

Anwar, Ch. Mahmood

## Article

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## VOICE OF EDITORS

### Rationale to the Crisis of Nokia Smartphone Portfolio

**Ch. Mahmood Anwar\***  
US Press Association, Boone, USA

Nokia's competitive advantage has quickly vanished despite spending more than \$40 billion on R&D facet of the business in the last decade, which is a multiple of four than Apple's expenditures on the same segment (Troianovski and Grundberg, 2012). This fact is astounding for stakeholders and dogmatic for shareholders of the company as the company is in 'crisis'. Although, many whispers and commentaries have surrounded the market entirely, but as far as my opinion is concerned, I believe to look inside the strategy dimension to get a significant clarification to the question. I would be agreed to accept that people still love Nokia devices due to their past performance but Nokia has lost its biggest market share and the strategy to sustain the attained competitive advantage is totally invisible. Having a techno-economic knowledge background, I would prefer to dig in the directions indicated by Barney (1996) as he considers the technology as a tangible asset whereas knowledge to manipulate the technological assets as an intangible asset. He asserts that a dexterous mix of knowledge and technology can bring fruitful outcomes in achieving sustained competitive advantage over the rivals. The present crisis clearly indicates that Nokia lacks in the environmental scanning as again, an

intelligent scan of external and internal environment gives a long-lasting profits to the business. But Nokia lost the oasis due to the internal rivalries and this whirlpool scissored the operational cog of business leaving industrial organization doctrine (1890–1990) in vague. My proposition is supported from the statement of Mr. Nuovo, Nokia's former chief designer:

"I was heartbroken when Apple got the jump on this (i.e. smartphone) concept" (Troianovski and Grundberg, 2012).

The above rational to the Nokia crisis should not be considered tautological as academic minds always brainwave academically. Non-contrived consumer data mostly from 2011 surveys clearly reflect raison d'être of the bearish Nokia smartphone market trend not only in USA and UK but across the planet. As we know the past position of Nokia as a cell phone market leader, company hopped into smartphone portfolio with existing masterpieces but technological karma visioning was a dark side of their strategy. The trouble that has distressed Nokia in the smartphone portfolio like Symbian and Lumia includes device resourcing mismanagement, poor service at implementation layer protocol and most notably developer frustrations.

Surveys show that the most reminiscent mark in a mobile device is the Interface which should

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\* Associate Editor, International Journal of Management, Economics & Social Sciences (IJMESS)  
Email: [scholar786@live.com](mailto:scholar786@live.com)

be attractive and user friendly. Unfortunately, Nokia's smartphone interfaces are reported as boring and outdated like of N97, E7 and N8 devices. Most of the people enjoy different apps on their mobiles like games and services, but systems like old OVI store and horrible interfaces of Symbian augmented disappointment in public. People often reported perpetual hanging problem and outdated browser issues so they turned their attention toward iOS and Android which are the most stable and up-to-date software and offer flexibility to developers.

Another dimension I would like to touch here is the mismanaged strategic partnerships of Nokia with other companies. Smartphone industry's environment consists of diverse set of players. There are hardware developers, software developers, apps developers, manufacturers, companies who only license their patents, carriers, old players, newcomers and many others. Some companies are active within most areas while others only focus on a single or few areas. It can be judged that this environment is quite complex and needs an intelligent scan for corporate success. Although, Nokia has best design ability in the industry and a large patent pool, their strategic partnership with Microsoft should definitely be a plus but evidence is against speculation. Bombshell is that, Nokia lacks expertise now in the hardware parts which are considered as some of Nokia's driving force in past. Nokia employed far more R&D persons than Apple, but in fact their strengths are now turned into their weaknesses as dual core technology, inferior hardware parts, lacking ecosystem and

their questionable potentials are pulling Nokia down.

Mr. Elop CEO of Nokia truly advocated my proposition and exposed his confusion in following words:

"Clearly, we were assessing three different paths forward for the company. There was the largely internal option, taking advantage of MeeGo and Symbian. The second option, clearly, was to make a decision to pursue Android and to place a significant bet on the Android ecosystem. The third choice we had was to enter into a partnership with Microsoft to build jointly an ecosystem around Windows Phone" (Blandford, 2011).

As we all know that Nokia have not installed 4G or dual core on their Lumia 800 device which is bit critical, since these items are now in competition. Other smartphone manufacturers like Apple and Samsung have integrated dual core, but Nokia is blessing its competitive advantage voluntarily to rivals by the cooperation with Microsoft since WP7.5 does not support dual core yet. Online reviews about camera and battery life also portray a negative stun as Nokia have been rated lowest within these two parts. Nokia's strategic partnership with Microsoft has paid off as they have the second highest score for software.

According to Nokia CEO Mr. Elop:

"Our innovation doesn't matter at all, if these features aren't presented well in the retail environment" (Sandstorm and Gundberg, 2012).

In addition to strategic dimension, it would be injustice if I would not mention a trio of Chinese manufacturers emerged as latent herald and

pushing emerging markets into trepidation. Lenovo, Huawei, and ZTE are well known in market of telecommunication, and now having jumped into the smartphone vista, are threats to stalwarts like Nokia and BlackBerry. The cumulative figure was almost 30 million smartphone shipments in the last quarter of 2010 incremented by 6 million in 2011 first quarter. The successful strategy of these companies includes offering low-cost smartphones to less wealthy consumers, testing the products in home ground first than entering into global market tactfully. IDC reported, half of Huawei's shipments went to China, it is also making whopping profits in markets of Latin America and Eastern Europe.

Mr. Jo Harlow head of smartphones said “ Nokia will launch lower priced Lumia devices in the coming months to better compete with aggressive Asian device makers such as China's Huawei Technologies” (Troianovski and Grundberg, 2012).

To conclude my analysis to the question, I must emphasize the need to titivate Nokia's current policies regarding their strategies, alliances, environment forecasting, knowledge technological mix and finally THE STRATEGIC FIT. Now the question arises here why I am accentuating the ‘ strategic fit’ ? The reason resides in the deeper understanding of the precious and marvellous philosophy belonging to strategic management, as Porter (1985) established the importance of market forces and the concept of the cross-sectional and longitudinal dilemmas faced by any firm in ever changing globalized environment i.e. The classic

Dynamic Capabilities (Eisenhardt and Martin, 2000).

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