Chapter 4.3
Finland: Internationalization as the Key to Growth and M-Commerce Success

Tommi Pelkonen
Satama Interactive and Helsinki School of Economics, Finland

ABSTRACT

This chapter describes the Finnish mobile telecommunications industry trends and prospects. In addition, it presents two theoretical frameworks based on the Finnish companies’ experiences in the turbulent m-commerce markets. First, the internationalization framework is targeted to facilitate m-commerce actors to position themselves in the global telecom business. Second, the mobile media framework is targeted to facilitate analyses related to the emerging mobile media markets. Furthermore, the chapter presents five mini-cases of Finnish m-commerce companies and concludes with theoretical and managerial implications to m-commerce actors.

INTRODUCTION: FINLAND, THE MOBILE PIONEERING COUNTRY

As a small North European country with only 5.1 million inhabitants, Finland is a very unlikely country to be the homeland for the mobile telecom industry giant, Nokia. Yet, since early 1990s, Nokia has been one of world’s leading companies in creating and orchestrating the m-commerce industry. Finnish telecom industry has a long and fascinating background, having links to the Russian Czar and nationalistic movement in the late 19th century and pioneering scrambled radio communications solutions for the Finnish Army in WW-II. Nokia’s outstanding business performance in the 1990s and early 21st century, as such, offers an attractive subject of analysis for this book. Additional interest in this Northern tiny country stems from the fact that very few economies globally have become so rapidly linked to the success of one single homegrown multinational company.

This chapter illustrates the status of the Finnish mobile industry in the early 2005. The key objective of the chapter is to assess how a small m-commerce related company originating from a small and open economy (SMOPEC, see Luostarinen 1979) has a significant need to start planning its internationalization strategy and operations nearly from day one of its business operations. In addition, the chapter aims to illustrate the international interorganiza-
tional networks a leading m-commerce company has to enmesh in, to succeed in the contemporary world. The following questions are addressed in this chapter:

1. How can an m-commerce industry actor analyze its position in dynamic and global mobile telecommunications markets?
2. What kind of challenges is the global mobile telecommunications industry likely to face based on the pioneering Nordic experiences of Finland, and particularly Nokia?
3. What kind of impacts does a single multinational corporation, such as Nokia, have globally on the development of fruitful and successful m-commerce business environments?

In this analysis, the companies originating from small domestic markets, such as Finland, are seen to relate to the “born global/international”-category (BG) of companies (Madsen and Servais, 1997). BG companies have right from the inception a strong ambition to operate their businesses internationally.

The chapter has five main parts. First, selected basic facts of Finnish markets are presented. Second, an analysis framework to help to position companies within the global m-commerce value creation networks (Pelkonen and Dholakia 2004) is formed and described. Third, as one of the core areas for mobile commerce—at least in 2005—is mobile media content, the chapter presents a model to evaluate various elements of mobile media development. Fourth, some interesting success cases are presented to illustrate the impact Nokia has had on small companies wanting to expand from the marginal domestic markets to the major global markets. Finally, some conclusions and recommendations are drawn from the cases and models presented.

HISTORICAL OVERVIEW OF FINNISH DEVELOPMENT

The Finnish telecom industry dates back to 19th century when the first telecom networks were built in the country, initiated by the Russian Czar and the Finnish autonomous government. Until the 1980s, because of very limited capital resources available in the country, local telecom companies and cooperatives dominated the Finnish telecommunications markets. Yet, the nearly 300 local telephone companies had very talented personnel and Finland’s telecom industry, led by the national monopoly company Telecom Finland (now part of Swedish-Finnish TeliaSonera), gradually developed one of the most sophisticated networks in Western Europe. Liberalization and digitization of the telecom network, strongly initiated and steered by the Finnish government, boosted the sophistication of the networks. In addition, the Finnish Technology Agency, TEKES, supported strongly the formation of the Finnish mobile cluster with several technology programs and networking events.

In the early 1990s, Nokia—the Finnish industrial conglomerate making major losses (business areas: paper and pulp, car tires, rubber boots, consumer electronics)—changed its strategy to divest all other operations except mobile and fixed telecommunications equipment and manufacturing and services. The company took major risks in investing most of its available resources into GSM-technology development and commercialization (see Pulkkinen, 1997). Nokia’s devotion and capability to develop, sell, and delivery high quality digital mobile telephony enabled it to become the global market leader by the turn of the century.

Nokia’s success created strong opportunities for Finnish startup companies to leverage their local strong relationship with this global market leader. Despite the IT “dotcom” crash of 2000, several venture financiers were still actively seeking investment opportunities from