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 **MGT 409**

**Leading in Networks and  
Organizations**

# Failure at Nokia

 **A case review**



# Case Overview

- Late '90s - 2007: Nokia is the dominant global leader in mobile phones
- Failed to compete in the smartphone era
- Leadership turnover partly to blame
- Organizational issues including rigid hierarchy, slow decision-making, siloed teams and misaligned goals
- Resulted in a failed software strategy and multiple failed restructurings

So grandpa, tell us again about your fall from the third floor.

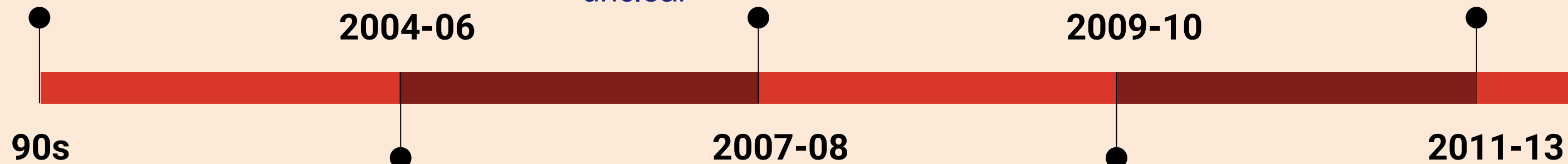


# Major Events leading to its downfall

- Enters mobile phone market
- Creates Symbian OS
- Grows into #1 mobile phone producer globally

- Nokia has record financial years
- Apple announces iPhone and Google introduces Android
- Nokia reaches 40% market share
- Restructures to functional
- '08 Financial crisis makes blame unclear

- Nokia becomes unprofitable
- Abandons OS (MeeGo) in development
- Microsoft acquires Nokia's mobile phone division



- Restructures into matrix organization
- Internal competition increases
- Olli-Pekka Kallasvuo becomes CEO
- Strategic focus shifts to short-term gains

- Losing market share
- Reorganizes again, combining services, software and devices
- Stephen Elop becomes CEO
- New partnership with Microsoft



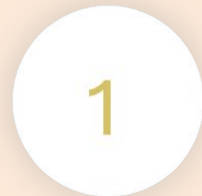
# Leadership & Challenges

*Missed opportunity in sensing paradigm shift in the global mobile phone industry*



