

# Mini-Case study: The downfall of Blackberry

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## 1. INTRODUCTION

In 1984 Research In Motion (RIM), later renamed Blackberry was founded. The company designed complex wireless data connection networks which were used by the police forces, military, ambulance services and such. Following rapid growth and innovation, RIM developed a revolutionary pager, a device that can be used to send and receive messages which used their communication technologies. Soon, this 'personal communicator' was labelled as the next big thing. The Inter@active was deployed in 1996 as RIM's first handheld communication device. In the next years, RIM continued a steady line of innovations and improved the handheld communication device greatly. By 1999, RIM launched the Blackberry rebranded devices and email services which allowed users to sync their devices with corporate email systems. Demand exploded, innovation continued. Blackberry became the iconic in enterprise communication while their Blackberry Messenger (BBM) service was introduced to consumers that used a secure protocol that can be used to communicate with friends. In 2007 the company became the most valuable company in Canada worth over 67 Billion, with 10 million subscribers to their services and introduced their newly developed Blackberry Curve devices. Unfortunately, in 2007 the Apple iPhone was introduced. This moment onwards, the success of Blackberry was no longer groundbreaking, followed by a period of decline and unsuccessful products, ending in an uncontrolled strategic focus which a great loss of value and market share as a result as depicted in figure 1 which illustrate the market share of Blackberry in smartphone sales of the provider Verizon (iPhone was first sold at Verizon in Q1'11).

In this case-study, I argue why this happened to blackberry in relation to innovation and managerial decision-making. Section 2 discusses how innovation of competitors caused Blackberry to

continuously take losses, while section 3 expands on the influence of management which allows such losses to continuously happen.

## 2. INNOVATIVE COMPETITION AND CYCLIC ADAPTATION MISALIGNMENT

In the period 1984 to 2007 Blackberry was extremely successful in their launches of innovative products and services. During this period we can see a clear pattern in the adaptive cycle of Blackberry. Their secure data connection networks where exploited, and conserved which made the company a key player in enterprise communication. Soon, these technologies where 'released' and through innovation and reorganization their products where significantly improved, even new products were introduced like the pager, and the BBM messenger service for consumers. A cycle that Blackberry used to steadily improved their mobile communication businesses. This made them an incredibly valuable company in 2007. Also, in 2007 Apple introduced the iPhone with which Apple claims to have 'reinvented the phone'. This reinvention was a well thought product learned greatly from the success of the largest players in the business.

During this introduction of the iPhone, *cyclic adaption misalignment* occurred for Blackberry. I define *cyclic adaption misalignment* as the situation in which a business lags one or more phase behind on their competitors in the adaptive cycle in the domain of pioneering innovation technologies. Argued is that in a situation of pioneers and innovation, cyclic adaption misalignment causes a company to always be one step behind the competition and therefore miss out on many opportunities and therefore lose market share.

This happened at Blackberry when the iPhone was launched, an innovative mobile connectivity device which offered many of the desired features. The iPhone brought some crucial innovations that the blackberry lacked. The first is design. The 2007 iPhone was successfully designed to be extremely user friendly and intuitive. Google, introduced their android platform, and started to focus on designing a user centered interface for their operating system. It was not until 2008 that Blackberry introduced the Blackberry Storm in an attempted to create a device that was designed to give the user an optimal experience through intuitive interfaces and device design. But it was flawed and unsuccessful. A year later, blackberry reached their 'reorganization' step of the adaptive cycle and introduced their Blackberry Storm innovation. However, at this point the competition (Apple & Google) where already in the next cycle of adaptation.

Secondly, in 2008 Google introduced their Playstore. A virtual store in which users could purchases application that they

