

# Modern global business environment



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**Introduction**

The modern global business environment is characterized by the increasing number of international mergers and acquisitions. The reasons behind this widespread phenomenon are mostly laid on the constant rise of the economic and industrial globalization which has considerably increased the worldwide competition. Companies have various strategic options available to them in order to achieve their growth objectives and to compete effectively in the global marketplace. The first key decision they must make is whether to grow incrementally or to take a giant leap forward. Incremental growth options include introducing new products or services, enhancing existing services to grow top-line revenue, and entering into new markets. (Douglas D. Ross, 2005). If the company plan to take bigger steps in terms of growth (the ‘ leap forward’ approach), perhaps the fastest way for the actual companies to expand their operations internationally in such context and to take advantage of the universal marketplace is by merging with another company or acquiring other companies. Indeed, the mergers and acquisitions represent one of the powerful factors of the further transformation of the social and economic life while the “ integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and spread of technology” are stretched all around the globe. (Wikipedia: globalization). However, mergers and acquisitions correspond to significant changes in organizational conditions that, for at least some of the new organization’s members, require from them to adjust to new cultural norms and adopt fundamentally different ways of doing things.

Patrick A. Gaughan (2007) in his book writes about the mergers and acquisitions expenditures since the 20th century to nowadays by distinguishing five different waves that are illustrated by examples of mergers and acquisitions at each moment. Moreover, he presents the different types of mergers and acquisitions: horizontal and vertical transactions and also the conglomerate mergers. Plus, according to the author two major motivations dominate the activity of merger or acquisition: the growth through taking advantage of the acquired company's resources and the synergy respecting the financial math equation that shows that "  $2 + 2 = 5$ ".

Our chosen two organisation is NOKIA and GOOGLE

### **Nokia's Merger and Acquisitions and Reasons**

Nokia , a name , a brand which doesn't need any introduction . It is a world know mobile phone company which always kept itself up to date with the market needs. How much technological change they adopted could be found by comparing their previous model 3310 to the current Nokia x9 model's. On comparing Nokia with the Ansoff's Model(see Appendix \_-\_) one can realize that Nokia does occupy the majority of the market and therefore are trying to focus on Product Development and Diversification i. e. introducing new products in the current market and new market. Due to the high volume of competition it has to keep itself updated with all the features of its competitors in order to stand and compete with them side by side. Secret to Nokia's success lies in its Merger & Acquisitions and its joint alliances and strategic choices . The Market is really saturated and in order to be successful one has to join hand or kill small fishes in the market .

Nokia's main strategy was Merger and Acquisitions with many famous companies and its joint alliances in order to compete with its famous competitors such as Apple , Sony Ericsson e. t. c . From 2002-2010 Nokia majors Merger and acquisitions can be seen as under :

Nokia made a major investment in Redback Networks in 2002 to provide broadband networks to its consumers of next generations keeping various possibilities in mind . With internet comes applications such as email and advance means of communication hence acquired Eizel to enhance ts feature then came competition from Google of providing navigation tools so in order to cope up to that in 2006 gate 5 was acquisitioned by Nokia to provide the mapping and navigations features to its n95 series with a bonus to provide music experience to customers during the same year it also acquired Loudeye Corp which specialized in digital media distribution because it was out at that time that Apple were launching their Iphones with the feature of itunes for its consumers , so definitely keeping the competition in mind took the step . To enable its feature of synchronizing to multiple decide platforms including Palm operating system and Windows mobile it acquired Intellisync in Feb 2006.

Long gone are the days when people in order to send pictures to other had to scan their images and had to mail it , this generation is of fast pace and keeping that in mind Acquisition of TWANGO a famous media sharing solutions organisation which helps in sharing stuff such as photos videos e. t. c. was acquired by Nokia In July 2007 . Acquiring all these companies in order to enhance applications and serves means nothing without making it compatible for other mobile device platforms and desktop application ,

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hence in order to do this Nokia went for Trolltech a company with expertise in a cross functionality platform for mobile devices and desktops application.

In order to further enhance its feature of maps and navigation tool it acquired NAVTEQ in July 19 2008 . A company which basically expertise in it . Nov 04 2008 With the acquisition of OZ communications Nokia made itself eligible to compete in the market where it can provide services as instant messaging and email . Nokia's acquisition of the Symbian limited n 2008 was great step forward because closing of this deal bring together many big names to work together such as AT&T, LG Electronics, Motorola, NTT DOCOMO, Samsung, Sony Ericsson, ST-NXP Wireless, Texas Instruments and Vodafone.