**Jorma Ollila**  
(CEO/Engineer)

1992

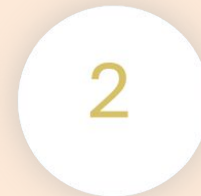


*Missed opportunity in adapting to the changes in smartphone technology*



**Olli Kallasvuo**  
(Management professional, Institute builder)

2006

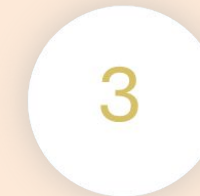


*Missed opportunity in bringing competitive changes required for the time*



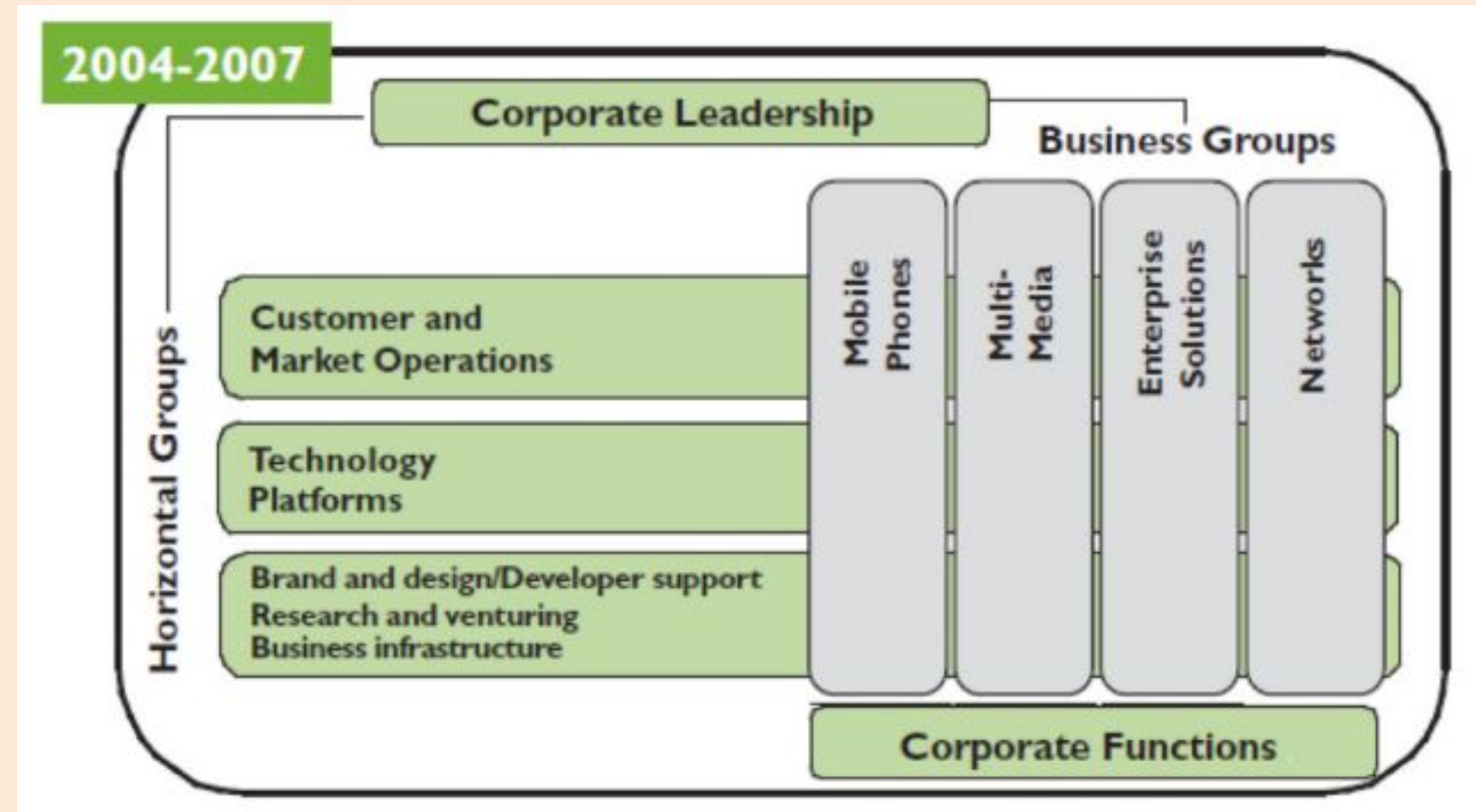
**Stephen Elop**  
(Business development professional)

