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# Reviewing the Level of Success of Nokia in the Telecommunication Industry

## Emerging Nokia

### Executive summary

Nokia is a multi-national Finnish Telecommunication Company. The paper looks at the overall markets through identifying, evaluating and critically analysing the development process within gradually grim competition that Nokia faced from 1995 to 2010. The segments depict five sustainable competitive factors like supply chain and research & development followed by four challenges from regardless ethical and social issues in the emerging market of China. It is recommended to reduce cultural distance, more innovation and overcome those issues for further performances of Nokia. For the profitable prospective role of Nokia engages in the mobile industry, the emerging market would be a proper option.

### Introduction and case summary

The paper critically introduces business conditions that Nokia strategic competes with. It primarily evaluates and analyses the three stages of Nokia that covers the competition it faced in the mobile industry between 1995 and 2010. In addition, it identifies the five factors that Nokia holds to sustain its competitive advantages in the intense 15-year competition environment. Identifying four challenges and recommending relevant strategies are the last part, which dedicates to China, the emerging market post 2010. There is integrated information to give a market option for Nokia as well. From the case, Nokia expanded its international scale by emphasising on research and development to dominate the industry market before 2007. Later on, the greater pressure from like Apple, Samsung and Blackberry threaten Nokia in both low-end and high-end market. Nokia used attacking strategy and defending strategy with five sustainable resources to maintain its position and competitive abilities. The emerging market is profitable but also filled up challenges, thus it has to restructure well and overcome forecast four issues for post stay.

The competition Nokia faced between 1995 and 2010

After Porter proposing five forces, Kotler further analysed the competitive rivalry in competitor profiling. The competition is high when a company's sales of products drive to a maturity stage, just as Nokia is likewise facing. Firms compete on price, differentiation, promotion and supply

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chain, therefore segment positions in market leader, challenger, nicher and follower. The development process of Nokia can be divided into three parts.

Before 1990, Motorola capitalised on first-mover advantage become the market leader upon AMPS standard also as defending strategy to maintain its position. However, between 1990 and 2000, one of the main standards CDMA that it used was not popular and lately taken over from the other main standard GSM that used by Nokia as attacking strategy with like new services, call forwarding and text massaging.

Accordingly, Nokia defeated Motorola from the market challenger to dominate the market in 1998. Its market share increased by 10% to around 30% and approached the peak of market capitalisation to 250 million. Concurrently, a number of competitors as market follower such as Samsung and LG entered the market by government supports. The market competition transformed to have high quality, low fees and complicated innovation.

In 2005, Motorola started defending the status quo by cutting costs, outsourcing production and founding high-end models like Razr. Nokia's market share stagnated at 35% as well followed by the presence of Apple, ZTE and Samsung intensified the competition in both high-end market and low-end market in 2007. Apple and RIM Blackberry are market challengers, which launched iPhone and created profitable market segments respectively as attacking strategies and gradually corner the market share. The new operating systems introduced by software companies like Microsoft and Google for handsets to access the Internet gradually made a big change to the mobile industry in the mid 2009. Nokia performed to focus on democratising strategy and launched an OVI store to hold the leader position and scale with its sustainable competitive advantages though it faced a range of challenges and threats.

## **Nokia's five factors for sustainable competitive position**

Firms have to figure out the internal resources and capabilities to have sustainable competitive advantages instead of from competitive environment. The resources are needed to be valuable, rare, inimitable and non-substitutable (VRIO), which are indicated as heterogeneity based on Resources Based View (Barney 1991). Nokia have five factors to maintain its capabilities in competition between 1995 and 2010.

Firstly, CEO Joma Ollila and Olli-Pekka Kallasvuo of Nokia contributed to expand and enhance the international position of Nokia in 2006 as well as restructured Nokia with explicit market orientation in 2008 respectively. The dynamic capabilities of managers are unique internal resources of Nokia to making efficient decisions in changeable competitive environments.

Secondly, Nokia has enhanced worldwide research and development whatever into

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telecommunications, handsets or the lift tools for Indian users during 2007. The valuable resources from innovation and technologies are developed to support Nokia maintains the current position with adaptability, though mass production will lead to unitary products.

