

# Case 16 alarm ringing: nokia in 2010

[Business](#), [Company](#)



Strategic Management Case Analysis Firm Analysis Roy L. Simerly

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[email protected]ecu. edu Strategic Management Case Analysis Firm Analysis

**Abstract** This is the second part of a two part series dealing with the complexities of case analysis in Strategic Management courses. One of the primary function of Strategic Management is to serve as a cap-stone course integrating the material students have accumulated throughout their course of study within a business school.

There is a need for instruments that will provide the necessary integration and opportunity for application of acquired knowledge. There is also the reality that students do not remember all that they should from previous courses. Equally important is the necessity to impart the basics of Strategic Management as a discipline in its own right. It is the theoretical foundation of Strategic Management that provides the rational for the integration. The purpose of this article is to provide an outline for analysis of a firm. I use this method at both the undergraduate and graduate levels.

The only difference is that graduate students are expected to show more sophistication in their presentations. Strategic Management Case Analysis Firm Analysis This is the second of a two part series dealing with one approach to case analysis in Strategic Management classes. This paper takes the view that Strategic Management is a cap-stone course intended to integrate the material students have accumulated throughout their course of study within a business school. Strategic Management is, in fact, the only

course that has as its stated purpose the integration and application of key management concepts.

Normally, students are expected to have a working knowledge of the primary business management disciplines of accounting, economics, finance, marketing, and operations, when entering the course. When instructors present case analysis, it is usually as a three-step process progressing from economic, to industry, and finally, to company analysis. In doing so they face the challenge of creating a classroom experience that enables students to conceptualize the framework as an integrated whole. The challenges for the instructor are interesting to say the least.

First, there is the need for the instructor to understand the intent of each of the primary business management disciplines, as well as what the student can be expected to accomplish. Second, there is the need for instruments that will provide the necessary integration and opportunity for application of acquired knowledge. Third, there is the reality that students do not always remember all that they should. This leaves a great deal to be accomplished within one semester. An equally important challenge is the necessity to impart the basics of Strategic Management as a discipline in its own right.

It is the theoretical foundation of Strategic Management that provides the rational for the integration. More importantly, the students needs an understanding of 'when' to use 'what' techniques in the business world. Given these challenges, I use - among other classroom techniques - case analysis. Students are required to provide analysis and discussion for a number of short cases throughout the semester. All are taken from current

publications such as, Business Week, Fortune, Forbes and The Economist. I find that text book cases do not provide the currency necessary.

These cases are used to demonstrate the text theory under discussion, and to show the relevance of specific elements of the major written cases. I require two major written cases. The first is an analysis of an industry, and the second is an analysis of a firm within that industry. Both are essential to achieve the learning objectives for the course. The learning objective for the course is: to understand how the top manager (CEO) is responsible for ensuring the long term survival of the firm within its competitive environment.

The learning objective for the written case analyses is: to arrive at a point where they can develop a sound business plan to ensure the survival of their chosen firm within its competitive environment. Also, to appreciate the complexities of collecting and understanding the relevance of the vast amount of information available. The learning objective for the industry analysis is: to determine the opportunities and threats that exist for firms within a competitive environment. They should be able to appreciate how the various forces operating in an industry create or limit the chances for survival.

The learning objective for the firm analysis is: to determine the strengths and weaknesses of a firm; and, to determine the core competence that can be built on to establish a competitive advantage. The final step is to develop a business plan that will align the capabilities of the firm with the requirements of the competitive environment. Students are required to work in teams to complete the two major case write-ups. They will later make a <https://assignbuster.com/case16-alarm-ringing-nokia-in-2010/>

presentation of their findings. I require teams because the most difficult part of management is the management of human resources.

By setting specific guidelines for students I make their grade contingent on their management abilities as well as their ability to complete the projects. Team size is limited to 3 or 4 members. They are free to choose their firm and its industry. I strongly suggest that they select a firm that has a production function. This makes it easier to see the four organizational functions being integrated. I also encourage them to select an industry that would be suitable for employment based on their particular interests, and primary area of concentration.

