

Resources and capabilities as a competitive advantage marketing essay



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According to the company corporate website in past Nokia was a manufacturer of paper in 1985, and has changed rapidly after world two. Nokia changed its function to an industrial enterprise and produce products such as chemicals and rubbers. In 1960s the company created electronic department and started to develop transmission systems.

Nokia is occupied in manufacturing mobile devices in converging internet and communications industries and with over 123. 000 employees in more than 120 countries. Nokia sales their products over 150 countries with global annual revenue of €41 billion and operating profit of €1. 2 billion as of 2009 reports. (Figure 1)

It's one of the world largest manufactures of mobiles telephones which focus on improving new technologies. When the first mobiles telephones became available on the market was a basic technology being SMS message (its mean sending written message to one phone to another). After that, the next step was to improve in technology by putting different faces on the mobile phones such as different covers for front and back of the mobile device.

When the technologies become more advance and fast, they were able to provide mobiles with technologies such as: MMS; WAP (internet); Polyphone ringtones, camera and video records etc. (<http://www.nokia.com/about-nokia/company/story-of-nokia>)

Figure 1: February 2010

2009 EURm

2008 EURm

Change %

Net sales

40 984

50 710

-19

Operating profit

1 197

4 966

-76

Profit before taxes

962

4 970

-81

Profit attributable to equity holders of the parent

891

3 988

-78

Research & development expenses

5 909

5 968

1

Pictures from (<http://www.nokia.com/about-nokia/financials/key-data>)

Nokia is using new technologies to provide a better service for its customers. One of the services is to test new application development framework that unlocks the hardware, software and service capabilities of the existing Nokia Smartphone's. This new so called QT it's created by the company to enable customers to download new applications using code-base. . (<http://www.forum.nokia.com/Develop/Qt/>)

Resources and capabilities as a competitive advantage

(Robert E. Hokinson) developing technology and increase globalisation can make it difficult for the firm to develop and that can be sustained for a long time. For example an organisation may develop a new process that cuts production cost at 10% and later found out his competitor have develop a new process which is superior to the one your organisation has. These occurs in today's market and require business to think fast to resolve this issue to be step ahead of competition.

Nokia attributes much of its success to the Nokia way, which involves an importance on continuous learning networked organisation that allows rapid decision making.

Therefore one third of Nokia's workforce is dedicated to research and development, the company has been working to expand its technology competency in market. It has sold more than 40 million of its premier N-series handsets which allows consumers to download games, play videos that have more graphics-rich comparing to their competitors products.

(<http://www.epoly.polymtl.ca/articles/Optimizing%20Product%20Value%20Chains.pdf>)

Porter's five forces

I am using the five forces to analyse the Nokia corporate company position in their current market regarding to the competition. (Global environment)

(Michael Porter 1985) according to M. Porter the five forces helps business analyse factors outside an industry that can influence the organisation strategy such as competition, the forces within industry (microenvironment) which can affect organisation performances and profitability.

Therefore Nokia has to understand the dynamics of its business and market in order to compete effectively in the marketplace. Has Porter defined the forces which drive competition challenging that competitive environment is created by the interaction of the five different forces acting on a business. In addition to rivalry among existing firms and the threat of new entrants into the market, there are also the forces of supplier power, the power of buyers

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and the treat of substitute products and services. Therefore Porter recommends that the intensity of competition is determined by the relative strengths of these forces.

Threat of new entry

Nokia's economies of scale and the position as a market leader in the mobile phone industry and with market share of 40.3% (figure 2) give the company a great barrier of entry. Differentiating their products by acquiring software and service companies makes the barrier even greater. On the other hand, the repositioning of the company by starting to provide more advance mobile services to its customers Nokia will face new competitors. (Ricky W. G and Michael W. P (2010)

Managerial know how, knowledge and skills of the industry as a first mover have always been a competitive advantage for Nokia over its competitor. (Nokia. com 2010)

Nokia will hold this advantage and capabilities. Furthermore Nokia has a favourable access to raw material, which after the acquisitions includes the mobile services (the European e-business watch market) this accessibility generates a cost advantage that acts as a barrier of entry.

Figure2 Market share and mobile device manufactures.

