

The Nokia Revolution

The story of an extraordinary company that transformed an industry

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*Note: It should be understood that the company now known as “Nokia” did not exist in its present form until the 1990s. However, for simplicity’s sake, we will be referring to the predecessor companies as “Nokia” as well.

Outline

- Introduction
- Background: Nordic Cooperation & Nokia’s Postwar Consolidation
- Nordic Cooperation, Nokia, & the Mobile Industry
- Finnish Policies Driving Nokia’s Success
- Other Key Market Strategies
- The Secret Code?
- Drivers of Nokia’s Success
- Threats to Nokia’s Success
- Conclusion

2

Introduction

- The international business world first recognized Nokia in the 1990s, portraying it as a lucky newcomer coming out of nowhere.
- However, many of the advancements that made it such a success stemmed from decisions related to Nokia's early strategic positioning and Nordic and EU policy making since the 1960s.

3

Nordic Cooperation

What it is: cooperation among Denmark, Finland, Iceland, Norway, Sweden, and the autonomous territories of the Faroe Islands, Greenland, and Aland that gives the citizens of Nordic Europe many reciprocal rights in one another's countries

The logic: the shared values, perceptions, and conditions of geographical location, climate, language, religion, politics, mixed economies, welfare states, and environmental concerns of the Nordic region.

4

Nordic Cooperation

It was the real catalyst of the thriving European cellular business in the early 1990s, as the Nordic countries worked together to promote the fledgling cellular industry.

- Due to their harsh topography and widely dispersed populations, the Nordic countries adopted an unusually progressive attitude toward all forms of mobile communications from the start. In contrast to the rest of Europe, they heavily promoted mobile use and the development of the full spectrum of mobile technology.

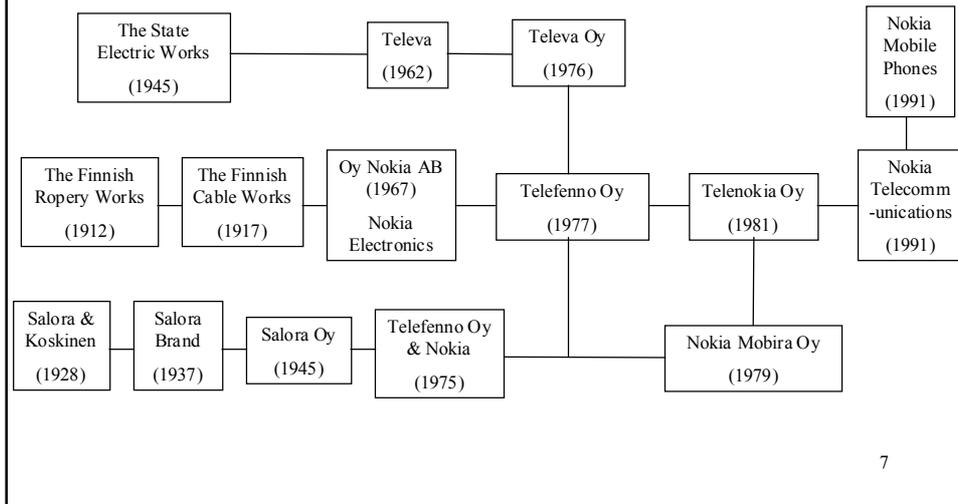
5

Nokia's Post-war Consolidation

- In Finland, Nordic cooperation on mobiles was preceded by Nokia's consolidation of the Finnish radio, television, and electronics industries from 1945-80.
- Consolidated heavily to:
 - capture greater market share
 - ensure its long-term competitiveness
 - capitalize on different companies' technological and market strengths
- Each successive consolidation only served to boost Nokia's status as a major industrial player both within and outside Finland, to the point where it was not only able to capture the market when the cellular boom hit in the early 80s, but also able to shape it.

6

Nokia's Post-war Consolidation



7

Nordic Cooperation, Nokia, & the Mobile Industry

- Nordic Cooperation led to the first successful multinational cellular network (NMT standard)
 - As NMT spread around the world, it triggered the rapid expansion of the mobile phone industry.
- Seeing this, Nokia pushed unsuccessfully for Europe-wide NMT
- However, the continuing economic success and demands for common cellular standards from the Nordic region soon became a key driver of the EU's mobile coordination efforts

8

Nordic Cooperation, Nokia, & the Mobile Industry

By the late 1980s, a Europe-wide cellular standard emerged in the form of GSM, led by the Nordic markets with technology pioneered by Nokia and Ericsson.

- Nokia's market-driven strategies had already led it to conclude that GSM would serve as the strategic instrument in its expected growth scenario for its 2G products.
- When European integration finally led it to seek a common cellular standard, the Nordic countries stepped in to promote GSM, and Nokia was there poised to come in as a market leader.

9

Finnish Policies Driving Nokia's Success

Change in Finnish government to non-socialist (early 90's):

- Market-driven, innovation focused, reduced rigidities in labour markets.



Nokia was able to sustain its competitive advantage in a way it not possible for an investment driven company or market.

Integration with EU



Catalyst for Nokia's new expansion (early 90s). Nokia gambles on GSM development for EU standard

Finnish international ownership restrictions



Protected Nokia during the critical stages of GSM technology growth and Europe wide adaptation.

High no. of independent local Finnish operators



competitive and pro-technology approach to telecommunications contributed to the early use of mobile technology.

10

Other Key Market Strategies

- Restructured organization:
 - Fragmented production → flexibility and entrepreneurialism.
- Penetrated highly competitive markets with strategic partnerships:
 - Tandy & RadioShack in the US--existing distribution network
 - Learned about overseas markets and penetration
- Drafted requirements on user needs, not on current technology capabilities:
 - Created new niche market--TEENS!!!
 - Creation of multinational mobile service.
- Saw the need for branding and increased operational efficiency before the GSM explosion

11

The Secret Code?

Everyone wants to know the secret to Nokia's success...

- Luck?
- Brilliant management?
- An organizational structure that makes it more pragmatic, focused, and flexible?

“As important as Nokia's historical strategies may be to illustrate its dogged persistence and innovation and bold first-mover strategy, they explain little of Nokia's success. Nokia's 'secret code' cannot be found in its historical strategies but in its strategic history.”

12

Drivers of Nokia's Success

Nokia's industry dominance is behavioral, not structural

- Upstream innovation
 - Open standards; strategic coalitions; and skillful supplier, channel and partner management
 - Solidified own strengths and weakened powerful competitors
- Downstream innovation
 - Segmentation, branding and design
 - Filled shelves with new and innovative products to dominate categories, become ubiquitous, and used its brand to sell new products and help penetrate new markets
- Utilized preemptive strategies
- Co-opted with most of its actual or potential rivals

13

Threats to Nokia's Success

- As recent performance shows, Nokia and its strategy for success is not invulnerable
- Market-driven company, hence if the market falters
- A driver of its success could easily be a driver for its failure
 - Eg pre-emption strategy (think Netscape). Would undermine its exceptionally high shareholder value (which is exactly what's happened today)
- Nokia has in the past learned from its mistakes and moved on quickly, but the bigger the company grows, the more unwieldy and difficult the recovery...

14

Conclusion

- Not an upstart, but a veteran thriving in an emerging industry due to:
 - Its own market-driven strategies
 - Both Finnish and Nordic telecommunications policy.
- Growth propelled by:
 - the interdependent organizational whole
 - bold dreams
 - entrepreneurial willingness
- Rightly earned the admiration of industry observers and investment analysts worldwide.
- No risks, no rewards: Nokia's greatest strength, but also its greatest source of vulnerability

15