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EARLY WARNINGS FOR NOKIA

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Introduction

The literal meaning of early warning signal is an advance notice of any impending development or event. The present study is an attempt to highlight the failure of Nokia Corporation to notice such signals and take timely action, which led to its elimination from the mobile handset market. The company that once ruled the market as number one player in the mobile handset is nowhere to be seen now. This paper discusses about early warning signals and the failure of Nokia Corporation to take necessary and proactive action in identifying the threats, which led to its acquisition by Microsoft Corporation.

Organizations need to possess early warning systems for detecting competitive threats that are approaching them and which can affect their business in the long-run. In order to determine what to look for, such companies can analyze the past transformations, thereby identifying right signals. Strategists across all the industries need to have an understanding of how the industry would take shape in the near future.

In the article by Anthony (2012) it is suggested that few points are need to be considered to understand the future structuring of an industry. The first point is regarding the willingness of the customers to continue paying for improved performance pertaining to a product or a service. Marketers also need to study changing habits and preferences of customers due to change in social norms or evolving technologies.

Start-ups are rapidly emerging in the evolving industries such as renewable energy, data analytics and 3-D printing, posing a threat to the already existing developed industries. Such disruptive innovators often makes consumption convenient, affordable and simpler, thereby replacing the well established businesses. The government also plays a vital role in the promotion of commercial innovations, which is evident with the advent of the several Internet and mobile technologies among others.

Therefore, organizations are required to analyze approaching early warning signals more carefully than ever. Additionally, the organizations are required to respond these signals. Now-a-days, sniffing the dynamic social media is one of the key strategic component of a company's early warning system.

Benefits of an Early Warning System

- With timely identification and analysis of risk, competitiveness of the firms gets increased.
- Firms can take better strategic decisions and implement appropriate solutions with proactive approach and intelligence based on a sound early warning system.
- Implementation of an early warning system enables the companies to permanently monitor the dynamics of both internal and external business environments.

The brand, which used to be a benchmark for all other mobile brands, is completely out of the market. This paper is an attempt to find out the early warning signals that Nokia had missed, which has unfortunately led to its downfall. The brand, which used to be a benchmark for all other mobile brands, is completely out of the market.

Does a Company's Competitive Intelligence is Providing Right Early Warning Signals

Competitive Intelligence is comprised of defining, gathering, analyzing and dissemination of actionable information pertaining to competitors, consumers, government actions and innovation as well as other aspects of marketplace, thereby facilitating effective decision making. Dynamic technological innovations and globalization are leading to gradual market changes which ultimately affect an organizational business model and strategy. While the internal processes are important, due to external dynamic changes, early warning capability is of utmost importance.

In order to provide such early warning, the competitive intelligence must be able to offer necessary information pertaining to novel growth opportunities as well as enable the organization to understand the important warning signals for minimizing the risk of industry.

Literature Review

Teplitz (1995) discussed the importance of early warning systems for operational planning by sampling the markets for products in advance, before the intended selling season. An early warning system is also important while introducing a new product line. In this case, the three major forecasting issues include acceptance of the new product line by customer; customers' preference for individual items within the entire product line as well as customers' willingness to spend.

Tessun (2001) A strategic early warning system is built by scenario development which encompasses continuously monitoring the vital statistics of a company including its deliveries, financial situation and orders received among others. Such signals may be very weak and are not classified at one go, however, they should be recorded and analyzed for trends.

According to Gilad (2004), early warning signals always precede surprises however, they are often recognized let alone be ignored. Additionally, there is a risk that company doesn't changes with the change in the industry, which is referred to as industry dissonance. Various organizations lose their businesses to agile competitors not because of lack of early signals but because their inability in taking appropriate actions. In order to implement a contemporary early warning system, strategy planning along with action and intelligence are required to be seamlessly integrated.

Zhang (2013) conducted a study pertaining to early warning and risk characterization in rural banks in China. The research identified risks such as credit risk, operational risk, liquidity risk and interest rate risk are faced by rural banks in the newly rural economic development in the country.

Haji-Kazemi et.al (2015) conducted a study on project leaders or managers in Norway regarding the barriers faced by them to respond to the early warning signals that are already identified. Such barriers could be due to organizational issues including complexity of projects; normalization of deviance within the organization; lack of outside view as well as optimism bias of project managers.