For example, accounting majors are encouraged to examine an accounting firm. Finance majors are pointed toward the banking industry. In the end, the students make choices based on group consensus and personal interests. However, a mixture of majors can be an advantage when working on the papers. The possible collaboration and integration of different perspectives is one advantage; another is the opportunity to work on a part of the papers that is relevant to their discipline. How firm's performance is defined is left to the student. I must approve all choices prior to the student beginning work.

In this way, I am sure that the projects are do-able. No two groups are allowed to do the same firm within the same class, but they can do different firms within the same industry. There are no 'easy' industries or firms. Each has its own challenges. A significant amount of time is spent covering analysis techniques, and the resources available, prior to the students starting on the projects. They are also encouraged to divide the work up into

specific areas. For example, for the firm paper: do the four functional areas first, then do the introduction and conclusion.

This gives a reasonable balance to the work load. One common complaint about this approach to case writing is that a student working on one section of the paper will not learn about the other sections of the paper. Every approach to case writing has a limitation, but I think that this one is manageable. First, the intent is not to teach students about one particular industry. It is to teach them the relevance, and the techniques, of industry and firm analysis. Stressing this point early on is very important. It is important to note that I do not give the students too many specific directions.

I want them to do their own research and make discoveries along the way. There is no one right answer. Correctness - if such exists - is a product of the logic used in the analysis. For example, two measures of economies of scale are required. It does not matter which measures are used, what matters is that the student reasons through the problem and finds a means of justifying a position. If I give too much detail it limits the imagination of the student and prevents discoveries that could be significant. To help get the students oriented, I do provide complete 'sample' papers from a previous class.

I am careful to ensure that the sample papers are on an industry and firm not currently being done. I do not have to worry about copying, or other forms of cheating. The papers must be up-to-date, which means significant recent citations in the bibliography. Additionally, I do provide the students with the opportunity of sending in parts of the project as they write. I then provide feedback to prevent them going off on tangents and wasting

valuable time. Most students find this method beneficial as they work. I find the quality of the papers improves dramatically over the course of the semester.

It is critical to stress that this is a business report, and not an English paper. Each paper will take on significant proportions (30 to 50 pages) if just the required work is done. If focus is not maintained, the size becomes unmanageable. Assumptions and common knowledge are not accepted. Everything has to be proven in some manner, if just by an interview with a business person. Quantitative and qualitative analysis are required. I give a number of examples in class of how wrong 'common knowledge' can be. The firm paper analysis that follows has been adapted from the work of Wheelen & Hunger (2000)[1].

Their model for the evaluation of firms has been evolving for over a decade, and represents one of the more concise approaches to firm analysis. This approach is compatible with a number of Strategic Management text and can easily be adapted to most situations. In addition, my own experiences in the business world have been incorporated. In what follows, I cover in some detail the outline for the firm paper. This outline is given to the students in its entirety. FIRM PAPER OUTLINE This outline is only a guide. Each firm is unique, and you are responsible for adapting your paper to fit the circumstance.

Form is important, but must not replace reason. Learning Objective: to determine the strengths and weaknesses of a firm; and, to determine the core competence that can be built on to establish a competitive advantage. Method: Firm analysis and the development of an abbreviated business plan

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to ensure long term survival within the competitive environment. Compare your firm to a better performing firm within the same industry, or to the industry trends that you created in the industry paper. Maintain your focus on the questions being asked. Provide conclusions for each section and sub-section.

A decision matrix should be provided at the end of each section, and an overall matrix provided in the conclusion section. Where quantitative analysis is required, provide numbers expressed as ratios. Use five years of data to establish trends. Where qualitative analysis is required, provide citations to support your arguments. Assumptions and common knowledge are not accepted. Continuity: I do read these papers! Be sure that if you make a declarative statement in one section, you do not contradict yourself in another. While it is a team project, I read it as the work of one person. Integrate the paper.

Please number pages, and use section headings and sub-headings. Help is just a mouse-click away! I strongly encourage you to show me your work as you progress. I can, and will, save you hours of frustration if you will show me what you are doing.

