Chapter 5
Strategic Turning Points in ICT Business: Re–Valued Case of Nokia

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ABSTRACT

This chapter is based on the study “Strategic Processes and Turning Points in ICT Business: Case Nokia” (Rusko, 2012), in which the analysis reached no further than Spring 2011. Those days, one important strategic turning point was just beginning: the era of CEO Stephen Elop (September 2010) and collaboration with Microsoft (February 2011). Although the long-term perspective, strategic turning points, and path dependency are also important in this study, the focus has moved towards the prevailing era of Nokia and its competitors. Compared to the initial version, smartphones and their operating systems play a more important role in this study.

1. INTRODUCTION

Information communication technology (ICT) business has been and still is a significant part of the global economy. The telecommunication revenue as a percentage of GDP in OECD countries was 2.8% in 2009. For example, in 1985 this revenue as a percentage of GDP was already 2.1% and after that it has been varied between 2.23-3.23 percentage of GDP (OECD, 2011). However, the importance of the technical progress of ICT over the globalization and business and consumption practices in global economy is substantially higher.

Therefore, because ICT sector is a significant part of Global economy, changes in this business cuts a dash. This research is focused on the branch of telecommunication and especially on one significant company in this business: Nokia. Nokia, and generally ICT industry, is a topical research object because of its strategic and technological moves: technological development associated with the movement from typical mobile phone towards smartphones and their operating systems (OS); and in the case of Nokia, February Nokia 2011 started collaboration with Microsoft and September 2010 Nokia changed the executive
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director - meaning remarkable strategic changes in the history of Nokia. Furthermore, relatively long history of Nokia in ICT business provides good base for long-term strategic analysis.

Strategic analysis of study is based on path-dependency analysis, in which the history of the research object is important. According to Koch (2008, 52), path dependency “can be understood as a conceptual framework that explains emerging phenomena in a processual perspective. It does so by focusing on self-reinforcing mechanisms and shaping specific strategic practices (routines and resources), that finally lead to a strategic lock-in situation and thus to a lack of strategic responsiveness” (See, also Sydow et al., 2005).

Besides strategic moves of Nokia, this study emphasizes other turning points of the technology in mobile phone business. The long-term strategic process of Nokia is not unique: there are several dramatic strategic turns among the other companies in the ICT business. However, Nokia provides a good example about the turbulent business and business environment of ICT branch.

This study is organized as follows: after introduction part is a short description about the methodology of this research. Section 3 is focused on the meanings of strategy and strategic perspectives in this research. After that is described the history of Nokia and more generally the development the whole mobile phone branch. In section 5 we have the strategic analysis over the turning points of Nokia. Finally is conclusion which includes also some analyses about the contemporary markets of mobile phones and needs for further research.

2. RESEARCH DESIGN

This study is based on case study research strategy in which the case is the strategic processes of Nokia. Social sciences have various definitions for case study research. Typically, case study research is not tied to any particular method. It enables several alternative methods to use - both qualitative and quantitative (see e.g. Eriksson and Kovalainen, 2008; Yin, 2002). Therefore, case study research could be considered more like a research strategy (Laine et al., 2007; Yin, 2002) without any exclusionary tight definitions about the methods suitable or unsuitable for the category of “case study research”.

Most of the case studies have some of these following features (Laine et al., 2007, 10; see also e.g. Yin 2002):

1. Holistic and meaningful characteristics of real life events or cases.
2. Organizational and managerial processes.
3. The use of several materials and methods.
4. The exploitation of previous researches.
5. The dimness of the case and context.

This research has most of these features: it considers strategic processes of Nokia, which are “real life events”. It is focused on processes by using several materials, such as annual reports, articles and other scientific or practical materials. In addition to case study strategy, this study is based on the explanatory content analysis, which is typical method in analysing the annual reports of the companies (see, e.g. Carduff, 2010). Furthermore, because of the relatively long research period, 40 years, this study has also features of path dependency analysis (Lamberg et al., 2007) in which the history of the research object is important. Underlying assumption in path dependency analysis is some kinds of self-reinforcing mechanisms and shaping specific strategic practices (routines and resources), resembling strategic lock-in situation. (Sydow et al., 2005; Koch, 2008, 52). According to Vergne and Durand (2010, 736) path dependence is used to describe a mechanism...
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