The Fall of Nokia's Strategic Decisions on Its Loss of Market Dominance

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Abstract*- *Over the years, the response to the changing environment in technology has shifted, with software taking precedence over hardware as the main competitive element in the market. In 2010, the tables shifted for the worst; it only took six years for Nokia to lose over 90% of its market value, and the company never recovered. Nokia's demise was precipitated by strategic decisions made by its management in response to the loss of market dominance. Nokia's strategy and development over a lengthy period of growth, market leadership, and actions are at fault. Nokia should have invested more in a research and development strategy for innovation that focuses on four fundamental dimensions: technological progress, customer satisfaction, learning, and motivation, in order to sustain their high standards. Nokia should also endeavor to leverage the benefits of any developments while minimizing any negative consequences for its operations and management. Nokia's research and development approach should be more innovation-focused. The company's strategy is to undertake a few high-risk trials and examine the outcomes before deciding whether or not to pursue that specific innovation.

Indexed Terms*- *Nokia, Innovation, Strategy, Management, Research and Development

I. INTRODUCTION

Nokia began in 1865 as a single paper mill operation, where it established and nurtured success in a range of industrial areas including cable, paper goods, rubber boots, tires, televisions, and mobile phones. Nokia's shift to a primary focus on telecommunications began in the 1990s. In 1991, the first GSM call was made with Nokia equipment. Nokia's rapid success in the mobile phone market helped it become the world's top-selling mobile phone brand in 1998. (Nokia, n.d.) It was October 1998, and Nokia has been synonymous with success and quality products since the dawn of the mobile phone industry and phones were sold in a variety of price ranges, from low to high. The company's profit had reached $4 billion by 1999. They seemed to be incapable of making a mistake. Even when Apple launched the first iPhone in June 2007, Nokia still controlled 50% of the market. (Charles Gaudet, 2011) For a long time, the company's success was driven by its young leadership. Tables have turned for the worse in 2010, it only took six years for Nokia to lose around 90% of its market value, and the company never recovered. The fall of Nokia was precipitated by its management strategic decisions as a result of the loss of market dominance.

II. STATEMENT OF THE PROBLEM

One Finnish brand led the mobile phone revolution long before phones had apps, touchscreens, or cameras. Nokia quickly captured market share by promoting mobile phones as fashion accessories, owing to their indestructible build and week long battery. Users can swap case colors just like watch straps to turn their phones into a fashion statement (Kenji Explains, 2021).

The response to the changing environment in technology has changed over the years wherein software was taking over hardware as the key competitive feature in the industry. Nokia had been the most influential phone company in the past, until 2007 when the decline started. The problem lies in Nokia's strategy and development through a long period of growth, market leadership, and decisions.

III. CAUSES OF THE PROBLEM

A. Complacency and Fear of Change

If complacency takes over your organization, you will lose your competitive edge. (Chris Ruisi, 2017). It is true that Nokia was too complacent over the past years due to market dominance but over innovation, they have lost the fight. A website article by Beth Williams (2022), stated that the fear of change in business is real and natural. You cannot control it, but you will influence positive attitudes and outcomes. In connection with the above statements, it can be clearly seen that Nokia is satisfied with its achievements and breakthroughs over the years but they have overestimated what they can achieve, that they can be more. Nokia is complacent that people would not prefer smart phones over the mobile phones that they offer. During the transition period of the consumers, Nokia remains not to move on its phase. The most reason Nokia feared change was because it feared losing its current customers if it changed an excessive amount in terms of adding new software or experiences.

B. Product Innovation

In a study by Neelu (2014), she stated that Nokia lacked innovation as cellphone manufacturers while its competitors were busy improving and working on their smart phones. Samsung quickly launched its line of Android-based phones with affordable and easy-to-use QWERTY keyboard layouts. Moreover, the company's management did not see touchscreen smart phones as a necessity, which turned out to be a failure for Nokia. Consumers then shifted from Nokia to other smart phone players who understood people's needs, allowing them to differentiate their brand in the market.