Importance of the Study

The present study is an attempt to identify reasons which a company like Nokia was unable to identify or rather takes timely action in order to save itself from getting vanished from the handset market that it once used to rule. Early warning techniques are age old techniques used in the military. Every company talks about 'going on offensive', 'digging in', 'going on the offensive', 'defending its market share' or 'identifying weaknesses of competitors'. The same principles of military are equally relevant in today's business world, which has become nothing less than a battle ground. With the advent of globalization, the boundaries are merging day after day, leaving almost negligible scope for the market leaders to continue following old practices.

Problem Statement

To study the lack of robust early warning system in Nokia Corporation that led to the acquisition of its mobile phone business by Microsoft Corporation.

Nokia Corporation

Nokia Corporation, based in Finland, is engaged in communications and information technology business. The fortune 500 company presently focuses on technology development, telecommunications infrastructures and licensing at large-scale. The company is a pioneer in the development of LTE and GSM standards as well as remained the largest supplier of mobile phones in the world for over 10 years. Nokia also extended its dominance into the smart-phone industry with its Symbian platform.

Microsoft Corporation

Microsoft Corporation, based in the US, is engaged in the development, manufacturing, licensing, supporting and selling of computer software, personal computers and consumer electronics. The company's popular products include Microsoft Windows operating systems, Internet Explorer and Microsoft Office, among others. The largest global software manufacturer also offers hardware products including Microsoft Surface tablet line up and the Xbox Gaming consoles.

The Early Warning Signals

Signals from Apple

Two year before the introduction of Apple's iPhone, Nokia was aware of patent filing by Apple. However, as the Gilad (2004) mentions that the mindset of executives or managers of a company is a risk for the company, this is exactly what happened with Nokia. The leadership team of Nokia found it difficult to believe that Apple, a computer company would foray into the mobile phone business. The other mistake by Nokia was that they thought Apple is not big enough to pose a real threat to them in the long term.

True to the Nokia's assumptions, Apple did entered the consumer electronics market successfully with its iPod, however, the product was high-priced with high margin. Presumably, Apple's phone would be positioned similarly and would not expected to capture a major market share. Additionally, the telecommunications carriers dominated by Nokia at that time, would be a challenge for Apple.

During that time, Nokia possessed the largest share of market and best-recognized as well as being the largest carrier, exhibited a complacent attitude towards Apple that they would be able to catch up in the future, even if they lagged behind during that time. However, Nokia got muddled with the iPhone's uniqueness and Apple's ferocity in scaling up, which led to the creation of novel mass market segment of high-margin and high-price with iPhone's customer experience. Eventually, the new market expanded rapidly with a high growth.

Threats from Microsoft Corporation

Stephen Elop, the former CEO of Nokia is suspected to play the role of a "mole", planted purposefully by Microsoft (the former employer of Stephen Elop) in order to destroy Nokia. The desired result was acquisition of Nokia handset business by Microsoft at a cheaper price. During the time when Nokia was about to appoint its long-time executive Mr Anssi Vanjoki as its CEO, Morgan Stanley, a major American investor of Nokia, compelled them to appoint an outsider. This also raises suspicion if there was any close link between Morgan Stanley with Microsoft or did Morgan Stanley deliberately made way for Stephen Elop to enter into Nokia. Such early warning signals remain unidentified by Nokia that could have changed its future.

Missing the 'Software Signals'

Though Nokia recognized the revolution that came in the mobile platform industry, it continuously denied to change with the industry dynamism. However, Apple and Google changed the face of mobile industry with iPhone and Android, respectively. Nokia's earlier Symbian platform slowly started to fail in the world of touchscreen phones. With the entry of Stephen Elop, Symbian phones were converted into Windows phones rather than with Android phones. In the world of quickly changing mobile phones and software and Nokia lost its major customer share to cheaper phones, which had new and efficient Android platform. The short sightedness and complacency of Nokia, led to its failure.

Conclusion

Early warning signals are mostly very subtle in nature that requires an organization to remain always on its guard to identify such signals or threats, thereby taking timely action. The study investigated different signals or the cues in mobile industry which Nokia failed to identify while its competitors took timely action and thrived in the market. The major role is suspected to be played by Microsoft Corporation and its former employee Stephen Elop in the downfall of Nokia.

According to the analysis, Nokia, a well-known and strong player, proved to be incompetent to read its external and internal environment, thereby losing its leadership position that ultimately led to its untimely and non-profitable acquisition by Microsoft Corporation. Nokia's downfall is a lesson for other strong or number one players across all the industries to not fall into the trap of complacency as well as not to delay in taking right action at the right time and right place.

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