MANAGEMENT PRINCIPLES– AN ANCHOR IN TIMES OF TURBULENCE: THE CASE OF NOKIA

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Abstract

Nokia, one of the Fortune 500 companies has been losing its fortune. The Finnish company's ranking plummeted from 147 to 174 in the Fortune 500 list. Its contribution to Finland's GDP has fallen from 4-6% in 2000 to 1.6% in 2009. Correspondingly, its share of Finland's export has fallen from 32% to 16%. In 2011-12, it has cut around 20000 jobs and has announced plans to shut its Salo (Finland) manufacturing plant, resulting in loss of 90% of Salo's revenue. In June 2012, Nokia also sold its SBU (Vertu) to a private equity group EQT VI, retaining only 10% share. Surprisingly, the downslide of Nokia, which started in 2007, has not been as a result of the economic slowdown, but due to complacency and management ineptitude. Nokia at one point of time had the highest brand loyalty and largest market share in each of its segments. Flattered by customer loyalty, Nokia turned a blind eye to the changes sweeping the markets. Samsung capitalized on Nokia's inertia and captured a lion's share of the market. The progress was phenomenal and unparalleled. Of late, Nokia has been trying to turn things around. The measures included appointing a new CEO, phasing out the Symbian platform in favor of Windows OS, introducing mobile phones in each segment including the dual SIM phones, de-layering the organization, etc. Despite these efforts the picture didn't improve. This paper views the Nokia case through the prism of Management concepts which, if adopted, could have helped Nokia in its turbulent situation.

Keywords: Industry Dynamics; Management Principles; Organisation Failure Lessons

1. Introduction

"We are increasing our focus on the products and services that our consumers value most while continuing to invest in the innovation that has always defined Nokia," said Stephen Elop, Nokia's president and chief executive in a news release. "However, we must re-shape our operating model and ensure that we create a structure that can support our competitive ambitions". (Tsukayama, 2012)

Stephen Elop, CEO of Nokia, was a man with a lot on his plate when he sent the above press release in early 2012. He needed to signal some strong action to a market which was increasingly tending to confine Nokia to one of the great brands of the past. Ever since he joined Nokia in 2010, the fortunes of the company were headed one way – South. Elop now stood at an inflection point of Nokia's fortunes. A review showed that Nokia lost its way in recent times because it abandoned fundamental principles when faced with a turbulent environment

2. The Problem Statement

The basic problem was to understand how Nokia had spun into a decline. Until a few years ago, it was a well-known brand with healthy market and financial performance. But within a couple of years it was beset by

- Loss of market share
- Financial losses
- Strapped for cash flow
- Changed perception of a 'fuddy-duddy' brand

While a number of analysts had looked at Nokia and offered insights, these basically explained the issues at the symptom level. An in-depth study to reveal the root causes of the decline, and to derive lessons to remedy the situation, is not evident. This paper has undertaken such an exercise.