In 2009 Nokia Acquired Plum and Dopplr. through this acquisitions Nokia Dopplr members share their plans and networks through their social network highlighting interesting places around different areas in order to explore different cities whereas Plum is all about social media and sharing service between private groups . And in order to make the above service secure it acquired Cellity a German based company which specialises in the security of these social network and on top providing popular communication channels such as facebook or twitter to interact securely in order to enhance its feature .

### **GOOGLE'S Merger and Acquisition and Reasons**

WWW or worldwide is all about connecting people from all around the world and giving them the opportunity to share that what came in the mind of Larry Page and Sergey Brin who came up with Google in 1998 making it a

top global company . Google a company known by many and as we all know is rated as the No. 1 search engine had a very different strategy. As one sees its progress and achievements from 2002 2010 one has to complement on its strategy which was solely based on occupying market on the basis of the needs of consumers . Instead of competing with its competitors Google started off with friendly handshakes with its competitors joining hands with them in order to gain their market share , due to the fact that when a new company enters the market all the big fishes wants to eat it . Google's association with many big companies such as AOL, Earth link and Ask Jeeves gave it a lot vast exposure in market Hearing about Google's acquisition nowadays has become a daily norm . Google's Executives mingle with other company executives which helps in keeping them informed of the markets current need and helps Google to stay one step ahead in the game.

### **Google -Applied Semantic and Kaltix**

In April of 2003 for the sake of making Google's advertising and search tool more power it took over Applied semantic a company which specialised in it and Kaltix which focussed on the similar commitment like Google of innovating search technologies in faster and efficient way for consumers

Kaltex a company which specialised in providing digital images of locations road maps and digital mapping to users to access it while sitting at home through their computer attracted Google of its innovative ideas and hence Google took interest in it and finally acquired it in 2004 . A company called Picasa providing the service of digital photo publishing to customers caught the eyes of Google and Google hence acquired it in order to make it work for themselves and providing its consumers with the facilities of photo

publishing easily and quickly in 2004 . In marketing companies the main focus is to understand the consumer behaviour and to fully understand the experience of customers , since Google was started as a targeting advertising company so its was very important to understand these scenarios and in order to do this a company named Urchin was hence acquired by Google.

As far if we compare Google's strategy to Ansoff's matrix we can conclude that Google started off with the Market Penetration strategy in order to enter the market with the search engines. Then later on it slowly changed its strategy to Product Development where as offering New Products such as Google mapping , digital media sharing e. t. c under one name to its consumers which other companies were doing individually.

### **Google and YouTube**

YouTube founded in 2005 a website which was designed for people to share their videos with the world was acquired by Google in 2006 order to further enhance its feature and as one sees now there are many TV channels such as Channel 4 and the celebrities private channel in order to attract more audience Currently sharing more then 70, 000 videos uploaded daily and approximately more then 200 million videos are viewed making it ideal to target audience for advertisements . Building one of the largest videos sharing community online along with the expertise of Google's information's management gave YouTube a big success .

“ The YouTube team has built an exciting and powerful media platform that complements Google's mission to organize the world's information and make

it universally accessible and useful,” said Eric Schmidt, Chief Executive Officer of Google.

### **Google and Double Click**

In 2008 Double Click Inc was acquired by Google because this company had experience and expertise in video, Mobile , Ads and making digital medium more effective. Due to the expertise of this company if it is acquired by Google can help it in its others business sectors in order to improve efficiency for e. g YouTube can be made more efficient , Google’s Android Phones can use this technology as well and hence after judging all these factors Google made the decision of acquiring it .

### **Google and On2**

“ Today video is an essential part of the web experience, and we believe high-quality video compression technology should be a part of the web platform,” said Sundar Pichai, Vice President, Product Management, Google.

“ We are committed to innovation in video quality on the web, and we believe that On2’s team and technology will help us further that goal.”

On2 which is a versatile developed of the video compression technology was hence taken by Google to increase its efficiency in terms of its YouTube. in 2009. On2 is a company with big names as a client such as Skype , Nokia , Sony e. t. c.