Next, Nokia has the longest, most complex and non-substitutable supply chain to deliver the products with efficient sourcing, logistics, manufacturing and distributions. It pursued a combination of quality products as well as the customer services for the low-end market in the emerging market to meet the value chain from 2004. The primary activities of value chain based on supplement were shown in cost reduction and customised differentiation.

Then, a good stewardship of Ollila affected the core of Nokia that changed to people connection of brand proposition. The inimitable brand name, which means the logo, is the money. Nokia became the global valued brand by 2000, which can be seen as a reputation for sustainable making profits.

Lastly, in 1998, Nokia became the market leader that defeated Motorola by the strength of GSM standard. The strong matchless hardware technology built a longstanding market position until the presence of threats from the third generation. However, these competitive advantages could characterise Nokia into a leader, but they are also easy to catch in a success trap that missed in what the competition was doing and lost inspirational flash.

## **Future challenges and recommendations**

Apart from sustainable factors, Nokia still faces challenges if it wants to dig more potential opportunities in the emerging market such as China. It is crucial to understand the environment before Nokia's entry that avoids anchor trap with previous failures. There are four challenges and their relevant recommendations.

Firstly, the goal of many companies is to selling to the poor, which people from bottom with low-income and point to the basis of pyramid in the emerging market. There are around 11% of population in poverty in China (Poverty & Equity 2016) and concerning the social issues is important to contribute the community. The challenge is few companies could successful implement the goal. Therefore Nokia as a market leader has to create shared value that meets the need of consumers and expands total market to distribute the economic and social value through such as selling in low prices or getting the poor community into manufacturing in the future. Managers need to develop dynamic capabilities to learn and understand more on the Chinese environment to reduce cultural distance as well. That could not only facilitate profits for Nokia itself.

Secondly, Nokia dominated in China before early rivalries with GSM network facility since the

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first GSM standard handset was made in 1994. However, with the arrival of future renewal generation, more companies followed Nokia's path entered China (Yueh 2011, p.273). Nokia could partner with local operators or software companies to apply win-win strategy and improve technological system to maintain the future position, which resist the threats of substitutable handsets challenge Nokia both in higher bargaining power of buyers and lower bargaining power of suppliers.

Thirdly, as the potential rapidly increasing tendency in level of consumption pattern of China in the future (Tao Sun and Guohua Wu 2004), there are a greater number of demands of high-end models with update operating system. Nokia was lagging in the high-end market and needed more footsteps to catching up with the information technology that introduced in the mobile industry. Nokia could defend through its research and development to generate innovative initiatives combined with systematic supply chain to higher products quality with low costs. The improved distribution will benefit Nokia for developing Chinese market and tailoring to social preferences in high-end telecommunications post 2010.

Lastly, the centre for research on multinational corporations (SOMO) in 2006 pointed out that Nokia violated the working conditions of fair wages laws in manufacturing mobile facilities in emerging market such as China. The hazardous chemical exposed environment can easily cause cancer in a long run and there was no overtime and night differential for employees. The used chemicals in manufacturing handsets also create serious environment issues (Bajpai 2013). Nokia has to concern about the corporate social responsibility in particular for stakeholders, not just earning more for shareholders but also think over employees. The customers likewise do not want to buy unsafe products that are made in poisonous environment. These are also ethical issues that Nokia only concerned its profits regardless workplace conditions and local environmental problems. Nokia has to take measures to the challenges and issues for prospective manufacturing in China.

## Conclusion

Consequently, Nokia defeated Motorola dominated the market in 1998, and from 2002, Apple, Blackberry and Samsung appeared to weaken Nokia. The defensive Nokia lowered costs, concentrated on customers and innovation as strategy to keep up its position. In the emerging market of China, Nokia has to concern ethical and social issues with challenges in create shared value, social responsibilities, consumption pattern and competitive rivalries. However, it has internal non-substitutable resources like managers who have dynamic capabilities, R&D, supply chain, brand value and hardware technology GSM to sustain the competitive advantages between 1995 and 2010. Developing strengths and overcoming shortcomings could enhance Nokia's performance post 2010. Basically, base on above, emerging markets are Nokia's main sources of revenues; thus it is an option to focus on the emerging market.

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