2010

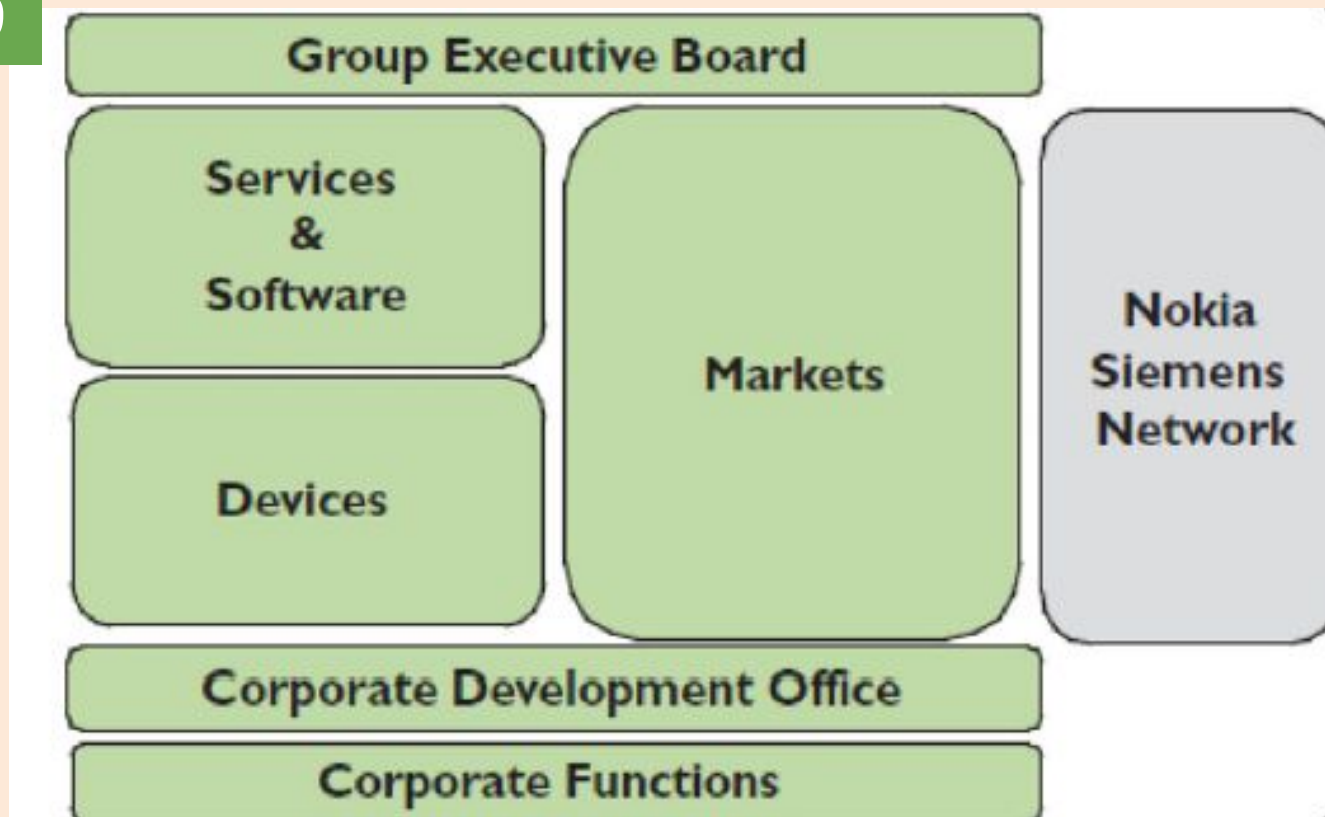


# Org Structure

- Matrix organizational structure adopted to spur further financial growth
- Key managerial cognition: involving multiple voices in decision-making
- Aggressive financial targets → departmental competition abounded
- Functional model created even more confusion about who held decision-making power