3. Literature Review

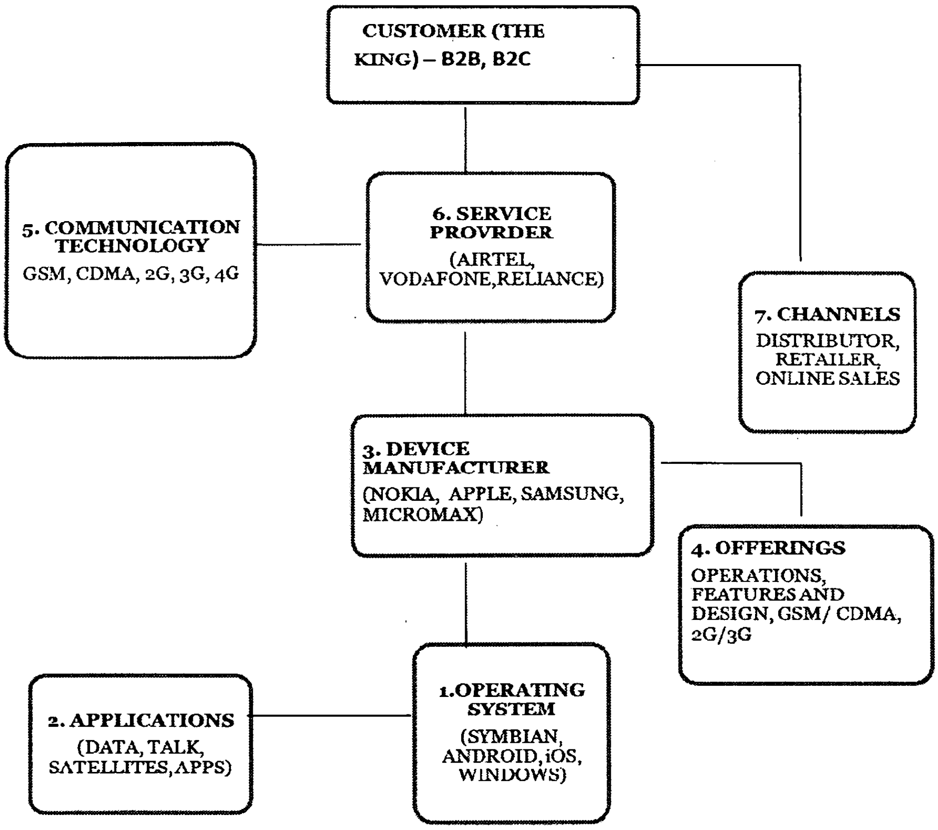
3.1 The Mobile Telecom Industry – A Brief Note

The entire telecommunication industry operates around a number of products and services provided by a number of players (See Figure 1). The Operating Systems (1) drives the potential of the device. Applications (2) offered to customers have to be compatible with specific Operating Systems. The Device Manufacturers (3), with Nokia being one of them, make a choice of the OS for their devices. They also strive to augment the experience of the customer (4) through features and technology compatibility. Technology (5) available for telecom usage is determined by Government Regulators. The Service Provider (6) is the front end for the customer wooing the customer through a combination of all the above factors. The Channel (7) is the conduit for the Service Provider to reach the Customer.

The industry is very dynamic in nature: innovations in technology, features, apps, even OS is very rapid. Device manufacturers play a crucial role in meeting customer aspirations by changing their products offerings. The industry is ripe for multiple collaborations: Device Manufacturers with Operating System Providers (E.g. Nokia and Windows, Samsung & Android); Device Manufacturers with the Service providers to provide the latest service and ensure the compatibility of new service with the device (E.g. 3G compatibility for voice and video calls). The service providers also play a major role in satisfying the customer by providing quality services (Voice & Data) at an affordable price. The entire supply chain works towards providing new innovations with consistent service to the customer.

Nokia was founded in the year 1865 as a maker of pulp and paper. It was only in the year 1981 that the first international cellular system, the Nordic Mobile Telephone network, came on line, having been developed with the help of Nokia. In the year 1982, the company acquired Mobira which later became the Nokia Mobile Phones Division. In the year 1985, the company marketed its first ever mobile telephone. In the year 1993, the first Nokia

Figure 1: The Mobile Telecom Industry Schematic



Digital cellular telephone hit the market. Nokia's ascendance to the top of the wireless world by the end of the 1990s could be traced to the company being able to consistently come out with high-margin products superior to those of its competitors and in tune with market demands. At its peak, in the year 2000 Nokia accounted for around 4 percent of Finnish GDP and supported an eco-system of suppliers and technology start-ups in an economy previously focused on forestry and metalwork.

The continuation of this trend into the 21st century was by no means certain as the increasing convergence of wireless and Internet technologies and the development of the third generation of wireless technology (which followed the analog and digital generations, and which was slated to feature sophisticated multimedia capability) were predicted to open Nokia up to new and formidable competitors.

3.2 Nokia Products

Devices: In 2012, Nokia products spanned a broad price range from €9900 (Vertu Signature) to €12.7 (Nokia 1280). It has a wide variety of products in each of the following product segments: Dual Sim (11 models), Smartphones (22), Touch and Type phones (10), Lumia Windows phone (4), Business phones (3), Premium phones (5), Basic Phones (2). Dual Sim Phone (model C1) was launched in July 2010, way behind competitors, thereby losing ground in the dual sim market. (Samsung had seen the potential of dual sim phones much earlier and, in fact, decided to introduce it even in its high segment Galaxy Smartphone series).