### **Joint Venture**

#### **Nokia -Sanyo**

In 2006 in Japan Nokia joined hands with Sanyo with the goal of being the global leader in cdma phones.. Nokia and Sanyo started a join venture to



focus on the Code Division Multiple access (in short CDMA) phones . Its a new genre of third generation phone which transfers and receive data at a much faster rate then the old versions of phones competing against Samsung electronics . CDMA technology was being currently used in America by Sprint, Verizon and e. t. c. Nokia having the reputation of big brand name supply expertise and had a good relation with more then 56 CDMA carrier customers whereas as Sanyo had the expertise of producing high -end CDMA hand sets . Together they can strength up and become more powerful in the saturated market of great competition. Expecting the joint venture will improve its chance of wining the market . In the same year they called off their plan because they though it was more important to focus on other options rather then looking at CDMA market

### **Nokia and Siemens**

In 2006 Nokia and Siemens joined hands to face the competitions in the market against the competitors due to the fact that both companies focussed on wireless and wire line telecommunications so forming a joint venture will strengthen them more and would produce synergy, but this was not an easy task . Both of these companies had very different cultures . Siemens culture was more formal and strategized opposed to Nokia's culture which emphasized on flexibility . Shreader and Self (2003) call the culture „ the make or break factor in the joint ventures or merger and acquisition. Nowak the head of HR in Nokia discovered that without setting norms success of the company won't be possible Nokia's market standing in the wireless networks business and its penetration among Tier 1 operators complimented Siemens' strengths in wire line, optical, switching and the

converged core, as well as its strong Tier 2 and Tier 3 customer base. On the first day of the merger 35000 employees belonging to Siemens joined in as compared to 25000 of Nokia . Merger is not something where one just mix and match hope for the prosperity but instead its something where one has to integrate every thing successfully for benefit of the companies . Nokia's work attitude amongst employees was very flexible giving its employees the capacity to adapt . they did not had any structural approach towards problems and all the mess was handed to the managers to solve . whereas as Siemens had a structural approach and a logical way towards progression giving clear defined ideas to plans and approaches . Hence at one end Nokia was too flexible whereas on the other hand Siemens was all about hard and fast rules and procedures .

Nokia's culture as told above was very flexible and informal and the decision making was pushed down towards the managers and the relation between them was much more relaxed so in order to design the new culture for Nokia Siemens Network they wanted to keep it flexible as before but wanted to denote roles and responsibilities as well . Language became a barrier to some extent as well because Nokia adopted English as their lingua franca but compared to Siemens they spoke different language in their different regions . Nokia employees used to communicate with each other through text messages whereas the Siemens employees used formal means of email which took longer time . Its been more then 3 years and the success of NSN culture can be seen

**Nokia and New Alliance**

China as we all know produces good technology at a cheaper price is a good place for companies like Nokia. In 2009 Nokia planned a joint Venture with China's New Alliance on 50-50 share basis. The reason being that New Alliance has an expertise in providing best mobile services in China compared to other competitors, hence a Nokia Alliance Internet Service Company Limited was formed targeting basically the Chinese consumers. As Mr. Lifeng said that they are happy to join hand with Nokia because with Nokia's expertise, knowledge and experience they can have a big consumer market to facilitate

**JOINT VENTURE AND STRATEGIC ALLIANCE:**

One of the main success factors of Google to become a multi million dollar business is they form joint ventures and strategic alliances with one of the top companies in the market. As in the start Google was a purely internet search technology corporation. Google use to make profits by advertising through its Ad-Words programme. As to gain a competitive advantage and to gain a larger market share from their direct competitors such as Microsoft, Google started to build up strategic alliances and joint ventures with the other companies. Some of the main alliances of Google are,

**GOOGLE AND YAHOO JAPAN.**

Google announced its partnership with Yahoo Japan on November 18 2002. Google will provide Yahoo Japan users with web wide search which will include more than 95 million Japanese translated web pages. Google had also launched its Japanese version of Ad-Words which will help Google to generate additional profits by helping Japanese advertisers to get new

customers on high rate of return. Google will provide its award winning search services to the biggest Japanese sites which include yahoo japan, Excite japan , All about Japan etc. which will help Google to gain extra slice of the market.

### **GOOGLE AND APPLE.**

As seen so far one of the biggest alliances which were in talks for a while now is Google and Apple. As Google trying to diversify its product and services into the new market such as mobile markets etc , Google joined hands with Apple another multi million dollar firm to gain competitive advantage on their main rivals Microsoft. Google applications will now be seen in the latest Apple computers and google will also provide platform to Apple I phone to run its applications. This strategic alliance has made worried not only Microsoft but other industries.

Google is a software based company which is threatening Microsoft software industries such as Office, Explorer etc and Apple which is a hardware based company threatening Microsoft operating System business. As the two companies grew close together CEO of google Eric Schmidt is named one of the board of directors which will help keep the relationship stronger and prosperous. The main reason for their alliance is to cut the market share of the Microsoft.