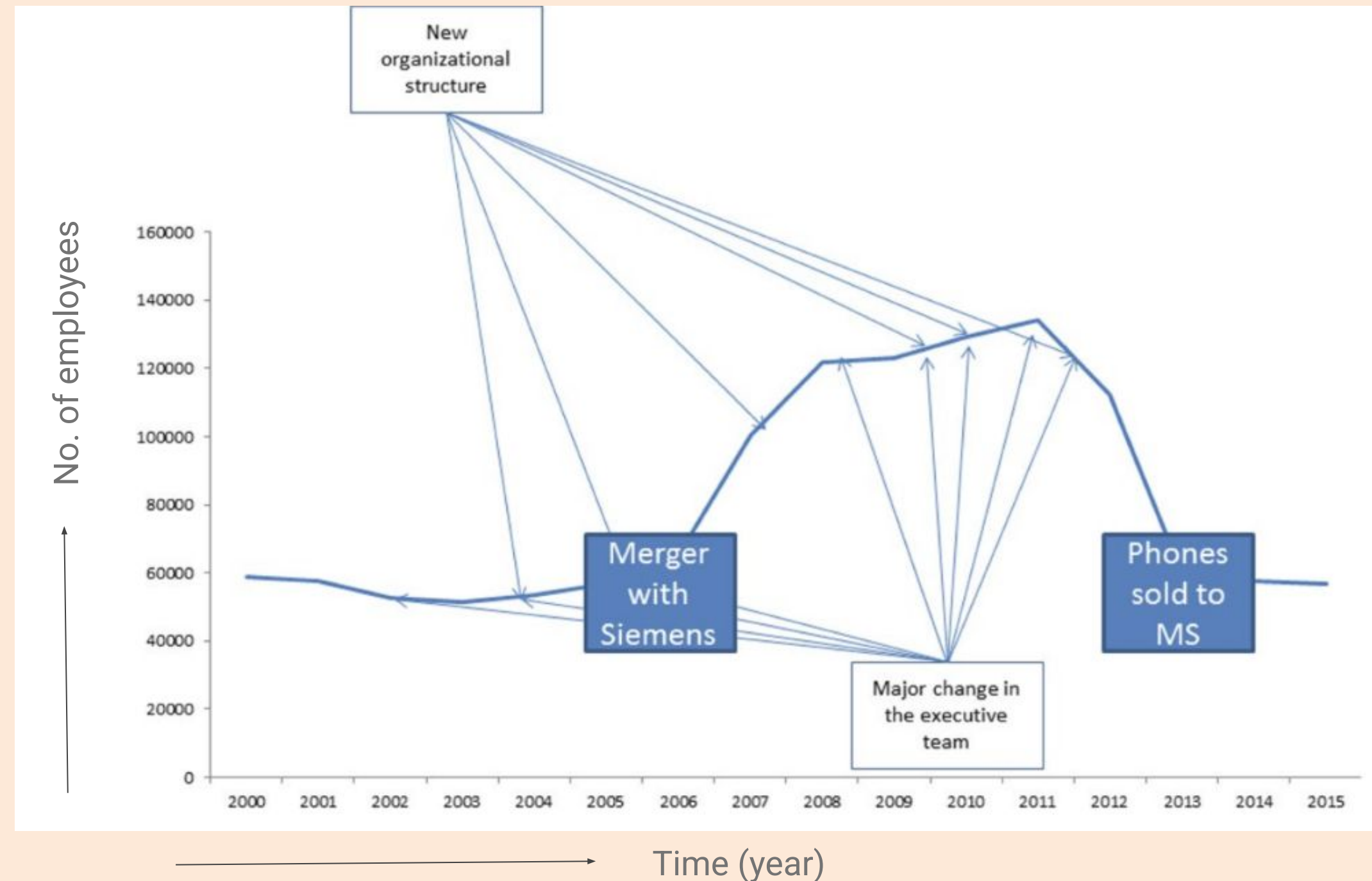


2008-2009



# Organizational Issues

- High turnover (employees and management team)
- Result: high internal turbulence
- Post-merger Integration challenges
  - Strategic structural changes
  - Cultural misalignment
  - Strategic missteps (originated from leadership)



# Failure to Innovate

## Delayed Decision Making and Structural Issues:

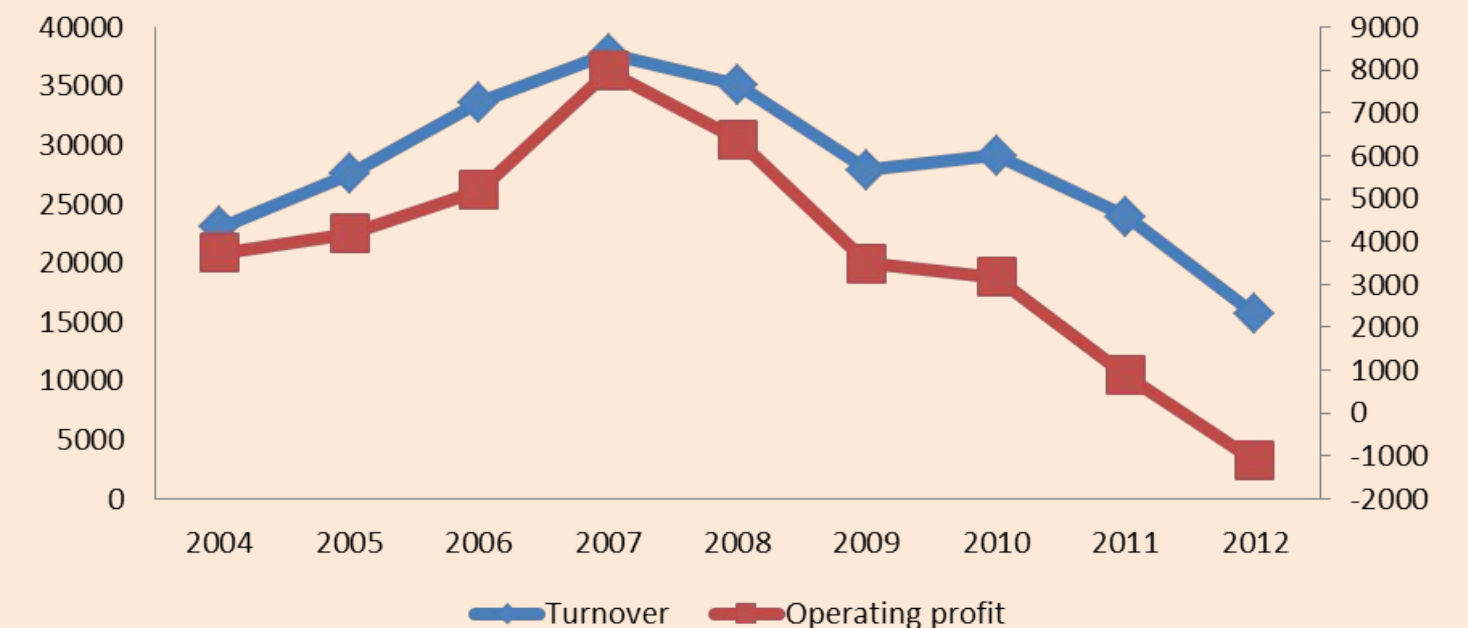
- Siloed departments with complex hierarchies that slowed decision-making
- Nokia executives hesitated between different strategic options