Threat of rivalry

In the mobile phone industry Nokia have too many competitors some which can be seen on figure2. In the mobile services industry Nokia does face that many competitors either. Apart from the ones mention above, they also has

others such as Google, Yahoo Inc and Microsoft Corp, which all have purchased software from providers like “ Navteq” to sell maps to people to use on their phones, computers and others device(Financial Times; <http://markets.ft.com/tearsheets/businessProfile.asp?s=NOK1V:HEX>). Some might consider the mobile phone industry has reached the maturity stage but when we think about the growing markets of china and India the industry is definitely still in the growth stage. Products of rivals in the handset industry are identical and the type of competition, the mobile phone and mobile service is an oligopoly where companies are expected to earn competitive advantage because of the high entry and exit cost. Threat of rivalry is high.

Threat of substitutes

The computer manufactures are the most serious contenders as a treat of substitutes for Nokia. They have the resources and innovativeness to create smaller and smaller portable devices with all the services that the internet can offer. It is unlikely that these substitutes could replace Nokia’s products and services. [http://www.nokia.com/NOKIA_COM_1/About_Nokia/Press/White_Papers/pdf_files/managed_services.pdf]

Threat of suppliers

The number of supplies in the industry is high; a lot of industries use the same kind of electronic components such as HTC, (<http://technology.ezinemark.com/htc-phones-v-s-nokia-phones-the-competition-is-getting-tougher-and-tougher-3b844d43131.html>) as the mobile phone industry to

produce their products. It can be said it’s the buyer’s market. In the mobile <https://assignbuster.com/resources-and-capabilities-as-a-competitive-advantage-marketing-essay/>

services and software industry and this treat would be higher because of the small number of supplier. Nokia is executing this treat getting control of their suppliers by vertical integration. (http://www.nokia.com/NOKIA_COM_1/About_Nokia/Press/White_Papers/pdf_files/whitepaper_service_delivery.pdf)

Threat of buyers

Nokia has a large number of buyers which helps the company to maintain high level of profitability. Nokia can make logistical demands to their supplier by reducing cost and increase quality. These actions can reduce supplier's profits in favour of the buyer. Nokia is constantly differentiating their products with new functions, services and software (example the Ns Series). This differentiation by product modularisation increases profitability and lowers the threat of buyers. [http://www.nokia.com/NOKIA_COM_1/About_Nokia/Press/White_Papers/pdf_files/whitepaper_service_delivery.pdf]

Value chain

The firms will allow Nokia to identify resources which could helps them accessed their strength and weakness to overcome them (Porter 1985), the value chain system will also give Nokia the opportunity to describe their activities within the organisation to make up their services or products etc.

(Published on April 22, 2008 by Gwendolyn Cuizon in Major Companies) according to Gwendolyn The initiative around the value chain as illustrate in Porter's book where involves (primary activities) that are

estimated as value-adding activities of an organisation which includes the following bullet points:

Inbound logistics

Production

Outbound logistics

Sales and marketing

Human resources

Technology

Behind the primary activities are the support performances that are also adding to the value of the organisation. These functions could be: administrative transportation management, human resources management, R&D, and procurement. The final aim of value chain is to create maximum value at minimal costs.

The value chain became acknowledged has a management's powerful analysis tool for strategic planning. Gwendolyn (2008) defined that the value chain as a high-level model of how businesses receive raw materials as input, add value to the raw materials through various processes and sell finished products to customers.

<http://bizcovering.com/major-companies/nokia/#ixzz15Z0mALRL>

Value chain is an essential tool to any business development because it supports the idea that, according to Gwendolyn (2008) “ success in digital economy is the implementation of an integrated value chain that extends across and beyond the enterprise.” For this reason, multiple value chain members from employees to managers to suppliers and to customers, must deliver value and do their best for a common goal.

In addition, value chain then helps in promoting by understanding the end-to-end process, spot anomalies, reduces redundancy and inefficiencies allowing process design, transformation, experience take place freely and continuously (Gwendolyn, 2008).

Knowing what value chain can do, it is vital then the Nokia. Has being one of the world leader in mobile communications, Nokia should implement value chain as a part and as an important tool in its corporate strategy. Nokia aims to drive growth and sustainability of the broader mobility industry. It attempts to connect people through innovative and user-friendly mobile phones, devices and solutions for imaging, games, media and also businesses.

