



Where did Nokia go wrong and what can business owners learn from it?

Nokia was a name not new to anyone such was the level of acceptance that Nokia had earned through all their years of one after the other amazing mobile phone products. There was a time when Nokia phones were easily the best-selling phone brands in the market.

The company's popularity was prevalent in a time when people felt the need to use mobile phones just for taking calls and sending messages, and it is believed by the majority that it gave some truly excellent models. The real problem started when mobile phones started replacing certain functionality of PCs. It is astonishing and surprising how Nokia fell from a supreme position in 2009 to being sold to Microsoft within just five years (April 2014) at a tiny fraction of its previous value.

This wasn't just an overnight occurrence but took a lot of factors that finally led to its demise. Nokia may have been sold now, but it is important to analyze and see where Nokia went wrong because this analysis is important for other companies to take a lesson from as it is an excellent example of how businesses need to adapt and spot opportunities to remain in the competition.

Where did it all start?

Most of the middle management of Nokia were based in Finland, and they weren't really exposed to what other companies were doing; they had the least information about competitor's practices, and they still were in the mindset of being best-of-the-best employees. They were surely overconfident, and this coincided with the lack of external information to produce adverse effects. The sense of confidence felt by Nokia's staff due to their incredible past performance meant they were blinded sided by the way the market was moving.

The management focused more on their "local" Finnish market, as well as loyal customers in Africa and other European countries instead of making customized phones for the US market. Nokia was first abandoned by local carriers due to its inability to serve the US market and later on its loyal customers also switched camps.



Nokia considered iPhone to be an expensive Gadget

In 2007, Nokia considered the iPhone as an expensive gadget that would not be able to make it with time. However, after the success of iPhones, Nokia realized that it was now giving them a tough competition in the market. The top management of Nokia thought that it was time for them to react to this competition and come up with a competing product. So they started working on creating a prototype that would match the features of iPhone.

Nokia failed to see Android as threat

Nokia failed to see Google or Android as a threat to them because they thought that both of those had no experience with phones, so they weren't really that competent and kept on focusing on beating the iPhone. This was one of the biggest mistakes Nokia made.

Nokia clung to its own operating system Symbian for way too long. Android Phones came with the modern and user-friendly operating system that was to be used to give iPhone a tough competition. The days of Symbian were numbered after the release of iPhone, and it received the final blow after the release of Android.

Low Technical Competence and Insufficient Usage of Resources by Nokia

Despite having a high technological experience, Nokia's technological competence was low compared to their competitors. They knew how to produce outstanding phones (which are basically mini-computers) which is why they didn't realize the real status or need for development.

Even when the directors were shown demos about the current market analysis in terms of development, senior management still was not able to grasp it. Nokia was certainly not prepared for the huge change that was required in terms of hardware and software both. Nokia's strength was in radio technology hardware or equipment, but smartphones needed much more; there was to be a drastic shift to user-friendly interfaces, touch screens, and bewildering hardware.

Nokia already had a lot of product lines, and with that, they had to work on getting a new phone quickly. They responded immediately without taking into consideration



the long-term effects. This led to their resources being used inefficiently, and the outdated Symbian operation system quickly became a liability instead. They were more into making phones to meet the short-term market demand instead of coming up with an operating system powerful enough to compete with Apple. Nokia lacked long-term vision, and for any technological business, that is the biggest business killer.

Final Blow to Nokia

Final blows were given to Nokia when the quality of all their high-end phones started to decline gradually. For instance, when Nokia relaunched the N95 smartphone with features like GPS, Internet and large screen, it soon had to face some serious quality issues. In 2008 they launched their first touchscreen, and, even though it was at a lower price, because it was a late response from Nokia things didn't turn out that promising. The very next year in 2009 the new phone was launched which was made to compete with iPhone which was also a failure. The "iPhone killer" which was launched in 2010 was also unable to compete with iOS and Android. Soon after this, the CEO put forward a point that they should consider buying external software by abandoning Symbian and therefore came into an alliance with Microsoft. This, as we all know, ended up not well for Nokia because Microsoft bought the brand for \$7.2 billion and Nokia's individual existence ended.

What can other Business Owner learn from Nokia?

This is certainly a huge example for the whole industry to take and not just phone brands. Other businesses can learn the following points from the failure of Nokia:

1. Fear should be Modest

Moderate fear may be good for an organization, but when managers overuse it, then it can make the system really weak. Fear of losing the market position or profit should act as encouragement and motivation for taking the right steps at the right time. Instead of taking steps to improve the situation Nokia kept on living in fear of iPhone and failed to realize Android as a potential threat. When Nokia realized Android as a potential threat, it was too late to work on a new OS to compete with Android.



2. Provide an easy environment to work in

Top management of Nokia should have tried to carry out psychologically safe dialogues with their employees and given them an easy environment to work in. The managers should have been able to give employees options or ways to overcome their fear of losing their jobs. They should have encouraged the employees throughout. The constant pressure building was wrong in all ways for Nokia, and it did not do any good.

3. Encourage employees to give feedback

Only if the workers were given a free reign to work in and encouraged for their feedback, things may not have been this bad for Nokia. Nokia had this habit of changing organizational structures frequently, and the middle management was facing a high level of uncertainty in their jobs. To protect their jobs employees reported only good reports to the top management which was not the case.

4. Never fight competition blindly

Fighting competition is good but not blindly. Nokia started off pretty well, but eventually it seemed as if the management couldn't handle the rapidly expanding market and this is what led to its demise.

5. Change and adapt to the market forces

Nokia, instead of keeping up with the changes in the market which were due to iOS and Android phones, put in all its efforts in reviving its own operating system the Symbian. If Nokia would have adapted and improved as per the changes in the market, it could still be on the top of the mobile market today.

6. Have long term vision

Managers or employees should never get pressurized when they face such a competitive situation. They need to stay focused on their current business situation and plan accordingly by keeping long-term effects in mind. The transition should be smooth and not abrupt.