## R&D Inefficiency Despite High Investment

- Instead of developing revolutionary products, Nokia's massive R&D invested on improvements to existing hardware and software
- Released 39 different phone models with minimal differentiation between them

Nokia mobile phone business  
2004-2012 (million euros)



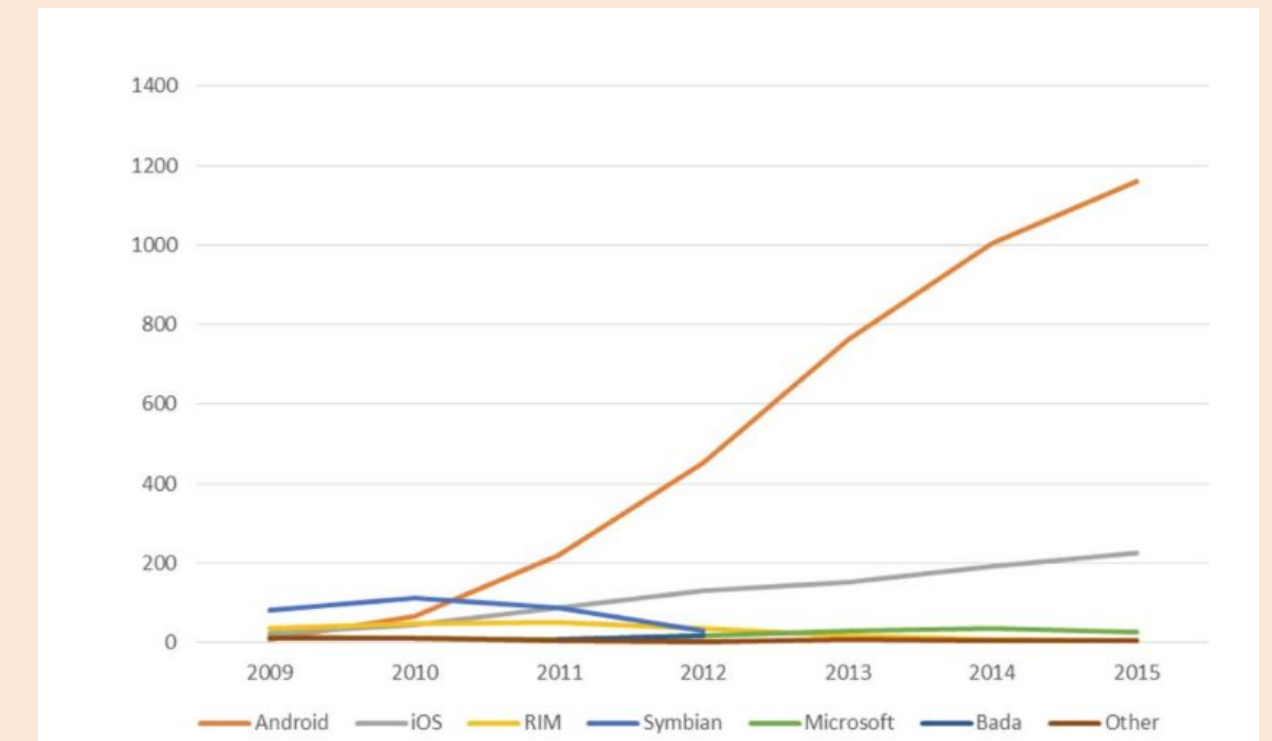
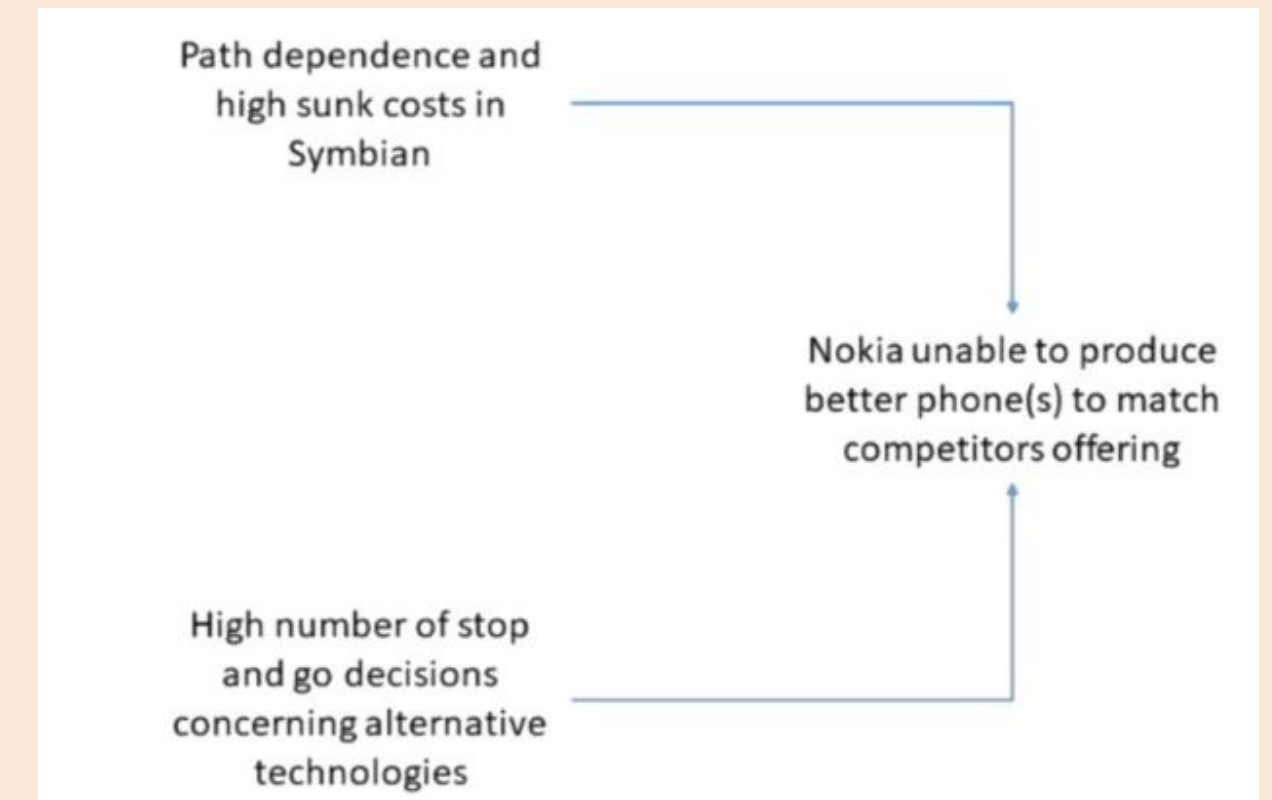
# Tech Choices and Fallout

