Example of strategic management essay

Business, Company

Introduction

Overview of the Nokia Corporation

Nokia Corporation has been around for well over a century. The corporation, currently, a household name in the technology sector, and especially in the telecommunication subsector, can be traced back to 140 years. In its initial years, the company was involved in making rubber boots, wooden flooring and toilet paper. It embarked on telecommunication business in the late 60s when it involved itself in manufacturing radio transmission equipment. In 1985, it gained grounds when in introduced the first digital switch used over Europe. Currently, Nokia is among the leading companies in providing mobile telephony and internet, in the global arena. It makes a variety of mobile devices, software and products that offer convenience in the sense that the devices, besides supporting calls and texts, have such sophisticated features as high definition cameras and media players – software traditionally associated with computers. In addition to mobile telephony, the organization is widely known for manufacturing high quality cameras (Fildes, 2007).

The head office of Nokia is located in Kelaniemi, Espoo in Helsinki the Capital of Finland. In 2009, Stephen Elop was appointed as the group CEO. Stephen has led the company to new heights of achievement by endeavoring to achieve the firm’s long term goals. He spearheads the team towards achievement of the vision. This CEO has made it possible for the development of products that match the needs of the current generation.

Nokia group consist of four different types of business. It includes multimedia business, network, mobile phones and enterprise solutions. In 2011, the Nokia Corporation made net sales of 38, 659 million Euros. This was a 6%

drop from 2010 where it had made a net income of 42, 426 million Euros. There is no dividend payment that was made in the year 2012 (Grünewälder, 2008). This dividend policy was adopted in order to improve the company's liquidity position. The main markets for Nokia include; Africa, Europe and Middle East and it accounts for 55% of the net sales, Asian pacific and China accounts for 25% and USA accounts for 20% (Grünewälder, 2008).

The vision and mission for Nokia Corporation is to connect people in the whole world through communication a vision that has been described variously as Nokia's effort to match the rate at which globalization is taking root. It has been able to connect people by developing mobile products that have changed the world into the commonly mentioned global village. The company espouses change in response to advancements in technology. It makes products that allow people to interact through communication across the globe. It provides affordable products to both existing and established, as well as the emerging markets. Nokia's strategy implementation is in line with change management. It is for this reason that the organization has always sought to adopt change oriented leadership, also referred to as transformational leadership. Change oriented leadership upholds timely decision-making that improves the time-to-market products. This leadership also supports the vision of Nokia, which is to reach out to people in the whole world.

In the recent past, Nokia has experienced a serious down fall in as far as market share is concerned. In the first quarter of this year, 2013, Nokia experienced a drop in market share. Samsung mobile is the organization behind Nokia's predicament. The organization, which sold approximately

106. 6 million pieces of cell phone up from 92. 5 million pieces in 2012 saw Nokia lose its market share from 21. 9% to 16. 6% (Brugger, 2013). This saw the revenues associated with smart phones drop from 5. 6 million to 4. 4 million. The reason why Nokia remains relevant in the market is because it sells both low end and high end cell phones – a factor that enables it to draw customers from various segments.

Environmental analysis

External environment

The external environment is a multiplicity of factors in the larger surrounding, both physical and corporate, within which the organization operates. Essentially, the external environment, also referred to as the macro-environment is a manifestation of the opportunities and threats that affect a business. Typically, the business' external environment is defined by the industry within which the organization operates – at least in the corporate sense of the word ' environment'. The analysis of the external factors provides information regarding to the products and services in demand, the level of competition and the government policies (Bennett & Claudio, 1996). External environment is defined by legal-political, cultural, social, physical, economic and technological forces.

Economic environment

The European consumers, who are the primary constituents of the market, are fairly wealthy. Additionally, wealth distribution is fair and even in the region. The growing and stable economy of Europe has led to increase in average income of the people. This leads to people buying many luxury goods including the smart phones. If the financial system in Europe compromised, the average revenue is likely to diminish. On the assumption that Europe, Nokia’s strong point is economically compromised, the corporation may be rendered uncompetitive. Nokia has a strong impact on the economy of Finland because it gave 24% of the total Finnish exports in the year 2000 which contributed to a 3. 3 % of the GDP, and this represented a growth of 1. 9% annual GDP (Grünewälder, 2008). Much like all other multinational corporations, Nokia is a key player in the local economies of the countries in which it operates.

Political environment

The political and legal factors facing Nokia include the European law, Finnish law, international laws, domestic laws in each of Nokia`s foreign market and health laws. Nokia is a Finnish company and the Finnish law dictates the constitution of the board of directors. It also spells out how the company will operate in within the country. Nokia is an international company and it must comply with international laws and the conventions set for example the European law. The international laws are in essence a collection of treaties conventions and agreements involving countries (Economides & New York University, 1998).