C. Marketing Strategies

Generally, a company fails due to bad marketing strategy and the same happened with Nokia. The company followed an unsuccessful strategy of umbrella branding. As stated in an online article of Devashish Shrivastava (2022), the company was inefficient in its selling and distribution methods wherein failure in Nokia’s marketing and distribution strategies played a crucial part in its elimination from the mobile industry. Primarily, Nokia was catering to so many market segments with different phone models that it lacked focus. Nokia struggled to remain agile, as it had a market-leading position to protect.

D. The Management

Another factor contributing to Nokia's downfall is the company's internal rivalry. Not all divisions or senior management of the company worked in perfect coordination. This lack of coordination created a number of operational issues, including the delays in the development of codes for Symbian (Doers Empire, 2019). It can be clearly seen that such problems did not impact Nokia but indirectly contributed to the downfall of the company. Additionally, Buddhika Trikawala (2021) asserted that, there was no top to bottom or bottom-to-top information flow within the organization and the issues identified with the Symbian system was not released to the proper channels as the staff wanted to meet the production deadline to be bailed out by their contrary CEO. Consequently, due to a lack of collaborative effort, it was impossible to produce good products for the market.

IV. COURSES OF ACTION

Nokia could have done things differently to save itself. Nokia is a highly successful firm that has been a major manufacturer of mobile phones for over thirty years. Despite having the largest global market share and generating over 12 billion dollars in revenue yearly, they are struggling to compete with competitors such as Apple and Samsung because they do not update their gadgets rapidly enough. The smart phone business evolves quickly and is tremendously competitive, especially among Android phone companies like Samsung and Huawei, who release new smart phones every six months to a year. Nokia might have avoided bankruptcy in three ways by implementing measures:

First, a risk management plan or strategy. Changes in the mobile communications industry rapidly took effect for Nokia. It is best that Nokia would focus on looking after the risks in developing complex features and changing technologies that are used by individuals and various businesses. In return, Nokia will mitigate its risk in failing to develop these technologies or commercialize them as new advanced products and solutions that meet the demands of the market.

Second, the management. One of the most important things Nokia could do to ensure that the business runs smoothly and successfully is to promote internal communication. Nokia will thrive if it creates an organizational climate of openness that encourages the free flow of communication and information in all directions; adjusts or develops new systems to encourage, rather than discourage, internal communication; and creates clear definitions of what needs to be communicated and by whom. Monitoring and adjusting Nokia's internal communication will aid in keeping it at the level required by management over the life of the organization.

Third, research and development. Nokia might have invested more in R&D since they could devote more time and resources to introducing new products and improving old ones. Since the benefits are usually long-term, it is vital to realize that Nokia's investment in it may not bring in immediate profits. R&D can support Nokia in developing more efficient techniques and innovative ways of delivering services, in addition to product development and enhancement. Extensive market research to understand client wants and preferences is essential for successful R&D. Nokia's R&D team will need to evaluate the research on a regular basis considering the clients' preferences change constantly.

CONCLUSION

Over time, Nokia has not been able to understand the changes as per customer taste and preference, resulting in devaluation of its 'most possessed' customer loyalty. The growth of Apple and Samsung drew them to Nokia's genuine flaws. We have now seen that the company lacks a robust feedback mechanism and corrective procedures. Nokia used to know how to innovate but opted to ignore technological adoption and being responsive in the global market. They chose to concentrate on the reliability of their product and customers, which was one of the key reasons they lost market share.

RECOMMENDATION

Nokia is the world leader in the mobile phone market. They have grown dramatically in recent years, as they have their technological improvements at some point. To sustain their high standards, Nokia should have invested more in a research and development strategy for innovation that focuses on four primary dimensions: technological progress, customer satisfaction, learning, and motivation. Nokia should also strive to maximize the benefits of any developments while mitigating any negative effects on its operations and management. Nokia's research and development strategy should be more focused on innovation. The company's strategy is to conduct a few high-risk trials and evaluate the results of each one before determining whether or not to pursue that particular innovation.

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