### **AOL AND GOOGLE:**

One of the main successful alliances was Google and AOL. Google in 2002 formed an alliance with AOL a multi year agreement that will make Google popular search and web listings available on American online brands. This will help google to reach AOL extensive consumer audience. As Google is a <https://assignbuster.com/modern-global-business-environment/>

world leading search engine it will provide AOL consumers a wide range of services what Google offers and they will have access to googles wide library of documents. In 2003 Google and AOL expanded their partnership with adding some new features which will give Google an access within the search areas of AOL service in UK, Netherlands, France, Germany Etc.

### **NOKIA AND GOOGLE PARTNERSHIP.**

Nokia and Google brought a new dimension to the market by joining hands. Nokia announced that Google search engine will be integrated with Nokia search applications. The integration will start by the selected products of Nokia like N96, N78 and Nokia 6210. The Google will make itself available through Nokia platform in over 100 countries serving mobile owners speaking more than 40 languages.

Adding Google to Nokia will provide Nokia users a better way of searching the web through their phone. The partnership will ofcourse no doubt bring a vast success in Googles market domination strategy and will also increase its market share.

### **CHINA MOBILE-GOOGLE.**

China mobile is the leading mobile telecommunicator carriers announced its alliance with Google which is another big strategic alliance in history. The whole idea is to provide the Chinese consumers high quality search through google on their phones from which they can search Monternet and its vast content including sports channels, news channels etc. This will provide China Mobile consumers more value for money and ofcourse great service and one of the greatest and strongest search engine right in their palms. Even though Chinas economy is one of the strongest growing economies and Google

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recently facing a biggest threat over there and thinking of pulling out its businesses from china.

“ Google, the world’s top search engine, said it may shut its Chinese-language google. cn website and offices in China after a cyber-attack originating from China that also targeted other firms and human rights campaigners using its Gmail service”.

(<http://www.reuters.com/article/idUSTRE60C1TR20100114>)

### **Threats**

Nokia like all other companies is not threat proof and faces severe challenge in the market . Nokia’s serious threat in 2007 was the launch of its famous competitors Iphone by Apple. Apple brought a revolution in the market which helped them grasp majority of Nokia’s customers due to its functionality, basically they focussed on the Product Development if compared to Ansoff Matrix see (appendix -\_-) .

(<http://arstechnica.com/business/news/2009/11/smartphones-beat-recession-nokia-still-on-top.ars>)

Since the Product Life span is really short they always have to focus on the upcoming technologies and have to keep themselves focussed . Recession caused a big problem for Nokia and its competitors such as Apple and Blackberry but through the launch of their N97 series it came out quicker than the rest . Competition from Asian market is a big threat as well.

In 2008 Nokia had to deal with it’s replica mobile from its competitors providing the same functionality against its expensive Arte and N96 handset

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being sold for less than half price from its competitors .( [http://www.mobiletoday.co.uk/Nokia\\_Arte\\_fakes\\_from\\_counterfeit\\_manufacturers.html](http://www.mobiletoday.co.uk/Nokia_Arte_fakes_from_counterfeit_manufacturers.html))

Being a company like Nokia needs to keep pace with the upcoming and growing technology but rushing too far can cause trouble as well , and that's what exactly happened to Nokia in 2003-2005 because they produced such technological phone of which the market wasn't ready so they had to change their strategy and build phone according to the requirement of the consumers . Currently Nokia is facing challenges from big companies such as AT&T , 3COM CNN e. t. c . They are competing with Nokia day and night to occupy its market share . Most of the companies are focussing on the wireless technologies , trying to make mobile phone just not a means of receiving calls but basically a one in all gadget for all operations . Nokia having Symbian has a great advantage towards these threats because Symbian specializes in these wireless platform technologies . Nokia should concentrate on key issues such as creating a unique platform and applications unique to them . They should provide applications unique to them with its exclusivity .

### **Threats -Google**

In this saturated market of today competition and competitors arise with every blink of eyes , similarly in the case of Google there are a lot of things happening which are causing Google severe nightmare. The merger of Yahoo and Microsoft which is in the air is the biggest one . the site called Wikipedia is another threat being an online encyclopaedia and providing user the access to upload and edit posted documents making it totally customer needs oriented attracting more than 30, 000 volunteers who made more

then 50, 000 edits (source: [http://www. telegraph. co. uk/finance/newsbysector/mediatechnologyandtelecoms/2791994/Google-Seven-potential-threats-to-its-dominance. html](http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/2791994/Google-Seven-potential-threats-to-its-dominance.html))

Another innovative competitor is Blinkx. com which claims to be the largest individual source for the web video giving direct competition to YouTube because of its technique of not relying on text but of its speciality which can listen to what is being said and search results on the basis of that instead of typing in search words and getting the results , its already provides its services to big search engines for e. g. Msn and Ask. com