

# Slow capability development prevents strategic change

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In the changing global operating environment, multinational corporations must be prepared to make strategic changes and possess the ability to reform and alter their capabilities base. If a company becomes too fixed on capabilities or selection criteria that have proved successful in the past or in certain market areas, this will slow down its strategic change process.

These are some of the findings presented by Paula Kilpinen, M.Sc. (Econ.), in her doctoral dissertation for the Aalto University School of Business. According to Kilpinen, Nokia's strategic change into a significant manufacturer of [smart phones](#) slowed down because the company was focused on the rapidly growing Asian market and the manufacturing of low-cost basic phone models. As a result of this, the company was not able to develop the capabilities needed in the smart phone market as quickly as necessary. In addition, Nokia's broad product portfolio tied up the company's resources and impacted its internal choices. This was one of the reasons that led to Nokia losing its position as the world's leading [mobile phone manufacturer](#).

Conversely, Kone managed to strengthen its position both on the rapidly growing [Chinese market](#) and globally because its [strategic change](#) was successful and its development of new capabilities sufficiently rapid.

In the study, Kilpinen examines the interaction between strategy and the internal and external operating environment, and their impact on capability development. Capabilities consist of the company's

knowledge, processes and practices that distinguish it from competitors. They include elements such as innovative capacity, creating a [user experience](#) or design and, most importantly, the ability of the company to renew itself. The study examines capability development in three Finnish multinational firms – Nokia, Kone and Iittala – as they were undergoing strategic changes.

According to the study, the complex and uncertain operating environment of multinational corporations and the need to respond to external and internal pressures in different markets slow down and prevent capability development, which, again, can have a significant impact on performance.

## **Companies utilise networks to obtain the necessary capabilities**

The study shows how successful multinational corporations are increasingly resorting to a network of partners firms to complement their own capabilities base and to speed up the development of capabilities.

Based on the results, the strategy and activities of [multinational corporations](#) generate complex capability models within the global operating environment.. This study demonstrates how firms have employed different capability logics in order to adapt to external changes, but also to shape their [operating environment](#).

**More information:** Paula Kilpinen's, M. Sc. (Econ.), doctoral dissertation in the field of management and international business Capability Development within the Multinational Corporation will be examined at the Aalto University School of Business on Friday 1 February 2013 at 12 noon (Jenny and Antti Wihuri Foundation Hall, C-350, main building, 3rd floor, Runeberginkatu 14-16).

Provided by Aalto University

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