Operating Systems: Nokia had been using the Symbian OS, which was getting outdated due to advanced OS like Android and iOS (Apple). Hence Nokia decided to switch to Windows Phone. In 2012 it was offering both OS in different models, while phasing out Symbian.

3.3 Market Share

Table 1 gives a snapshot of the market share trend for Nokia and its main rivals Samsung and RIM, which was the precursor of the complete rout in 2012.

Table 1: Market Share Trend

	Calendar Year 2010	Calendar Year 2011
NOKIA	72	38
SAMSUNG	5	28
RIM	13	15

In devices, net sales declined in almost every region except for the Middle East and Latin America, where they only grew one percent and nine percent, respectively. The company reported 77.3 million units sold for the year 2011, down 25 percent from 2010. Europe, which was Nokia's largest market, declined by 27 percent to a €5.3bn business. China and Asia-Pacific once looked like becoming Nokia's biggest markets, but they too declined by 18 percent and 19 percent; these were both each worth about €3.8bn in handset sales to the company.

Table 2 (from International Data Corporation (IDC) trend data) tells a similar story of Nokia's decline in smartphones, which is where the industry is headed as 'dumb phones' get phased out.

Table 2: Nokia's Decline in Smartphones

Vendor	1Q12 Unit Shipments	1Q12 Market Share	1Q11 Shipments	1Q11 Market Share	Year over year change
SAMSUNG	42.2	29.1%	11.5	11.3%	267.0%
APPLE	35.1	24.2%	18.2	18.3%	88.7%
NOKIA	11.9	8.2%	24.2	23.8%	-50.8%
RESEARCH IN MOTION	9.7	6.7%	13.8	13.6%	-29.7%
HTC	6.9	4.8%	9.0	8.9%	-23.3%
OTHERS	39.1	27.0%	24.5	24.1%	59.4%
TOTAL	144.9	100.0%	101.7	100.0%	42.5%

From the first quarter of 2011 through the first quarter of 2012, Nokia's share crashed in unit sales by 50%, and market share from 23.8% to 8.2%, Samsung's share of the global smartphone business soared from 11.3% to the leading 29.1% (unit sales up by 267%!). Apple iPhone had a gentler rise than Samsung with its slice of the pie growing from 18.3% to 24.2%. RIM had a similar fate as Nokia – losing more than half of its global market share. From controlling 13.4% of the market in the first quarter of 2011 (and incidentally, holding more of the market than Samsung at the time) RIM dropped to 6.7%.

Table 3 shows the drop in market preference for Symbian as an Operating System, which largely influenced the decline in sale of Nokia Devices.

Table 3: Market Preference of Operating Systems – A Tale of Nokia's Decline

OPERATING SYSTEM	Q1 2011 MARKET SHARE (%o)	Q1 2011 UNITS (Mn)	Q1 2012 MARKET SHARE (%)	Q1 2012 UNITS (Mn.)
ANDROID	36.4	36.35	56.1	81.07
IOS	16.9	16.88	22.9	33.12
SYMBIAN (Nokia)	27.7	27.6	8.6	12.47
RIM	13	13	6.9	9.94
BADA	1.9	1.86	2.7	3.84
MICROSOFT	2.6	2.58	1.9	2.71
OTHERS	1.5	1.5	.9	1.24
TOTAL		99.78		144.39

3.4 Financials

Table 4 gives the financial comparison for Nokia between Q1 2011 and Q1 2012 (Figures in €, millions). The data tells its own tale of decline on all operating financial indicators. Its market value, at about €19bn, was its lowest level since the first half of 1998. (The peak of about €220bn was in June 2000.). Nokia had also taken up additional restructuring of about €1bn. Cash reserves, though healthy at €5.6bn, were down from nearly €7bn the previous year. A € 200m support payment from Microsoft, intended to help market the Windows phones, slightly shored up its balance sheet. The net result was that Nokia scrapped all annual guidance targets, saying 2012 would be a year of transition, and that the macroeconomic climate made predictions difficult.

