

Nokia had to weed out a culture of fear to embrace a future without smartphones

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Aalto University Professor Timo O. Vuori and Professor Quy N. Huy from Singapore's INSEAD University have studied Nokia's transformation during 2007-2013. Their new results show how Nokia's board contributed to the company's radical strategic renewal after years of difficulties by regulating top managers' emotions. The board increased trust by enforcing new conversational norms for dialogue with top managers. They also sought to reduce emotional attachment to the prevailing strategy by generating many new options instead of forging a single line of thought. Top managers were also nudged to pay attention to data that would conflict with their gut feelings.

The research is based on 120 in-depth interviews, nine of which were carried out with board members and 19 with management team members.

Prior to 2012, Nokia's stubborn attempts to develop their line of smartphones, initially based on their own Symbian operating system, and later on Windows, resulted largely from an entrenched culture of fear. Managers did not dare to present any alternatives to the board. The decision in 2013 to scratch smartphones altogether and focus on telecommunication networks and services was based on a complete turnaround in the management culture. The new board appointed in 2012 sought to regain the trust of top management and to investigate alternative business strategies.

"The new board began to consciously work on the emotional atmosphere

in the [management team](#) in order to improve the quality of strategic work. This enabled deeper and more comprehensive dialogue across the management and the board, and brought on strategic renewal," professor Vuori explains.

The board persistently encouraged managers to investigate strategies and options for adopting Windows or taking on the Android operating system. In the interviews, managers said that having a diversity of options at hand had alleviated the fear of failure. Switching to Android, for instance, would have demanded massive investments, such as the sale of all the telecommunication network operations.

"By considering and deeply analysing many different options, the [management](#) and board gained a better understanding of how Nokia could get through the crisis they were facing. This prevented them getting emotionally stuck with old strategies and old core business models," Vuori adds.

Switching to Android, for instance, would have demanded massive investments, such as the sale of all the telecommunication network operations that few thought of as Nokia's core business. When managers were made to face the devastating data on the phones' poor performance and the grim market outlook, a complete about turn, long deemed impossible, actually started to look like a promising [strategy](#).

"The truth kind of stared you in the face," said one manager, describing their moment of clarity.

"Nokia's renewal shows the crucial difference managing emotions proficiently can make in top-level strategic work. Our research deepens understanding of the different ways that this kind of leadership can and should be carried out," Vuori says.

Provided by Aalto University

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