

Restructuring strategy of nokia marketing essay



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Nokia came in world scenario in 1986 as a pulp and paper mill in Finland. In 1960 it increase business portfolio in rubber and cable industries. In 1975 Nokia expended its business portfolio more such as computer consumer electronics and cell phones. Since 1998 Nokia become the market leader in mobile phone industry and acquired major share market worldwide.

Align structure to strategy

As successful leader Nokia add more value in its business model time to time and take the crown as leader in mobile industry. To sustaining in the competitive industry Nokia had go through organization restructuring strategy. Nokia promotes innovation and add more value in organization culture. In company history Nokia has had two major wave of restructuring process first one came in early 21st century and second in year 2002 to 2003.

We can divided it into two parts

First part Technology vganization restructuring which led reducing complexity in working function of organization and Second Organization reform into new structure in this focus on core activity.

Reduce complexity

In era of 90s Nokia priority shifted from 2G technology to software development because 2G technology has limited growth opportunities due to bandwidth constraint and lack of high speed data. Nokia start its work on 3G technologies which lead in telephony, computing and internet. Nokia has monolithic organization structure which no longer suitable for mobile market. Market required more flexibility and faster movement to capture

opportunities so Nokia change in organization structure to support the new cooperate strategy.

In 2002 Nokia spared its mobile phone division into separate business center based geography and specific market independently.

Taking the farther step of restructuring Nokia make structural changes now company has four divisions -mobile phone, multimedia phone, enterprise solution and networks. This division along with the cross-divisional market operation and technology platforms which provides it's a matrix structure with flexibility.

In this Period Nokia succeed to growth in emerging market and also able to compete its competitors like Motorola.

Loses in first wave

Mobile market rapidly growing and other company also stared offering same technology in terms of features. Problem for Nokia that structure was incapable of meeting such need and the major issues faced by structure were-

Repetition of work division and non -standardization of product

Lack of coordination among the divisional teams working on the same technology

Inability to develop any remarkable product

And this led to cost for company and need the second restructuring wave in structure.

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Focus on core activity

This time Nokia restructured itself into three major functional groups -
Market, Devices and software & Services

Market –

This division deals with the consumers, front-end sales and the go to market strategy of Nokia sales world across.

Devices-

This division handles the entire hardware and software requirement for the development of a new mobile. In earlier structure Research and development, Product development and software separated in three divisions but now work together under a unit.

Software and Services

This division main aims to focus on the future of mobile industry. Focus of this unit to provide to customers internet application in mobile phones.

Nokia -Siemens Networks

Nokia wants to expand successes scale in mobile market. To take advantage in mobile market it started a network division with Siemens which provides mobile networks infrastructure and services. ‘

Nokia restructuring processes have following main aspects –

Nokia focus on product by increasing no of models of mobile

For technology improvement Nokia focus on technical and functional division.

Nokia target mobile marketing based on geographic area.

Exploring Internet services for mobile technology

The effect of the second restructuring strategy reflects as a result and now Nokia capture the big market segment in mobile industry.

How Nokia Do it

Restructure of organization is big task for any company. Nokia also have the same problem with structure. Two main fact faces by Nokia during the restructure of organization one is Size of organization and the employee work styles.

Basic need for culture of mobility required an external strategic and flexible environment in the Organization. Flexibility led main advantage that major changes in results in minimum unhappiness among employees.

Transparency and clear definition of new roles and duties give speed and smooth transition from one structure to another.

Purpose of Study

Nokia recognize as a global leader in digital technology and communication but now the scenario has been changed and Nokia losing its value over the last few years. This study focus on the variation of the market shares of the Nokia in the recent few years. Conclusion of this study gives the market position of this company at different stages.

Importance of project Areas

Mobile phone is necessary tool for daily use in present society culture.

Consumer demands every time new feature and upgraded technology in

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mobile handsets. In this project, I focus on Nokia was global leader in communication service and it can again change its position by adopting new restructuring strategy.

Nokia fail

Three major factors play important role in failure

Lack of Innovation -With the time other mobile companies introducing new technology to the customers. In case of Nokia fail to provides attracting feature in mobile segment. Nokia stick with their old technologies that reflect in decreasing sales.

Complacency-Nokia didn't really plan for the future and providing old model when the definition of Smartphone takes a level. Nokia is not targeting Smartphone segment. As result Apple Samsung capture the market of Smartphone.

From Symbian to windows-Nokia solely depends on Symbian till it entered into a partnership with Microsoft . But it too late other competitor like Apple, Samsung had established their domains.

