

How has the environment favored the development of nokia? essay sample



We use the PESTEL factors to assist us in identifying and arranging the environmental influences on Nokia's evolution & development. To ease the reading of this list it will be sorted according to the PESTEL model.

Political influences on both Nokia, and the sector in which it operates have been significant. A few years ago when mobile technology had not yet reached the broad distribution that we are familiar with today, Nokia's two competitors had a considerable advantage over Nokia in both brand recognition and market share. With a growing number of electronics emitting electromagnetic signals, the EU decided to standardize the GSM system as a general cell phone standard. This event evened the competition out for Nokia, since its competitors had to start over. In addition to this, the Finnish government had taken a leading role in creating a suitable legal environment for telecommunication companies.

Economic influences on the sector of mobile telecommunications have been immense. Purchasing power has increased very rapidly for the last thirty or so years, making it possible for the general public to indulge themselves in luxury electronics such as cell phones with built in cameras, MP3 players & more. Direct economic influences on Nokia (opposed to the sector as a whole) have however not been a big factor.

Socio-cultural influences are a limited factor on Nokia's stable market in Europe & northern America. However new markets are emerging in the east. If Nokia is going to conquer new markets in China, India & the Middle east, they have to consider different cultures.

Technological development has obviously a large impact on a company such as Nokia. The swiftly increasing demand for smaller & better equipped cell phones defines the environment Nokia works in. The continuous change Nokia's product selection is caused by rapid technological advances, where development in things even unrelated to telecommunications, such as a new, smaller & more photo reactive digital photography chip can force the company to develop a new phone model.

Environmental issues have not been a big concern for Nokia. However the battery, an important component in cell phones, is a dangerous polluter. The main reason for this short of interest from environment activists is that electricity represents an independence from a more polluting energy industry (coals, fossil fuels etc.). In the future this could in fact become a big concern. In a response to this Nokia has taken steps such as enforcing environmental guidelines upon its suppliers.

Legal systems matter to all companies, but sometimes go unnoticed as an influence on business. Nokia has favored a great deal from Finland's support to the local telecommunications industry. Together with the superior trade laws of the EU (which Finland is a member of), Nokia's law & regulation environment has supported the corporation very much.

I need to look at the political factors and Finland and EU. What is happening in the market.

The EU set one standard for mobile communication and in the process put Nokia side by side with Ericson and Motorola. They went in to a new and rapidly growing business.

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## Case questions 3. 2

Which of the cultural types identified by Quinn et al. (2003) would you expect to find within Nokia's handset business?

In our opinion Nokia is an open system model. The external environment plays a significant role for Telecommunication companies. They work in a fast environment where things move so fast. The mobile phone has become a fashion item, a cool phone with the newest technology has become a must have for many people. What is cool today is old news tomorrow. Nokia needs to be external and in constant lock out for what the consumer wants if they want to continue growing and expand their market. And to be able to stay on top of the fast moving market they need to have creative employees, if the control is too much all innovation can be suffocated, so the work place has to be flexible to motivate innovation.

## Case questions 3. 3

Use Porter's five forces model to outline the competitive environment of the industry. Which of these factors may have contributed to Nokia's success?

Which PESTEL factors are most affecting the development of the industry?

Though Nokia is by far the largest mobile manufacturer with about 40% market share, its biggest competitive threat probably comes from its competitive rivals, such as Samsung (14% m. s.), Motorola (14% m. s.) & Sony Ericsson (9% m. s.). Mobile phones are by nature monogenic products so the customer's decisive factor for buying mobile phone could be its

appearance or style rather than quality & function. Actually this is something Nokia realized long time ago and accounts for a big part of its success.

Often suppliers have a considerable amount of bargaining power. In the case of Nokia for this to be true their suppliers will have to be in the group of super-suppliers like Intel, Samsung & Texas Instruments or have some other specific market power, like patented technology. We believe this to be true since Nokia is a huge parts purchaser.

Potential new entrants in a high capital industry are difficult. New entrants on the cell phone markets have been few for the last years, and always from companies in related industries (computers, hi-tec electronics etc.) with already known brand names. A threat from this direction is therefore becoming less likely as the existing dominating manufacturers grow bigger & stronger.

Substitutes are unlikely. At least we cannot imagine any other device that would replace cell phones, except future cell phones. This factor however cannot be underestimated, given that cell phones themselves were major substitutes to many things.

No company can survive without its customers, but the largest cell phone consumer group is the general public, and for a company like Nokia, these buyers individually have no bargaining power. However Nokia has other business together with Siemens, creating networking equipment. This side business is probably more vulnerable to powerful buyers than its cell phone business.

Which of these factors may have contributed to Nokia's success?

As mentioned above, cell phones were a major substitute to many things including common phones, watches and phone booths. Even now the existence of MP3 players are threatened by cell phones, since most handsets have a built in MP3 playing capabilities. In not so distant future, low end digital cameras may become a part of this list.

When Nokia entered this market Ericson & Motorola were the existing key players. Nokia's new entrance was greatly helped by new regulations from the EU, making the GSM system a standard, thus forcing all competitive parties to a clean start.

Case questions 3. 4

How would you classify the environment in which Nokia operates? Which factors contributed to your answer?

Nokia works in a complex-dynamic environment. Telecommunication is universal so they operate across diverse political, legal and cultural systems. They need to offer a brood product range and never really know how the consumer will respond. They have a big uncertainty factor and need to be on a constant lock out for what the competition is doing and try to beat them at the punch.

Case questions 3. 5

Who are the 3 main stakeholders in Nokia?

1. Employees

2. customers

3. Suppliers

What are their interests in the success of the company?

1. They get a job security, salary, work environments, job satisfaction.

2. Want their product to be in good quality and service. Fashionable and reliable products

3. If you are in business with Nokia your business will bloom. Long term relationship and growth. Innovative parts. reasonable price.

How can management ensure it maintains the support of the most important stakeholders?

1. In an unstable environment, employees are very important. The company cannot run sufficiently without good employees. It is very important to take good care of the staff. Pay them decent wages. Make the work environment worth striving for and stable, have a layoff system that is stable. Have a strong culture that motivates them. Listen to them. Structure the company, decentralization in some departments.

2. Nokia has a history of reading the market well. Selling mobile phones that are fashionable and have user interface that are user friendly. The managers have to continue developing the product for the customer and answer the demand on the market. Supply them with different kind of product low price

and hi class. Have service and quality control. Providing a product that is reliable and fashionable. Invest in innovation. Have focus groups of market research.

3. Have a loyal relationship whit them, and good communication, Create simple and stable communication channels. Quality control. Grow by performance. Nokia needs to perform and grow so the suppliers won't go to another customer. Pay them reasonable price.

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