## Symbian Burden

- Not optimized for touchscreens
- Complex architecture
- Not friendly to developers
- Clunky and unintuitive UI
- R&D budget was consumed simply maintaining Symbian's complexity

## Failed Software Transitions (MeeGo)

- Internal inconsistency and delayed development
- Well-reviewed Nokia N9 got abandoned



# Failure to Adapt

## Unclear Goals

- Financial goals over technological innovation
- Prolonged investment in Symbian OS
- Confusion on using open source and proprietary elements

## Missed Opportunities

- App ecosystem development - App or Play store
- Touchscreen innovation - Slow adoption
- User experience - Customer convenience was ignored
- Software-hardware integration - Vertical integration



# Comeback Attempt

## Windows Phone Partnership

- Software access - Windows OS for Nokia
- Introduced new touchscreen series - Lumia
- Strategic pivot or desperate move?

## Restructured Organization Multiple Times

- Cut down number of employees
- Goal was cost cutting
- Lost real talented employees

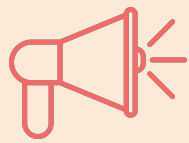


# Do-Over Strategy



## **Adopt a growth mindset.**

Foster a culture of innovation



## **Move away from hierarchy.**

Implement a flat, more agile org structure.



## **Know when to walk away.**

Abandon Symbian OS earlier in favor of Android.



## **Create forward-thinking goals.**

Well-defined goals and transparency about actions being taken to achieve them.



**Thank you.**  
**Questions?**