Chapter 1
Strategic Turning Points in ICT Business:
The Business Development, Transformation, and Evolution in the Case of Nokia

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ABSTRACT

This chapter is studying strategic turning points in ICT business using Nokia as an example. Though several transformational phases of Nokia, the business is going on and being profitable. The main branch in the business has changed several times, also during the last decades. The activities of Nokia are still in the ICT, however. The previous main branch of Nokia, mobile and smart phones, has changed into networks technology and business. The case of Nokia proved to be the good example about the business development, transformation and evolution possibilities in the ICT business. This chapter also introduces a long-term perspective strategic turning points and path dependency in the case of Nokia and considers the potential (unintentional) co-evolution development between Nokia and Ericsson.

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 communication outlook, 2011). In 2013, the share of ICT sector and its sub-sectors was 5.5 percentage of GDP. In Finland, for example, the share was 5.6 per cent and in Sweden 6.82 per cent of GDP (OECD 2015). The importance of the technical progress of ICT over the globalization and business and consumption practices in global economy is even 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 ICT business and especially in one significant company in this business: Nokia.

The strategic analysis of study is based on path-dependency analysis, in which the history of the research object is important. According to Koch (2008, p. 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 the strategic moves of Nokia, this study emphasizes other turning points of the technology in ICT and 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. One good example is Swedish company Ericsson. However, Nokia provides a good example about the turbulent business and business environment of ICT branch. This chapter is focused on the strategic paths of Nokia compared with some other paths of companies in the ICT branch, such as Ericsson. The development of Ericsson, especially, resembles the development of Nokia. Thus, the perspectives of study also lean on the perspectives of institutional theory and isomorphism, where the firms follow the same paths and strategies with each other. (Haveman, 1993)

This study is organized as follows: after introduction part is a short description about the methodology of this research. Sub-chapter 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 Sub-chapter 5 we have the strategic analysis over the turning points of Nokia. Finally, there are conclusions which include also some analyses of the contemporary markets of mobile phones and need for further research.

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 the strategic processes of Nokia, which are "real life events". It is focused on processes by using several materials, such as annual reports, articles

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