Methodology

In this project we have studied the restructuring strategies of the Nokia, how it has evolved as world leaders in mobile communication from a small paper pulp mill in Finland. As stock price is the indicator of the performance of any company if company performs well its stock price generally increases and if it underperforms its stock price decreases. So we used stock price index of Nokia as a performance indicator of its restructuring activities.

Collection of data and analysis of data

We have used stock price of Nokia to measure the effectiveness of its restructuring activities, we have collected share price of Nokia from its official website. We have taken sample from 1992 to 2012, as during the 1998 to 2007 Nokia was world leader in mobile communication but since the entrance of Samsung and Apple in mobile market it loses its share and suffers from stiffer competition. So Nokia again in need of some is restructuring activities to get ahead of its competitor like Samsung and Apple. We have used year wise data sample of stock prices with taken only yearly close price of shares into consideration for measuring the share price of the particular year. The data sample that we have collected is given below:

Table : Nokia Share price and volume (Nokia, 2012)

Date

Close Price in dollars

Volume of shares in 1000 millions

1/2/2012

2. 49

5. 62

1/3/2011

3. 77

7. 10

1/1/2010

7. 74

5. 22

1/1/2009

8. 92

5. 68

1/1/2008

11. 10

7. 52

1/2/2007

26. 52

9. 05

1/2/2006

15. 48

8. 89

1/3/2005

15. 45

9. 16

1/2/2004

11. 62

8. 41

1/2/2003

13. 71

6. 35

1/2/2002

15. 15

6. 63

1/2/2001

28. 96

5. 17

1/3/2000

47. 50

2. 92

1/4/1999

45. 00

2. 90

1/2/1998

13. 03

3. 13

1/2/1997

4. 07

2. 73

1/2/1996

2. 80

2. 65

1/2/1995

1. 77

2. 17

1/3/1994

1. 84

1. 66

8/26/1993

0. 76

0. 51

Data Analysis:

From the data we saw that the share of Nokia was in good condition from 1998 to 2007.

During these years Nokia was market leader in mobile communication domain.

But restructuring strategies of Samsung and other companies gives stiffer competition to Nokia and its share value and volume both tend to decrease.

It has again come up with some revamping strategies to again capture its reputation in market.

Findings and Interpretation of data

Share prices:

The share of Nokia on yearly basis represented graphically below:

Figure : Stock price of Nokia

The volume of shares of Nokia in 1000 millions in graphical form is given below:

Figure : Volume of Shares

Interpretation of data: (NOKIA: Restructuring Strategies, 2010)

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The stock price of the Nokia was in its highest peak during 1996 to 2001 and falls after that.

But after 2004 it again starts rising, it continues to fall after that due revamping strategies of Samsung and other companies and failure of Nokia in tackle those strategies.

Same happened with volume of shares, it was in the steady growth phase since 1993, reached peak during 2006, but after 2008 it starts decreasing.

Conclusion

There was a time when Nokia was the leader of the mobile handset market. But now Nokia is struggling and its competitors are leading the mobile handset market. Approximate 14 year Nokia's mobile handset rules the market but now apple and Samsung has successfully replaced Nokia mobile handsets. In Quarter 1 of 2012 total sales of Nokia was approximate 83 million handsets and Samsung shipped around 92 million handsets. It clearly showing that demand of Nokia's product is decreasing as compare with their competitors. During 1998 when Samsung entered into the mobile handset market at that time Nokia was the largest global phone maker. Main reason beyond the failure of Nokia handset is the lack of innovation. Nokia's competitor comes with modified technology phone every year but Nokia lacked some technology essentials to drive its sales higher. After having the analysis of the share price of the Nokia, we found that share of Nokia started to increase from 1993 and they reached at peak at 2007. After 2008 share prices of Nokia started to decrease and they are still decreasing. Result of analysis shows that Nokia didn't plan for the future competition. When Apple

launched its first i-phone in 2007, Nokia was still marketing with its E-series phone which was having lack of technologies as compared with the smart phone of Apple. So, I have concluded this after analysis of the share price of the Nokia that Nokia tried to restructure its product and strategies. But the pace of their innovation is very slow as compare to its competitor thus it failed to survive in the competition. As result its share value and quantity of shares is getting lower day by day. Nokia must bring innovation in their products faster than their competitor to survive in the mobile handset market. The dominant reason of lack of innovation must be overcome by the Nokia in order to survive in the current market.