Case Study of Nokia

Since the evolution of Internet in the 1990s, Nokia was the pioneer in the development of mobile phones and the leading vendor in the telecommunication industry as measured in sales [1]. Being the largest mobile phone manufacturer in the world [2] and overtook Motorola in 2003, what causes Nokia decline? This mini case-study is based on the literature research conducted on adaptive cycle of changes in Nokia.

Nokia started business since 1865 as an enterprising organisation with the management adopting a modest attitude towards new opportunity growth and industry-analysis modelling [2, 3]. It is this management receptiveness towards innovation and technological changes resultant in Nokia exploring business opportunities ranging from wood-pulp, rubber products to telecommunication equipment.

With the active engagement in industry analysis and management openness in innovations, Nokia saw the potential in mobile handsets in 1992 which allows them to ride with the emergent market wave in digital mobile communications. As a result, they explored towards the development of mobile handset for new mobile users and at a later stage, targeting existing users with handsets of enhanced functionalities (e.g. colour screens, cameras, customized ringtones, etcetera) to encourage the replacement of handsets by existing users. This exponential growth spearheaded by mobile users, paved the advancement for telecommunication infrastructure with new entrants to the market and operators going global.

With the telecommunication industry enjoying continual growth, industry analysts predicted continual success while Nokia forecasted of a possible market slowdown within three to four years in 1998. Nokia observed this investment trend through their lead market, Finland where telecommunication operators reduced their investment on infrastructure once mobile penetration reached over 60% [3]. Throughout this process, Nokia ‘educated’ the consumers towards high-tech mobile phones.

The rise in consumers’ expectations confronted Nokia with her American (Motorola) and Asian (Samsung) competitors. As a result, Nokia’s market share dipped from about 35.8% in 2002 to 30% in the first quarter of 2005. In 2007, smart phones such as Apple’s iPhone were introduced. Since then, Apple’s iPhone had taken the lead in introducing convenience, simplicity and the user experience in using smart phones which Nokia was unable to catch up resulting in the decline. As of current, Nokia is under the state of acquisition by Microsoft where discussion is to be held [4, 5].

I conclude that Holling’s adaptive cycle is applicable to the mini case study of Nokia as Nokia has moved from the exploitation to conservation stage where they have reached the peak of their mobile phones’ invention and is awaiting for an accident or triggering factor to bring themselves into a crisis. The introduction of Apple’s iPhone which gives a complete user experience, triggered Nokia to go into a crisis. If Microsoft’s acquisition is a success, it remains doubtful if Nokia is able to regain its traditions of humble receptiveness towards new opportunity growth and different perspectives to revive her hey-days.

References:


4. Foo Yun Chee, 30 October 2013, Microsoft seeks EU approval for $7.5 billion Nokia deal, UK Reuters, [http://uk.reuters.com/article/2013/10/30/uk-microsoft-nokia-eu-idUKBRE99T0FB20131030](http://uk.reuters.com/article/2013/10/30/uk-microsoft-nokia-eu-idUKBRE99T0FB20131030)