

INTERNATIONAL BUSINESS



Brand: Mehta Solutions

Product Code: case1646

Weight: 0.00kg

Price: Rs500

Short Description

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case study

Description

CASE 1:

Nokia- Ahead of Others

Finland may be a small country with a population of over 500 lakh spread on an area of nearly 340,000 sqkm, giving a density of 17 people per sqkm. But the country has several firsts to its credit, but two are highly conspicuous. First, probably Helsinki (capital of Finland) is the only city in the world where public roads, are mopped daily. Another first is the fact that Finland is the home for world's largest MNC – Nokia.

Figures are staggering. Nokia has sales in over 130 countries, manufactures at 16 facilities in 10 countries, and conduct R&D in 11 nations. The company has over 51,000 employees and as an annual sales turnover of more than \$33 billion.

Nokia made its India debut in 1995, and in 14 years, has chipped away a formidable 62.5% market share, with revenues exceeding Rs. 25,000 crore. It is undoubtedly the largest MNC in India, with a consumer base of 200 million, a sixth of the country's population. Nokia has manufacturing facility at Sriperumbudur, off Chennai. With 72% of female workforce and average age of the 210 acre factory sitting at 23 years, the plant is unique in many ways. With over \$285 million in FDI, the plant exports to over 50 countries and produces 100 million phones per year. Besides, it is proving to be a harbinger of innovation.

Nokia was founded by Fredrik Idestam, a Finnish engineer. Its early success is consistent with the theory of comparative advantage. Idestam's young company set up a shop on the bank Nokia River in Finland (hence the company's name) to manufacture pulp and paper with the local forests as raw material. Nokia flourished in anonymity for nearly 100 years, focusing almost exclusively on its domestic market.

During the 1960s Nokia's management decided to expand regionally. In 1967, with the government's encouragement, the company took over two state-owned firms- Finish Rubber Works and Finnish Cable works. A real breakthrough came in 1981, when the government sold Nokia, 51 percent of the state-owned Finish Telecommunications Company.

Because Nokia was already developing competencies in digital technologies, it soon seized the opportunity and pushed aggressively into a variety of telecommunications businesses.

Nokia's reputation has been built on cellular phone style and technology. Its brand personality reflects the human-technology link, embracing individuality, quality and freedom.

Nokia has three business verticals: Networks, Mobile Phones and Communication Products. Networks deals with data, video and voice network solutions. Mobile phones (flagship of Nokia with a market share of nearly 30% worldwide) include a wide variety of products. Communication products include multimedia terminals for digital TV and interactive services via satellite, cable and terrestrial networks.

Certain factors have worked well for Nokia. Many parts of the Finnish landscape are heavily forested and vast regions of the country are, sparsely populated. Creating, maintaining and updating land-based wired communication networks can be slow and expensive, making wireless digital systems advantageous. Thus, geographic conditions of Finland favoured Nokia.

Finland has encouraged competition in the telecom sector early 20th century. In 1930s, there were more than 850 private telephone companies. As on today, the country has just 90 of them. The country's decision to team up with Norway, Denmark and Sweden to form the Nordic Mobile Telephone Group helped in creating a vast market. This has enabled Nokia gain a competitive edge.

As stated earlier, sale of Finnish Telecommunications Company to Nokia gave the latter a real break through. It is not that Nokia is depending on external factors for its success. The company is moving aggressively to expand its technologies, turning them into innovative products, and scaling up the innovations globally. Nokia's key advantage is an unconventional process of prospecting for knowledge from everywhere in its operating environment and its R&D activities spread over 11 nations are a great enabler. The company's informal style of management, its emphasis on building a strong corporate culture and its focus on handsets (unlike its competitors who have diversified) will enable Nokia to march ahead with confidence.

Not that everything is easy going for Nokia, there are problems, but the MNC has resilience to get over them. Building production facilities and communications infrastructure requires a great deal of money. How the company is going for mobilize the financial resource is a cause for concern. There are powerful competitors – LG, Samsung, Philips, Motorola, Siemens and Sagem waiting to take on Nokia. Finally, Nokia has no doubt achieved success. But how far it will sustain it is to be keenly watched.

Questions:

- 1. To what extent do you credit the success of Nokia to external factors?**

- 2. The success of Nokia is mainly in mobile phones. Why not the company did achieve success in other verticals?**

- 3. What proactive strategies do you suggest for Nokia to stay ahead of others in the days to come?**

Details

1. Case study solved answers

2. pdf/word

3. Fully Solved with answers