

Nokia faces key test with strategy announcement

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The headquarters of Nokia in Espoo. Finland's Nokia faces a key test this week when chief executive Stephen Elop finally unveils a long awaited plan to reverse a sharp slide in the fortunes of the world's number one mobile phone maker.

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Nokia holds a strategy and financial briefing in London on Friday, two weeks after it reported a 21 percent slump in fourth quarter earnings and Elop promised: "The industry's changed and now it's time for [Nokia](#) to change faster."

"Their strategy renewal is crucial ... there really isn't any strategy at all in place now," Pohjola Bank analyst Hannu Rauhala said.

The company has given little away amid a flurry of rumours ranging from a possible deal with Nokia's biggest operating system rival [Google Android](#) to claims by German weekly WirtschaftsWoche that Elop, a Canadian and the the group's first foreign head, is about to sack half of the management board.

"At this point there are lots of rumours in the air but we'll see Friday if anything happens," said Rauhala, adding that if the company's strategy were to change dramatically, then its organisation might have to do the same.

Analysts agree that Nokia could be in for some radical re-thinking if it is to shake off the blight of delayed product launches, quality issues and the overall feeling that its ability to compete is dwindling.

The Finnish company was once the juggernaut of the [mobile world](#), with a 40 percent share in the mobile device market as recently at the second quarter of 2008.

That figure has been sliding ever since, hitting just 31 percent in the fourth quarter of 2010.

Although still the smartphone market leader, Nokia has lost significant ground in the past two years when Apple's [iPhone](#), RIM's Blackberry and mobiles running Google's Android operating system burst onto the scene and were instantly embraced as faster, more user-friendly and just plain cooler.

"Personally, I want to see clearly how Nokia intends to go forward and answer these challenges," Rauhala says.

Of paramount importance is what the company will say about its operating system strategy.

Elop has already dismissed one rumour, making it clear the company has great hopes for Symbian3, the operating system Nokia packs into its smartphones, despite the rocky start in developing and implementing the software.

At the same time, he passed over in silence the company's newest platform, MeeGo during the results announcement.

"MeeGo is a big question mark still because the company doesn't have any products out now ... (and) Elop didn't even mention MeeGo, which is really interesting. So there may be changes related to MeeGo," Nordea Bank analyst Sami Sarkamies said.

Mobile software experts say that the Intel-based open source platform has tremendous potential.



Finland's mobile phone maker Nokia's N8 smartphone at Nokia flagship store in Helsinki. Analysts agree that Nokia could be in for some radical re-thinking if it is to shake off the blight of delayed product launches, quality issues and the overall feeling that its ability to compete is dwindling.

"It has the potential to be used in a very wide range of implementations,

for example, it's already been used in places like electronics where Android hasn't even been tried," said Jukka Heikkilae, the director for a mobile software programme at the University of Jyvaeskylae in central Finland.

Another big issue expected to come up on Friday is Nokia's strategy for the US market, where Elop admitted there was a "pattern of disappointments" despite the company's best efforts.

"They have to improve co-operation with US operators because they are such an important distribution point for handsets," said Rauhala, adding that Nokia has to work on giving operators services they want.

Elop also made references to the plethora of platform "ecosystems," presumably including Nokia's competitors, which "need to be considered."

That comment has analysts thinking that Nokia could choose some kind of co-operation with Android, which dethroned Symbian in December as the most-shipped mobile operating system, according to market research company Canalys.

"It doesn't necessarily mean that they will switch to Android or another system. It could mean ... that they will somehow build a bridge to the Android system, maybe by adding a compatibility layer so you can run Android programs without the Android operating system," said Sarkamies, noting that there are rumours that RIM is considering doing the same thing.

Rauhala, on the other hand, feels this would be a bad idea because it could regulate Nokia to being just another Android-phone maker and risk losing control over the Nokia identity.

Whatever the details, analysts said Friday will be the first time since his appointment late last year that Elop unveils his own personal strategy for the company.

"This means there will probably be elements that Nokia hasn't seen before," Rauhala said.

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