Table 4: Nokia Financials

NOKIA	Q1 2012	Q1 2011	Difference
NET SALES	7354	10399	-29%
OPERATING PROFIT	-1340	439	
OPERATING PROFIT (NON- IFRS)	-260	704	
EPS, EUR DILUTED	-0.25	0.09	
EPS, EUR DILUTED (NON- IFRS)	-0.08	0.13	
NET CASH FROM OPERATIONS	-590	-173	
NET CASH AND OTHER LIQUID ASSETS	4872	6372	-24%
DEVICES AND SERVICES			
NET SALES	4246	7087	-40%
SMART DEVICES SALES	1704	3528	-52%
MOBILE PHONES SALES	2311	3207	-32%
MOBILE DEVICE VOLUME	82.7	108.5	-24%
SMART DEVICES VOLUME	11.9	24.2	-51%
MOBILE PHONES VOLUME	70.8	84.3	-16%
MOBILE DEVICE ASP	51	65	-22%
SMART DEVICES ASP	143	146	-2%
MOBILE DEVICES ASP	33	40	-18%
OPERATING PROFIT	-219	729	
OPERATING PROFIT (NON-IFRS)	-127	733	
OPERATING MARGIN (%)	-5.2%	10.3%	
OPERATING MARGIN (%, NON- IFRS)	-3.0%	10.3%	

3.5 Nokia's Moves

Stephen Elop moved as CEO to Nokia from Microsoft in 2010 – the start of Nokia's serious decline. In April 2011 he laid out three pillars of Nokia's strategy:

- FIRST: adopt Windows software.
- SECOND: focus on other handsets rather than only Smart phone that generate 32% of Nokia's overall revenue.
- THIRD: Designed to support the other two. He described it as 'investment in future disruptions'.

<u>Adopting Windows Software:</u>

Symbian had already started falling out of favour with the customers and was on its way to replacement. One of the game-changers was development of Applications. Apple iOS had around 500,000 mobile apps, Google Android around 400,000, while Symbian (Nokia) had only around 116,000. In July 2012 Nokia decided to abandon its Symbian operating system for smartphones, and switch to Windows. But Windows Phone 7.5, adopted by Nokia to replace Symbian, had only 40000 apps – a small drop in the apps ocean. Microsoft was coming up with the next advanced version of its mobile phone operating system, Windows Phone 8. While existing apps for Windows 7.5 would be able to run on Window phones 8.0, existing devices such as Nokia's Lumia range, which run the current Windows Phone 7.5 version, would not be able to update to the next version. Also, as Nokia had signalled the phasing out of Symbian, operators and customers shunned its internet-enabled smartphones, based on the Symbian system. Nokia had somehow contrived to paint itself into a corner as regards its choice of OS.

Focus on other handsets rather than only Smart phone: Nokia had made a point to be present in all formats: regular keypad, QWERTY mobiles, touch screens, and touch and type smartphones. The company's plan going forward was to continue pushing its Lumia line. Its launch of Lumia 900 on AT&T in the U.S. had been positive; it banked on the low-cost Lumia 610 to reclaim market share in developing markets. It also counted on the new mid-range Asha series to drive up sales in India. But seemingly Nokia was spreading itself thin as the decline continued in 2012. Only time would tell if its broad product spread could deliver results.

Investment in future disruptions: From being an innovation leader, Nokia had slipped badly in the case introducing dual sim as well as n adopting the correct OS. Elop wanted to put Nokia back as an innovation leader by being the first to disrupt the existing scene with innovations. One of the initiatives was to come up with a model of Lumia compatible with 4G broadband. The only question was whether Nokia could invest in innovation given its current precarious financial position.

4. Study Design and Methods

The whole approach is in the form of a case study. The Study Design was to collect all details of Nokia as reported in the publicly accessible media. This was predominantly secondary sources (attempts were made to elicit some response from Nokia executives in India but there was no response). The Methods included collecting papers from academic journals, surveying the net and accessing the business press – all handled by the student authors.

A number of analysts had already looked at Nokia and their insights were also captured. The final step was to cull out Management Principles that were violated, which could prove the learning for how to use management principles in time of turbulence.