Technological environment

Using the Porter’s five forces tool, competitive rivalry exists (Bennett & Claudio, 1996). This is because a number of firms do exist and offers products similar to those of Nokia. Technological development of mobile phone business moves at very high rate and it keeps on evolving resulting in many changes.

Socio cultural environment

Population in the Key Nokia market is varied. These varied people have different attitude towards mobile communication. Some business associate profits with strict ethical code and this can control business conduct and behavior. Before establishing the target market of a product, Nokia corporation endeavors to understand the social aspects of the market.

Internal environment

The internal environment of an organization consists of the internal processes and the internal stakeholders such as the employees, the management and the shareholders. The internal factors include the financial resources, organizational culture and the physical resources. The analysis of the internal environment reveals the strengths and weaknesses of the organization. It tells the types of the products or the services the organization will involve itself in.

Research and development

Nokia has a competitive advantage because it possesses a strong research and development departments. The technocrats and experts in this department always seek to ensure that the products of Nokia Corporation are in line with modern technology. By keeping abreast with the latest changes, the researchers aim at giving Nokia a competitive advantage.

Organizational culture

The organization has a strong culture which emphasizes strong communication systems. The culture seeks to promote communication across the management strata hence making the stakeholders associate freely in sharing ideas.

The internal environment of the organization is in such a way that interactive management is practiced. Such management approaches have seen the organization retain employees hence eliminating the possibility of high labor turnover – a phenomenon that has seen many organizations fall.

Factors specific to competition: porter’s Five Forces analysis

The Porter’s 5 forces model is the most appropriate system that can be used to evaluate Nokia microenvironment.

Threat of new entrants

The threat of new entrants is low. This is enhanced by the fact that the mobile telephony industry is a well-established market. The technology needed to develop a rivalry with the already established products is exceedingly elaborate, and it is almost impossible to create an entirely new product. A high barrier to entry is also created by the fact that new entrants lack R&D, marketing and technology. The reasonable market share of 29% held by Nokia makes it impossible for new entrants to find space (Grünewälder, 2008).

Power of suppliers

The threat of the power of the suppliers is moderate. Nokia being a large company is able to negotiate massive discounts for bulk supplies. No individual supplier can hold Nokia ransom to exorbitant prices for supplies. However, Microsoft being the chief software supplier for the windows phones and tables hold some substantial authority. Irrespective of this, there exists a co mensal relationship between the two companies. Microsoft gains in terms of sales of their operating system.

Power of buyers

The bargaining power of the buyers is high. There is an increasing number of service providers who the customers can choose from. The buyers can pick services from the competitor at remarkably low prices. RIM, the blackberry manufactures offer free unlimited communication unique to their devices. On most occasions, the buyers are tied to one company because of the nature of the extensive contracts offered; such contracts normally last for a long time.

Threats of the substitutes

The essential functions provided by mobile phones makes them indispensable in ordinary human lives. Several essential functions: call, text, email and reminders, are housed in one device. The thought of being in regular communication with someone on all occasions makes the mobile phone a vital device in human life. However, devices specifically customized for particular roles can substitute these separate functions. The digital camera, for example, can produce more quality images compared to the camera inbuilt in phones.

Competitive rivalry

Nokia operate in a business where the competition is extreme. Huge amounts of investments are made in R&B and marketing in order to compete with other giant telecommunications companies. A disturbing trend in the drop of Nokia market share has been observed in the recent years. The company's popularity is expected to continue declining as the Apple iPhone continues to eat into its market. The slow move of Nokia into the smart phone market has left the windows phone trailing other Smart phone's, such as Apple, Samsung and Android. Despite of the superiority of the Lumia range over the other phones, it has attracted low customer appeal (Johnson, Scholes, & Whittington, 2005).

In winding up, there is an extremely high competitive rivalry. Nokia is alarmed at the sudden loss in the market share. RIM blackberry is facing similar challenges, with Apple and Samsung steadily taking over the market (Johnson, Scholes, & Whittington, 2005). Competitive rivalry presents the biggest challenge to Nokia because they are lagging behind in the Smartphone business. Clear and well thought out strategies have to be put in place to cope with the prominent names such as Apple and Sony.

Strategic alternatives available for the company

Nokia Corporation was one of the largest communication manufacturers with a market share of 28%. The mobile group business generates two thirds of the sales while the Nokia Networks generate 20% of the sales. The sales are in the 130 nations of the world. Other services that Nokia offer include providing internet. It also has a digital music market that was launched in 2007. It provides for customers downloadable music and other forms of entertainment in the internet. The online portal Ovi functions like iTunes in Apple products. Nokia also has nGage that allows the users to play games (Fildes, 2007). All these services and the resources that Nokia has offer it a competitive advantage in the industry (Ackermann & Eden, 2011).