Nokia has products ranging from equipment, solutions and services that also provide to network operators and corporations (Nokia, 2005). Patterns and trends in a constantly-evolving product such as mobile phones are very important to Nokia. Just as well has being ahead of its competitors and abreast with the changing needs of its customers is what keeps Nokia at the forefront of the mobile industry. Changes in the international business prospect might influence the Nokia’s value chain over the next five years or

so. This is because adapting to changes and making necessary allocations for it is critical for Nokia's or any company for that matter.

Advantage on Application Differentiation

U. S. mobile workers are currently offering a number of premium mobile applications, accessed through handheld devices which are from various sources, qualified or certified then offered access to the applications through a single boundary for ease of use. To get a place in the market, mobile operators must provide differentiation because the same functions are available to other operators as well. To do this, there is a need to increase investment in research and development for premium mobile data applications that supports in increasing non-voice data revenues which is likely to aid mobile operators in dominating the expanding market (Gwendolyn, 2008).

Technology

Improvement is a requirement in the mobile industry's growth. It is important then to distinguish and add value to products and services at the same time it's important to maintain end-to-end interoperability. Sustained innovation in services and products such as additional mobile features, new applications and handsets is required for Nokia's growth in the mobile industry.

The shift towards next-generation technologies is obvious in all sectors of the market. Both device manufacturers and subscribers are expected to gain from the performance of these growing technologies and applications in

devices which will in turn drive the expansion of the market (Gwendolyn, 2008).

HR Development

In a company, it is not possible to oversee all processes. Managers can only manage a narrow section of a process. It is also not possible to inflict process design and make it work without assistance. This is why it is important for Nokia management to support and empower employees from the rank and file to the top of the level to deliver process work or a high level of performance focused on customers. Having an excellent business process in place provides greater clarity on strategic direction and flow it through your organization (Gwendolyn, 2008).

Risk Management(operations)

As the business grows so do the risks involved. Nokia must anticipate and address these risks effectively. Risk management is one of the aspects that enable Nokia to accomplish any risks in their organisation. Nokia as an international company meets a number of risks in its operations such as engagement with governments and authorities to avoid legislation that is counter-productive for society or anti-competitive; supply-chain management to reduce risks to quality or productivity; management of conflicts of interest for employee satisfaction and to protect the brand (Nokia, 2010). Coming up with solutions on how to address these possible risks is one way of achieving value chain for their business.

Changes in Waste Reduction Methods

In most production operations only a small part of the total time and effort can actually add value to the end of the customer. Clearly defining “value” for a specific product or service using the end customer’s perspective and all the non-value activities or waste can be targeted for removal step by step ((Gwendolyn, 2008).

According to Kaizen, the Japanese strategies of continuous improvement are the following main seven wastes are below:

Overproduction

Transportation

Motion

Waiting

Processing

Inventory

Defects

The future of the logistical operations of NOKIA such as procurement, distribution, maintenance and replacement of material and personnel is influenced by the changes cited above.

Future logistical operations of Nokia will have to make room for the necessary changes.

Raw materials procurement, for instance requires sourcing of the latest materials needed for its plan to achieve differentiation. Also, wastes in transforming these raw materials to finished products should be monitored and if it's possible completely eliminated.

Customer service of Nokia must focus on the key elements which are personnel and end-customers. Nokia must improve relations with both to achieve greater competence.

Billing service is one aspect of customer service that they need to attend to. With a new and faster technology in place and customer billing will be greatly assisted.

Distribution of new products might follow a different pattern. The difference could take the form of a new set of target market or coming up with new promos and advertisements to attract new or existing users.

As the products evolve, the need for new and better equipment also follows. Replacement of material and personnel could be another matter to consider. New materials must be added or replace the old parts. Just as new personnel would be required to implement the latest changes at the same time produce a better version of the old Nokia product. Learning better risk management could make the change effortless for the giant company, Nokia.

Nokia as a business should develop with time and they must learn to look into the different aspects of its value chain that could be improved and make necessary changes. Improving its value chain could spell the difference of

profit or loss. And its results are often reflected in the income statement and balance sheet.

After all the survival of Nokia in a very fast-paced environment such as mobile industry could depend on its ability to look after the markets they operate in, to anticipate risks, to demonstrate company values, work at increasing employee satisfaction, enhance corporate governance principles, protect the Nokia brand and build a reputation for citizenship” (Nokia, 2010).