I. Current Situation

A. Brief firm history. What industries and industry segments is your firm involved in, and what will be the focus of the paper? You can not do all of the industries or segments in one semester. Make a rational choice that aligns the firm paper with the industry paper. Provide a statement of the current position or situation of your firm within the industry (i. e. how goes it). How diversified is this firm? Related or unrelated (you may discuss this wherever you think most appropriate)?

B. Strategic Posture.

1. What is the current mission? Did you



have to deduce it, or was it stated. Is there a clear point B (an objective that we can quantify)? You should be concerned with both the quality of the mission statement, and its appropriateness for the competitive environment. You will be able to address this issue after you complete the firm analysis. 2. What is the current (Porter's generic) strategy? Since you are only doing one segment, you are concerned with business-level strategy only.

Is this strategy consistent with the mission, appropriate for the environmental context, being followed by management? Again, this is best answered after the analysis is complete. II. External Environment (Opportunities and Threats. ) This section is a restatement of some of your industry paper work. You restate your findings with respect to this specific firm. A. Socio-cultural. What general environmental factors among the socio-cultural, economic, political-legal, and technological forces are currently affecting both the firm and the industry in which it competes?

Which present, current, or future threats or opportunities are important to your firm? B. Task Environment. Which of the five forces (Porter's) in the immediate environment are currently affecting the level of competitive intensity within the industry? Which present current or future threats or opportunities important to your firm? III. Internal Environment (Strengths and Weaknesses) The only way to know if your firm is doing well is through comparison. Therefore, almost all of the elements that follow require the analysis of your firm and then a comparison to a better performing firm, or to industry standards.

A. Management. The objective of the management function is to ensure the long-term survival of the firm within its competitive environment. Begin with

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your assessment of how management has addressed this objective. 1. Board of Directors. The objective of the board is to provide oversight of the firm. Based on your observations is this board appropriate for the competitive environment of this organization? a. What is the board size and composition (averages for all firms is 74% external, with 14 members total). b. What are their skills? Do you have the four functional areas covered? c.

Do they own a significant percentage of stock? Here you are testing elements of agency theory. d. What is their level of involvement in the oversight of the corporation? That is, what committees are they on? How often do they meet? 2. Top Management (usually only the CEO). The objective of management is to ensure the survival of the organization within its environment. Is management achieving that objective? a. What are top management's chief characteristics in terms of knowledge, skills, background, and management style? Is top management sufficiently skilled to cope with likely future challenges?

Has it established a systematic approach to the formulation, implementation, evaluation and control of strategic management? Is there a vision, clearly articulated, guiding corporate activities (i. e. , does this manager know where the organization is headed)? What is the degree of stock ownership, and is it appropriate? b. Organizational Structure. What is the present structure? Discuss decision making authority, degree of autonomy, team building, empowerment, etc. Is the structure appropriate for the competitive environment and consistent with the current strategy and mission? c. Culture.

Is there a well defined or emerging culture composed of shared beliefs, expectations, and values? Is the culture a source of support or hindrance to achieving the mission/strategy of the corporation? B. Marketing The objective of the marketing function is to maximize market share. Are they achieving this objective? You should be able to provide a graph of market share change over time compared to another firm or the industry. What is the market share change of the firm in relation to market growth? Remember to use ratios, not raw numbers. How well is the corporation performing in terms of market position and marketing mix?

You answer this by comparing the 4 P's to a better performing firm. 1. How well does your firm's product offering (product mix) compare to a better performing firm? 2. Is the firm's pricing appropriate? 3. Compare the place (distribution system) of the product offering. 4. Evaluate the promotional efforts of the firm. What is the payoff for the money spent on advertising? Is there a relationship between advertising and market share change? Provide a conclusion to this section. What trends do you see from analysis of their past performance? I suggest using a decision matrix.

From your analysis, what are the strengths and weaknesses of this function? C. Operations/Production. This section will be revised for those teams doing a service firm. While the basic arguments are the same, the methods will be different. Consult with your instructor before beginning this section if you are doing a service organization. The objective of the operations function is to increase productivity. Are they achieving this objective? This is also the functional area where you can best evaluate whether your firm is following the logic of re-investing in itself (the logic of the managerial enterprise)? 1.