Nokia prominently engages in business alliances for purposes of gaining synergies of different kinds. For example it has collaborated with Microsoft to deliver innovative and differentiated products in as far as the Smartphone craze is concerned. This business alliance is quite lucrative in the sense that it allows the Nokia Corporation to use the Windows Operating System to manufacture Smartphone. The use of this operating system is meant to enable the organization compete favorably with such rivals as Apple Inc and Samsung Mobile.

In order for Nokia to regain its position as the leading mobile phone manufacturing organization, it has a number of alternatives to choose from as far as strategy and strategic planning is concerned. Speaking of strategy, it means that the planning is focused on the long run. The term strategy, which has its roots in the military, refers to the tactic to be used by an organization in an endeavor to achieve long term success. Apparently, one of the key strategic alternatives available to the organization is the option to engage in strategic alliances. Strategic alliances refers to various forms of business combinations, which help the organization concerned to gain various synergies in relation to performing better than the rest of the competitors. One strategic alliance, in my opinion, would be for Nokia to partner with mobile service providers such as Vodafone in executing various promotions, which would see the mobile subscribers of the service provider be inclined to Nokia.

Another strategic alternative available to Nokia is the adoption of e-commerce. Through e-commerce, the organization will no doubt be a cost leader. Worth mentioning is the actuality that when a business organization embraces e-commerce, there is likelihood that its capital expenditure will be low. Capital expenditure refers to the amount of money and resources spent on making permanent establishments such as outlets and customer care centers. Using e-commerce means that the organization communicates with its customers and receives orders through the internet. This way, an organization minimizes its costs, hence achieving cost leadership. Being a cost leader, an organization will always have competitive advantage, and this means that the organization will perform comparatively better than its competitors. In addition to cutting down on cost, the use of e-commerce will take Nokia to the next level as far as penetration of global markets is concerned.

Another strategic option worth considering is the aspect of business process re-engineering. In point of fact, Nokia is one among the corporations that has lagged behind as far as innovation and creativity is concerned. This is because its competitors, Apple Inc and Samsung have already come up with their own complex operating systems. Through benchmarking, the organization can reengineer its processes such that it encourages creativity within the organization. Such creativity and innovativeness will see the organization cease using Windows OS and adopt a Nokia OS. This will not only lead to customer loyalty, but also employee commitment.

Key findings

According to research, the main factors contributing to the tremendous success of the company are as follows:

Bundling increases consumer satisfaction. The telecommunication companies struggle to provide multiple services in one package. The services include high-speed internet, Wi-Fi features and audio-visual media applications. The consumers get attracted to these products leading high sales. Nokia Lumia is an example of a product that offers the services in one package (Fildes, 2007). Nokia Lumia has failed to match up the nature of other smart phones such as the popular iPhone 5S. The smart phone produced by Apple Inc and Samsung Mobile is far much technologically advanced than Nokia Lumia. This is essentially because the smart phones manufactured by the two leading organizations have more applications and features than Nokia Lumia.

Customer service: customer service is a very important element in this industry. This is because customers interact with the employees when there is need. In a bid to achieve customer satisfaction and loyalty, the organization must meet and exceed customer expectations. Communication is one of the primary ways of achieving such objectives. Customer support, both through the internet and through phone calls, helps the organization interact conveniently with the customers (Grünewälder, 2008).

Recommendations

Nokia is a corporation that enjoys high levels of customer loyalty. The brand name is already in the market. This is possible by ensuring that they do not compromise on quality of its products. The pricing of Nokia products, for example the telecommunication equipment makes it possible for the people in different classes to afford. This is evident in Asia where the middle-income earners form the largest market for Nokia Company.

Innovation and creativity are among the primary values I would recommend for the organization since this are the values differentiating Nokia from its main competitors – Apple Inc and Samsung Mobile. The organizations have embraced innovation to great extent. This is particularly evident in the fact that the two have come up with pioneering technology which has seen them surpass the achievements of Nokia.

In addition to creativity and innovation, Nokia can carry out thorough benchmarking on such successful companies as Apple Inc. Currently; Apple Inc is one among the companies with unique internal business environments. This is because it adopts a flexible approach to such functions as human resources, hence boosting innovation and creativity. In addition to such recommendation, I would as well champion for intensive marketing, especially on the international scene. Marketing is the most important function as far as customer loyalty and awareness creation are concerned.

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APPENDIX

Table 1: Tows matrix