Factors for success in business organisations

With reference to two detailed examples (of business organisations) and appropriate writers on management theory, identify the main critical factors in ensuring the success of business organisations in an increasingly competitive and globalised world.

Nokia is increasingly recognised as one of the biggest success stories of the modern world, successfully coping with being in the middle of some of the most wide scale changes seen in the last twenty years. Indeed, until 1992, Nokia's products were almost uniformly low tech and purely functional, mainly consisting of toilet paper, nappies, car tyres and rubber boots; and cables for electric and telephone utilities. The company, based in Finland, had its major market in the Soviet Union up until its collapse in 1991/92. However, after the collapse of the Soviet Union, which was Finland's main trading partner, Nokia almost went into bankruptcy due to falling demand. Some of the company's shareholders tried to sell Nokia to Ericsson at this point, but Ericsson refused to buy what they saw as a company on the brink of collapse and impossible to rescue (Fox, 2000).

However by May 2001, Nokia had become the world's largest manufacturer of mobile phones by a long way, with 35% of the global market share, compared to 13% for Motorola, and was second in the world in the equipment used to run mobile networks. Business Week's (2001) ranking of the world's largest companies showed that Nokia had the fifth most valuable brand on earth in the year 2000, and the company's stock market value was approximately $250 billion: the second highest in Europe, and ninth in the world. This dramatic turnaround has largely been attributed to one of the most well publicised critical factors in the modern business environment:

dynamic leadership (Kanji, 2005). Following poor performance from several CEOs, Nokia appointed Jorma Olilla, described as a “ charismatic, charming entrepreneur” (Abetti, 2000), as new CEO in 1992.

Olilla had previously been in charge of the company’s mobile phone business in 1990, and had successfully turned it into a global force, leading to his appointment as CEO. He revolutionised the company’s strategy, claiming that, as the Scandinavian nations, had a very low population density, but high standards of living compared to much of the world, their communication preferences and tastes were significantly ahead of the rest of the world. As a result, he concluded that mobile phones would both appeal to the younger generation, who were always on the move, and in doing so would gradually replace land line phones. As a result, whilst Motorola, one of Nokia’s biggest competitors at the time, was targeting principally business, government and industry (Abetti, 2000), Nokia decided to target individual consumers. The company exploited the wealth of the Scandinavian nations by competing on quality, brand and fashion; rather than on price.

Olilla also recognised that Nokia was highly technically competent, with a strong internal culture and focus (Fox, 2000); another two of the critical factors for success in the modern business environment. From this base, he saw the need for the company to embrace a third critical factor: technological innovation, and used this to drive the focus of the corporation away from mere technical R&D and on to a more innovative and creative corporate strategy Another strategic decision was to diversify away from being purely reliant on the GSH digital standard, and to embrace the other two standards: TDMA in North America, and PDS in Japan (Pulkkinen 1997).

This market diversification, another critical factor for success, enabled Nokia to dominate in many markets, whilst maintaining brand integrity and a consistent look and feel for the phones. Indeed, embracing the trend towards user friendliness, Nokia included a software based menu, making their mobile phones similar to a palmtop computer and thus adding extra functionality for users.

However, whilst Nokia recognised the need for diversification, it also recognised the need for a strong strategic focus, which is another critical success factor. Indeed, shortly after Olilla became CEO, all the companies vice-presidents but one left the company, Nokia closed down all of its unprofitable non-electronic businesses, and the company's management was reformed into a new five person executive team, all of whom were young and ready to embrace the new market challenges. Due to this strong strategic focus, Nokia's diversification into electronics and mobile phones became the core competency for the entire company, leading to Nokia becoming the world leader in wireless communication. The results can be seen in the fact that the sales goal for Nokia's first series of phones was 2, 000 units, when in fact the company sold over 20 million of these phones worldwide (Abetti, 2000).

The Nokia case covers the vast majority of the critical success factors companies require to succeed in the modern business environment. Indeed, so prevalent are these factors that they can also be seen in the case of Rolls Royce's success over the past few years. Similar to Nokia, Rolls-Royce focuses strongly on technology and innovation however, in contrast to many modern global companies, Rolls Royce maintains a significant manufacturing base in the UK, where it manufactures value added components Rather than looking to outsource manufacturing overseas to a country where manufacturing cheaper, as many major companies have, Rolls Royce has used the UK's sound technological base and excellent infrastructure to great advantage. The company has build focused factories with a very good lean flow of information, the minimum amount of waste, well designed processes and modern working practices, such as self directed teamwork (Sandford, 2004).

This comprehensive and holistic approach to operational excellence and total quality management, two critical factors for many manufacturing firms, has led to Rolls Royce's productivity being equal or better than any of its competitors. Similar to Nokia, Rolls Royce has a strong strategic focus, however in contrast to the mobile phone giant, Rolls Royce has kept its overall strategy remarkably constant over the years, and this constancy of purpose has been a great help to the company when developing and consolidating its operational strategy (Interavia, 2001). This constancy of purpose and strategy has also enable Rolls Royce to learn from its factories, its people and its processes, and such organisational learning is vital in helping the company develop better products for future growth.

Indeed, Rolls Royce has remained very strong in developing and maintaining its internal resources and core competencies, which are also seen as key strategic factors in the modern business environment (Barney, 1996). Rolls Royce have recognised that, whilst short term cost savings may not be as great; ultimately, outsourcing core activities such as manufacturing will result in both product innovation and long term competitive advantage suffering. In fact, Mesinger (2007) discovered that when technology and cost considerations replace the role of skilled people in the performance of many routine jobs, creativity and innovation thinking among employees is affected across the board. As such, with creativity and innovation being considered critical factors in modern organisational success, Meisinger suggests that companies will need to develop strategies specifically to enhance the creative environment of the workplace.

A further critical factor in global business success, and one that is often viewed as a separate consideration, is the use of the Internet for sales, marketing and communications. Whilst some academics argue that the Internet should be considered a separate business unit, Chaffey et al (2000) claim that a company's Internet strategy is an integral part of its overall strategy, as the Internet, if used properly, will supports the main thrusts of the company's marketing and business strategy. Indeed, modern researchers and practitioners now increasingly view a company's marketing strategy, and the related factors, as critical factors in business success (Porter, 2001).

One final factor that is viewed by many practitioners as being critical in the modern environment is successfully managing the knowledge that is accumulated within business organisations. This has led to the rise in knowledge management as a critical and differentiating factor for any business that relies on the skill of its people. Lee and Asllani (1997) cite several examples that demonstrate how knowledge management enables companies to achieve both continuous and radical improvements, and that these two approaches can significantly increase the firm's competitive advantage. Indeed, many researchers have recognised the importance of knowledge management in the implementing the improvement philosophies involved in lean manufacturing and total quality management (Yang, 2004) and now see the interaction between the two concepts as being a critical factor for success in itself. Zetie (2002) showed that the concepts of total quality management and knowledge management, together with a number of others, are becoming ever more closely linked, and are actually all leading towards better organisational learning and development. Indeed, Zetie (2002) further argues that firms who benefit from said organisation learning will become better organisational change management, which Zeite claims is also a critical factor in the modern business environment.

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