5. Data Analysis

A number of analysts have thoroughly scrutinized the Nokia debacle. This section draws on their reported views, and braided them together to present a consolidated picture. This would be the basis for extracting Management Principles.

5.1 Innovation and Adaptation

"With innovation, you can differentiate. It shows that you can compete with low cost players" Nokia Chief Stephen Elop had once said at technology conference in December 2011 (Pratap, 2012). But Nokia seemed to have missed two biggest innovation buses in recent times - dual sim and touchscreens. Nokia had dismissed dual sim as a fad - dual sim phones ultimately took over 40% of the market share. As Nokia India MD, D Shiva Kumar commented "We (Nokia) did not have dual sim handsets at the right time. We could have been significantly ahead (of the competition) if they had been launched on time." (Pratap, 2012).

The touchscreen innovation was hampered by the OS platform, Symbian, which could not support 'smartphones'. (detailed later).

5.2 Hubris

At its peak in the early and mid 2000s, Nokia began thinking of itself as unassailable winner that didn't need to invest in the next big thing. Rather than spend its resources on building a next-generation software ecosystem—an OS that depended on novel interfaces and sensors, that allowed for outside development, the company 'managed down' its cash by paying huge dividends and buying back its shares. While Apple launched the iPhone and Google perfected its Android strategy, Nokia spent 27 billion euros just on dividends and repurchases.

5.3 The OS Strategy

The decision to phase out Symbian was because more powerful operating systems (iOS and Android) were available. But why Windows Phone was chosen is not clear. The only logic seemed to be was avoiding a 'me-too' tag by choosing Android. His move could have been offering a third option to the market through the Nokia-Windows Phone partnership. But Windows Phone could not deliver the results – Windows 7.5 not being apps friendly and Windows 8 not being usable on older Nokia handsets. The bewildering the jump to Windows Phone, the subsequent signal of Symbian being abandoned, and the doubts cast on the efficacy of Windows Phone 7 all contributed to sales dropping while the market waited for the 'messiah' - new devices running Windows Phone 8.

5.4 Market Mutation to Apps

The whole ball-game in the industry was moving towards apps based applications. Nokia's inappropriate platform shut out the possibility of cashing in on this phenomenon as independent apps writers chose the Android or iOS platform. As reported, Nokia's Symbian had only 116,000 apps compared to Apple iOS having 500,000 mobile apps and Google Android having 400,000 apps. This gave rise to the perception that Nokia was a 'fuddy-duddy'.

5.5 Smartphones

The Symbian platform did not work well with touchscreen devices, which were becoming the rage. Windows 7 seemed the answer but it turned out to have limited capabilities. Windows 8 made up this lacuna but left earlier users of Nokia stranded, as their handsets could not be upgraded to Windows 8 as they lacked certain hardware capabilities – such as dual-core processors – which existing Windows Phone handsets did not have. According to one analyst (James Crawshaw of S&P Capital IQ) "Nokia's success [lies] not in increasing market share but in increasing its smartphones portfolio." (Sen, 2012). This however was not happening.

5.6 Dumbphone – The Cheaper Handset

Nokia was unable to face competition from the likes of Huawei and ZTE selling cheaper versions of feature phones and smartphones. No doubt Nokia had launched a counter-attack with its Asha family of mobile phones, but that too, according to Gartner, was slightly higher than other devices (sold in India). Nokia would be hard put to win a brutal price cutting fight against those adversaries.

5.7 Burning Cash

The cash reserves of Nokia dropped by 24% from Q1 2011 to Q1 2012. On the market side it was cutting prices of smartphones and the cheaper handsets, to actually the cost of the phones, leaving no margins. In its battle to rejoin the race with Apple's IOS and Google's Android, Nokia burnt a hole in its pocket of over €1bn in a year. The infrastructure adjustments to which it was committed had cost another €1bn. An extreme view of one analyst was that Nokia could go bankrupt in a couple of years.