In order to achieve improvements in productivity, the firm must be re-investing in itself. What is the trend in capital spending? What is the trend in productivity improvement? 2. In combination with the marketing section, has this firm's emphasized product development, or diversification, for growth (the Chandler argument)? No longer required. 3. Operating leverage. How has the mix of people to capital changed over time - are fixed costs rising? What are the trends in costs per unit of labor, inventory control, etc.? 4. Research & Development. What return is the corporation receiving from its R&D investment?

Is the firm technologically competent? How well does the firm's investment compare with similar corporations? What is the bang for the buck! Provide a conclusion to this section. I suggest using a decision matrix. From your analysis, what are the strengths and weaknesses of this function? D. Finance The objective of the finance function is to maximize shareholder wealth. Are they achieving this objective? I would prefer total returns to investors over time as the measure here. The data are available. 1. Remember to use at least five years of data for the most important factors. What trends do you see emerging from this analysis?

Suggested ratios are contained in the text. 2. How well is the corporation performing compared to competition? 3. Capital Asset Pricing Model. (Class lecture notes) What is the cost of capital for this firm? What impact does this have on competitiveness? What does your analysis tell you about the probability that management will reinvest in the firm? 4. Debt to Equity policy and susceptibility to external forces, such as debt covenants, take-over attempts, etc. As lecture material points out, the capital structure

decision is very important to the survival of the firm. Crunching of numbers is not the objective here.

You are looking for significant trends that can impact the survivability of the firm. As you find negative trends that could effect other organizational functions, tell your team mates. What have they discovered? This section can not stand on its own, it has to be integrated into the overall paper. Provide a conclusion to this section. I suggest using a decision matrix. From your analysis, what are the strengths and weaknesses of this function? E. Human Resource Management. If applicable - i. e. , are unions involved? If so, you are concerned with the HRM function of the organization. F. Management Information Systems.

If applicable. Is you firm having problems with its MIS system? Readings from articles should give a clue. If no problem is noted, you do not have to include this section. IV. Critical Success Factors. From your industry paper, discuss how your firm is addressing these factors. Most of these factors (2 of 3) will lend themselves to quantitative analysis and comparison. V. Strategic Problem. From your analysis, what is THE strategic problem of this firm. This is only one paragraph and not a laundry list. Clue - your paragraph will begin: Management has failed to ensure the long-term survival of this firm because..... VI.

Strategic Alternatives. Provide appropriate strategic alternatives stated as strategies, not as elements of a strategy. Discuss the pro's and con's of each. The current strategy, if appropriate, could be one of the alternatives if the firm simply needs to improve the implementation of that strategy. VII. Recommendation. From your alternatives, what ONE strategy do you

recommend, and why? This is only one or two paragraphs. VIII. Implementation. This is the section where most teams lose it. Remember that strategy is a pattern of actions and activities. A. Give SPECIFIC recommendations on how you would implement your strategic choice.

Provide details addressing each of the four functional areas. B. Show how you are solving the weaknesses and building on the strengths of each functional area. C. What is the core competence of this organization? Can we build a sustainable competitive advantage within this industry? D. Include a basic pro forma for at least 5 years out to see the impact of your changes. Use your best guess on the numbers, indicating your assumptions. E. Conclude the paper with your prognosis for the firm. This is the grade sheet for the firm paper Case Name \_\_\_\_\_ Bibliography:

Appendices, graphs, tables: Firm Business Segments: Strategy: Mission: Corporate ownership: Board of Directors: R: Type and Degree of Diversification: Capital investment related to performance: Social/Environmental programs: Growth rate of firm: Cost of Capital (CAPM): Take over target: Asset base compared to competitors: Historical financial data: S. W. O. T. : C. S. F. 's: Analysis of the functional areas: Management: Marketing: Operations: Finance: ----- [1] Wheelen, T. L. & Hunger, J. D. 2000. Strategic Management. Upper Saddle River, N. J. U. S. A: Prentice Hall