possibility of a whole new OS MeeGo and possible merger with android. It was an unlikely alliance and the trends weren't in the favour.



The Partnership (Complimentary but not profitable)

Microsoft was the leader in the software industry and Nokia in the mobile industry. They both were the giants in the fields. Nokia was lagging behind in software development and interface and Microsoft needed a carrier with a good reputation to reach out to the masses which It was finding difficult to do on its own.

It was a complimentary alliance but In Layman's term the strategy was to make the two wrongs right. Nokia Launched its first Phone Lumia 710 and a costlier version Lumia

800 running on windows 7 operating system in 2012. The alliance didn't do well and nokia's share price decreased along with a tremendous fall in its phone sales.

The Major reason for this failure was attributed to the alliance as nothing fruitful emerged from it. The Windows OS failed to attract the users as it wasn't neither easynor user friendly when compared to Android and iOS. It was unprepared with a lot of overly complicated user interface nuances. Needless to say, the first Microsoft phone in partnership with Nokia was a failure.

Microsoft's Nokia Acquisition 2013

Falling mobile sales and share prices created a difficult financial situation for Nokia. The partnership with Microsoft had already failed and Nokia was headed towards bankruptcy. When all its financial reserves were drying out and no major player came in support. Microsoft came to aid and acquired Nokia for a whopping 5.4 billion €. The 23 year run from becoming the brightest star in the industry to be on the cusp of bankruptcy, Nokia saw it all. Although they lost their major SBU but paved a way for a new acquisition and firm position in the infrastructural telecommunications industry by buying Siemens. In 2014 Microsoft and Nokia Mobile Phones adopted the Android System along with the ongoing windows operating system for phones. They jumped the ship too late and by that time the market was already dominated by Apple, Samsungand Google. It became difficult for them to penetrate this market without a breakthrough innovation either in terms of cost-reduction or in terms of OS. Microsoft tried hard to revive Nokia but sales kept on plummeting. Eventually, Microsoft sold Nokia Phones in 2016 to HMD Global (run by former executives of Nokia) after being unable to generate reasonable profit and market reach. We can still see Nokia-HMD Global in the market trying to position themselves with Nokia's old charm but is yet to make their mark in the telecommunications industry.

Fact Column : In a market prediction study by Harvard Business school, analysts predicted that if Nokia and Google could have joined forces in 2007, they would have captured 60%+ market share in the smartphone section by 2014-15. Apple would have never emerged as such a big force considering their strategy. We wonder how that world would be with those iPhones mirror selfies and the excitement among people in a launch event !

Conclusion : Lessons to be learned

Coming to the end of our monograph, we saw some key strategic elements that coalesced to contribute to the downfall of Nokia.

- The macro environmental factors were not supportive along with the inability of Nokia to adjust to the upcoming technological trends.
- The increased threat from New Entrants and Suppliers were the most dominant forces that materialised significantly with time.
- Although Nokia initially possessed the relevant resources, it was unable to build and innovate the upcoming resources necessary for survival. It was also unable to anticipate and adapt to the changes in value chain.
- Nokia’s strategic direction was not very clear. Their focus on different segments of products led to possible dilution of the brand and Nokia wasn’t able to appeal completely to either of the two segments, cost conscious or innovation seekers.
- Nokia very clearly missed the market’s focus shift to Software from the Hardware. It’s inability to adjust to innovating in software was another cause of the downfall
- The alliance with Microsoft does seem like a High Risk High Return for Nokia as Microsoft already has a similar competency in building softwares for PCs. But, actually it is a low return scenario because Microsoft was entering as a new player in a market already dominated by Android and iOS.

Nokia’s fall of a meteoric rise when seen through a strategic lens clears many aspects and the reasons behind its failures. It gives a wider perspective to the managers and makes us understand how important it is to have some strategic frameworks in mind while solving problems and how necessary it is to keep innovating in this competitive environment.

“The planetary alignment was right, we were the only ones to see it”

Jorma Ollila, former CEO, Nokia

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Superscripts :

1. Nokian Tyres (*Nokian Renkaat*), a tyre producer originally formed as a division of Finnish Rubber Works in 1932, split away from Nokia Corporation in 1988.