5.8 Is All Lost?

According to Bernstein analyst, Pierre Ferragu "The Nokia brand is at risk of losing visibility, and the opportunity to create a third ecosystem based on Windows Phone is rapidly vanishing." (Arthur, 2011). But Brand consultant Sunil Alagh, Chairman SKA Advisors, believes "Nokia is not a forgotten brand, it is just that it is now considered fuddy-duddy. It can be addressed by repositioning and bringing in new products that are contemporary." (Pratap, 2012). Frost & Sulivan's Chauhan seems to agree with the 'fuddy-duddy' image as he believes Nokia is the preferred brand for the 35+ age group, but he also feels it can be rejuvenated by bold re-positioning.

"A new OS is like a new religion," (Kamath, 2012) said D. Shivakumar, Nokia's Senior Vice President of Sales for India, Middle East and Africa, indicating the market takes time to accept a completely new product line. This was apropos the Windows Phone tie up with Nokia. But the moot point is whether Nokia has the resources to stay the course.

6. Discussion: Management Principles Derived From Nokia's Case

A perusal of the case of Nokia shows that some fundamental Management concepts had been ignored or sidelined by Nokia, which could have led to its disastrous situation. By matching the concepts where Nokia defaulted with Management literature, the authors were able to enunciate principles which could act as guidelines for companies in times of turbulence.

6.1 Leadership

6.1.1. Principle 1 (derived from Porter, 1985).

In the long run no position is tenable, and no differentiation sustainable, unless it is continuously re-invented and reinforced. At the top, one has to run hard to stay on the spot.

Sustainability can be achieved in two ways, either by delivering perceived value to the customers or by creating a product that is hard to imitate for the competitors (Porter, 1985). Nokia had once set the pace in the wireless industry by being able to consistently come out with high margin products superior to competitors, hard to imitate and in tune with the perceived value of the market. However, the 21st century saw increasing convergence of wireless and Internet technologies; and the development of the third generation of wireless technology (which followed the analog and digital generations) was slated to feature sophisticated multimedia capability. This opened up Nokia to new and formidable competitors. But the company rested on its laurels and could not sustain its earlier vitality in offering sustainable value to the customer. Principle 1 was violated.

6.1.2. *Principle 2 (derived from Watson, 2009).*

In times of turbulence, steer by the Vision and Values.

It is very similar to the road slogan - Don't lose your nerve on the curves. Leadership is one of the crucial and enabling factors in the success of a team or an organisation. Any organisation in which leadership at various levels is guided and driven by its vision and positive values and ethics develops capability and sustainability to face any challenges (Watson, 2009). Nokia's pre-eminent position was due to its vision of consistently coming out with high margin products superior to competitors and in tune with the market. Elop himself subscribed to it when he said at a technology conference in Dec 2011: "With innovation, you can differentiate. It shows that you can compete with low cost players." (Pratap, 2012). But somewhere Nokia seemed to have gone adrift – resting on its laurels, pre-occupied with dividends and buying back shares, chasing low-cost markets, etc. They thus missed the two biggest innovation buses in recent times - dual sim and touchscreens. Their response to recover their position seems to be knee-jerk reactions driven by circumstances, more reactive to the market than leading the charge. They need to get back to their vision of being an innovative organisation, to be in line with Principle 2.

6.1.3. *Principle 3 (derived from Jaush and Glueck, 1988).*

In times of turbulence, it is better to have a focused product portfolio than to spread oneself thin.

Reorganizing products to achieve greater efficiency includes dropping some products or markets to focus on its main competencies (Jauch and Glueck, 1988). Nokia is torn between two opposing forces – should it innovate for the high-end markets in line with its vision or focus on high selling but low end products which contribute a larger part of Nokia's income. Nokia's response seems to be a jack-of-all, making it a point to be present at all formats (regular keypad, QWERTY mobiles, touch screens, and touch and type smartphones) and spanning the spectrum from low cost segment to high end luxury segments. In 2012 it introduced Nokia 808 PureView – a cameraphone with 41 megapixel lens – which had a shrinking market as the world had moved to smartphone photography which is all about apps. Nokia needs to take a call on rationalising its product portfolio, in line with Principle 3.

6.1.4. *Principle 4 (derived from Gulati, Noharia and Zaheer, 2000).*

In a fast changing and rapidly evolving industry, build a network of expertise.

