

Research in motion – managing explosive growth essay



**ASSIGN
BUSTER**

In the January of 2008, Research in Motion (RIM) is standing at the strategic Juncture where important decisions need to be taken regarding global expansions. The biggest strategic issue it faces is to carry over yesteryears' growth to next level through sustainable innovation at global level. Although its R; D expenditure has grown 6 times in the last four years, the ratio of R; D expenditure to sales has been halved.

This ratio shows RIM is not utilizing its explosive growth to proportionately improve its technological innovations (important for sustainable evenue growth), which are the main sways of the mobile communication industry in which it is doing its business. Mobile communications industry is highly competitive being oligopolistic in nature. Gauging RIM on the Porter's five forces model, I understand there are many a threats to RIM. The biggest threat is the Threat of Rivalry.

RIM's direct competitors have much bigger market share globally and they are spending much larger amounts (as well as R; D ratios to sales) on the R; D activities in comparison to RIM. They are also trying to convert the industry into network industry by sharing of Mobile OS (e. . Symbian) across companies. Some of them have already expanded globally for tapping talent in emerging countries, an idea which RIM is pondering over. RIM's Blackberry products have a product differentiation (temporary competitive advantage) of being a smartphone originally built for busy professionals.

But now, RIM is also trying to capture the consumer market, which is dominated by other companies. Also its rivals have also been able to develop effective similar convergence products in this market segment. This is the

next big threat - Threat of Substitutes. Its rivals are already coming up with a wide rray of smartphones. RIM's Blackberrys main rivals in this segment are Palm Treo, Sony Ericsson P900, Nokia E62, Motorola Q and Apple iPhone. Apple is planning to entice the corporate users to adopt iPhone as their converged device of choice.

Other substitute problem is menace of imitations, like the China Unicom's Redberry mobile email service. Last major threat being faced by RIM is Threat of Suppliers - the supply in this case being the availability of quality engineers. Exceptional software engineers are scarce. Specially, the talent pool in Waterloo is drying up leading to hindrance to growth plans in Waterloo. This is subsequently creating problems for RIM's geography strategy of restraining platform development in its Canadian headquarters, Waterloo. If RIM does not mitigate this threat of suppliers, its other threats (rivalry and substitutes) can rise exponentially.

When we evaluate the environmental opportunities for RIM, we have to understand that the mobile communications industry is still an emerging industry in spite of being alive for more than twenty years. The opportunities are immense considering that the smart phones sales are expected to surge beyond 1 billion by 2012 and the Blackberry sales eaderships bring in first mover advantage. RIM has had this temporary competitive advantage by developing secure push email technology and has been able to sustain it by building an adhocracy and clan based organizational culture and facilities.

RIM expenditure on R; D has been increasing steadily, though not enough, which is important for sustainable growth. If we divide the mobile

communications industry into strategic groups, it can be done in the best way on the basis of market segments. The prevalent market segments would include like smart phones for business, smart phones for consumers, multimedia mobiles, mobiles for style, basic mobiles, etc. RIM's Blackberry caters to the 'smart phones for the business' market segment and has bagged many innovation awards. This is the variety-based strategic position of RIM.

RIM's rivals also have many differentiated products. However, the technological leadership of RIM might diffuse and is not sustainable. And hence R; D is the heart and soul of RIM. Analyzing RIM as per VRIO model, I consider that RIM's most valuable resources are its engineers and its organizational culture. These have been giving sustainable competitive advantage till now. However, these two resources are now under the threat of supply. To increase the RIM's R; D activities, RIM has to increase its workforce for developing core platform because sources are drying up in its headquarters, Waterloo.

The opportunities lie in globalization of its operations and hiring of engineers in emerging countries where talent pool is immense. Growth by acquisition cannot greatly increase its R; D capabilities. Its other valuable resources are its push-email architecture, its unique product Blackberry, its source code, and patents. These resources give temporary competitive advantage given the nature of mobile communication industry. They are differentiated products but can be imitated. Hence, they are under the threat of substitutes.

This threat increases if RIM plans to globalize its operations: platform development in India is problematic because of high turnover rate; and it's risky in China because Chinese government regulations require RIM to compromise RIM's security features. Also, its advantages of social complexity in Waterloo supporting R; D might be lost. And herein lies RIM's dilemma - whether to globalize platform development or not. The opportunities lie in careful geography strategy which can mitigate threats and use the global talent pools. This strategy can thwart the Threats of Rivalry.

The other problems with globalization are management overhead, legal issues, and organizational issues of cultural shift. The alternatives before RIM are limited. First, it can accelerate the development of local talent pool in Waterloo and preserve the platform development there itself. It can expand other research into countries outside Canada on the lines of Nokia's proven two fold geography strategy. However, the RIM's human resource demand is much higher than current supply in Waterloo and would take time to be fully developed.

Second, it can globalize its platform development business to emerging countries. This strategy has its pros and cons as stated in previous paragraph. Third, it can take the midway strategy. It can keep its platform development in Canada itself by creating new development centers in Toronto, Montreal, etc. This will help in many ways - new sources of supply will be available without the problems of increased management overhead, legal issues, dealing with foreign governments and cultural changes. I will recommend the third option.

<https://assignbuster.com/research-in-motion-managing-explosive-growth-essay/>

RIM university co-op programs with University of Toronto and McGill University, and can gain access to the quality talent pool. It can also start global scouting program and bring in engineers from round the world to Canada. The idea is interesting to all new hires because of good living standards in Canada and government's easy immigration policies. This problem also takes care of crunch of physical space in Waterloo campus. The biggest advantage of this strategy would be mitigation of threat of substitutes.

Also, RIM would not have to deal with foreign government policies, RIM's source code would well guarded with proven patent and copyright protection laws in Canada, and the management and logistics overhead with the platform development line of business will be reduced. Cultural shift and mind shift would still be required to manage the new global diversity at RIM. RIM can still go ahead and open the other lines of businesses in emerging economies. This will convert RIM from a multinational company to a global company, and help it in utilizing the talent pool all over the world, significantly accelerating the much needed R&D activities.