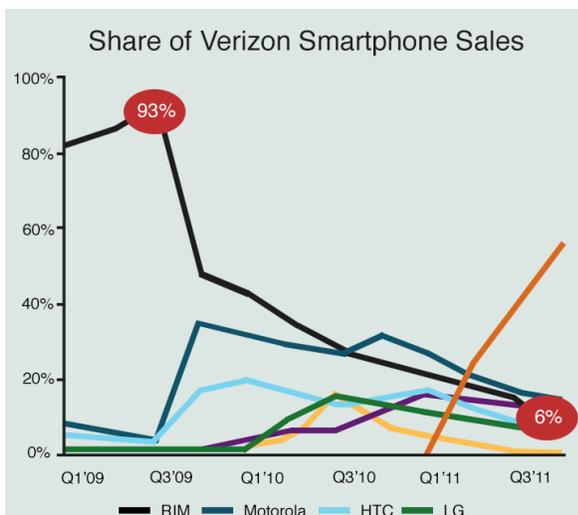


Figure 1 market share of Blackberry in smartphone sales of the provider Verizon

desired on their mobile device. In that same year, Apple also introduced the similar App store. Both focused in on increasing the number and quality of the available apps a user and download to ensure a good user experience with their devices. Again clear trend is visible in which these companies introduce radical new innovations which they continue to exploit. Blackberry did not. It was not until 2009 that RIM's APP world was introduced. As a result the amount of apps available was significantly lesser than that of the Apple Appstore and the Google Playstore. A problem that remained and again, the competitors were one cycle ahead, and left Blackberry one step behind. In an attempt to keep up, in 2010 blackberry purchased the company Ottawa-based QNX Software Systems which would help improve the design of the blackberry operating system to compete with what Apple and Google have been doing for years.

Thirdly, and again in the same year, 2010 where Blackberry was still finding their way of catching up, Apple introduced their revolutionary iPad tablet. In order to not miss out again, this time only a few months later Blackberry announced their Playbook tablet which would not be available till next year. In that next year, Blackberry delivered an unpolished product which was not received well by the consumers. I believe that in an attempt to make sure they do not lag behind too long again, they speeded up their adaptive cycle process and announced their innovative products to maintain market share. However this rush caused them to deliver products of lower quality which proved fatal as the Playbook was very unsuccessful.

These three examples show how Blackberry suffered from cyclic adaptation misalignment which caused the company to stay behind on their competition which makes it a matter of time until Blackberry succumbs to the success of the competition.

### **3. MANGERIAL EFFECT ON ADAPTIVE CYCLE**

It is only logical consider why an organization would remain behind in a state of cyclic adaptation misalignment and not make an effort to catch up or redesign to match their competitors as the adaptive cycle is merely a model and also adaptive in nature which means everything is possible. Continuing the analysis of Blackberry, an explanation for the fact Blackberry continuously remained in cyclic adaptation misalignment is given in this section.

One reason Blackberry found itself trapped behind is that speeding up their adaptive cycles did not yield desired results. Recall, after Apple introduced the iPad, Blackberry responded quickly with their playbook in an attempt to match up. I argue that speeding up the adaptive cycles in a business is not the right methodology to get an organization out of the cyclic adaptation misalignment. Speeding up your adaption cycles leads to rushing which results in quality loss as demonstrated by the failure of Blackberry's fast responsive with the Playbook tablet.

Another reason why blackberry remain behind is from the managerial perspective. Pre-iPhone, or before 2007, Blackberry had little competition in their field of secure data communication networks like BBM, email services, and even some of their mobile devices where state of the art. What is noticeable from the complete duration of the existence of Blackberry is that their innovation consisted of refining their existing technologies. This they did successfully leading to their

successful enterprise communication architectures, and widely used mobile devices equipped with BBM Messenger for consumers through innovation of their pager. No radical innovations were introduced, which gives me reason to believe the management remained too focused on improve the business and too little with research and development. This managerial approach of adaptation cycles that are conservative and focused on improving their products was developed pre-iPhone and worked well. But after this era the competitors brought radical as well as disruptive innovations to the market. An example of this is the cross-platform Whatsapp messenger which undermined the BBM in a fast pace. Here the blackberry management still maintained in refining their own products which was a waste of effort as they were replaced. I argue that post-iPhone, Blackberry should have installed new managers who used more radical adaptation cycles to stay in a market with fierce competition.

### **4. CONCLUSION**

RIM started with groundbreaking products and using relatively small adaptive cycles, Blackberry continuously improved their products leading to an incredibly successful and valuable company in 2007. However these conservative adaptation cycles that continuously improved the products of Blackberry eventually lead to their downfall. As the management learned this behavior in the years pre-iPhone, it is unlikely they will change this successful approach post-iPhone. This managerial approach also caused Blackberry to remain in cyclic adaptation misalignment as the competitors used more radical adaptive cycles which left Blackberry following a year behind. I conclude with arguing that Blackberry should have appointed a new management with a fresh perspective managing Blackberry in the new technological era with fierce competition. It is not until 2013 that the CEO and other managers stepped down, and blackberry became desperate for a new strategic course. Even considering tragically splitting the company and selling the remaining parts to companies who are luring for Blackberry's patents and technologies. November 4 2013, the sale plan is aborted and Blackberry receives an investment for one last try under leadership of the new CEO John Chen. Is the new management a good choice? I believe so. As long as Blackberry's adaptive cycle will become more radical and innovative, in order to push the company out of cyclic adaptation misalignment. But time will tell.