Networks encompass a firm's set of relationships, both horizontal and vertical with other organizations- be they suppliers, customers, competitors or other entities- including relationships across industries and countries (Gulati, Noharia and Zaheer, 2000). Mobile devices industry is very dynamic in nature - Innovations in technology, features, apps, even OS is very rapid. The expertise and competences required to keep up with the changes are varied and can rarely all nest in one organisation. This calls for networks of expertise. The players have two options – committed networks which have a lock-in/ lock-out effect (like Samsung and Android) or free configuration networks (Apps developers). In fairness it must be admitted that Nokia is following Principle 4 with its partnership with Microsoft – but whether it is the right choice, only time can tell.

6.2 Marketing Strategy

6.2.1 Principle 5 (derived from Porter, 1996).

Trust the Voice of the Customer.

The customer showed a distinct preference for dual sim phones but Nokia dismissed it as a 'fad'. The competition stole a march over Nokia in this aspect, even to the extent of introducing it in the high-end segment. Nokia was forced to follow suit but had by then lost ground to the competition. Principle 5 was clearly ignored.

6.2.2 Principle 6 (this principle has been enunciated by the authors).

Be cautious in adopting a price cutting strategy unless it is backed by internal efficiency.

Competition, primarily from cheaper Android handsets, had forced Nokia to slash prices. Strategy of Android users was cost driven in the sense they were basically cost-effective. Nokia's strategy was price (market) driven, which was not actually backed by cost efficiencies. Thus, Nokia eroded margins while Android sets were able to protect their margins. Similar was the case in 'dumbphones' where Nokia was losing ground to the likes of Huawei and ZTE selling feature phones and smartphones, both very inexpensive. Nokia was being hard put to win a brutal price cutting fight against those adversaries. Nokia burnt a hole in its pocket of over €1bn (£830m) in one year. It was a losing strategy against Principle 6.

6.2.3 Principle 7 (derived from Porter, 1980).

Beware of confusing signals being sent to the market.

Market signal is any action which gives a direct or indirect indication of intentions, goals, or internal situation (Porter, 1980). Nokia said it will continue to make phones running its Symbian operating system, thus "leveraging previous investments to harvest additional value." (Nokia Press Release, 2011). Symbian, though, was to be relegated to the status of a 'franchise partner to be eventually phased out. This was not conducive to inspiring confidence in Symbian phones when Nokia itself was signalling that Symbian was a dead-end. Therefore, operators and customers shunned its internet-enabled smartphones, based on the Symbian system which Elop clearly intended to kill. This bears out Principle 7 that confusing signals will lead to the market shunning the product.

6.3 Organisation Restructuring

6.3.1 Principle 8 (derived from Mahesh, 1996).

When restructuring, cut the fat and not the muscle.

When Elop entered there were 11 layers of management that separated him from an individual engineer. He removed 4-5 of the layers, which was a structural rationalisation. However, in 2012, there was talk of slashing jobs due to the adverse performance. Elop confirmed jobs would be cut both in Finland and across the world. The company said it would slash 10,000 jobs by the end of 2013 (about 1/6th its global workforce), shut down several research and manufacturing facilities and restructure the business. Would it be wise to shut down research facilities if innovation is to be the plank? Is that going for the muscle rather than the fat?

7. Conclusion

Nokia has been a classic illustration of how violating Management Fundamentals contributes to disaster. This paper points out the various Management Principles that Nokia clearly violated which led to its decline. While pointing out these lessons, it is not the argument of the authors that Management should be straitjacketed by previously established principles. Definitely path breaking Management concepts have come primarily by breaking established paradigms (The concept of Core Competency that has led to the evolution of sophisticated Supply Chains, the success of JIT by turning the concept of Inventory on its head, and so on). Such discarding of established principles was made only when alternate paradigms were established. In Nokia's case, established Management Principles were abandoned with no alternate paradigms to steer the course. The analogy is of a trapeze artist who lets go one trapeze with no alternate trapeze to latch on to – leading to the inevitable crash. The learning from this paper is precisely to avoid such a situation.

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