JYVÄSKYLÄN YLIOPISTO
UNIVERSITY OF JYVÄSKYLÄ

Chance, Strategy and Change: The Structure of Contingency in the Evolution of the Nokia Corporation, 1986–2015

Jaakko Aspara, NEOMA Business School, France
Antti Sihvonen, Jyväskylä School of Business and Economics, Finland
Henrikki Tikkanen, Aalto School of Business, Finland
Juha-Antti Lamberg, Jyväskylä School of Business and Economics, Finland

Introduction

- Chance has become an increasingly important issue in explaining organizational outcomes
  - Very few studies have focused on the role of chance in organizational processes (see Cattani 2006; De Rond and Thietart 2007; Rao and Greve 2018)

- Chance in its purest form refers to an “event happening in the absence of any obvious design” (de Rond and Thietart 2007: 535)

- We focus on **contingency as a weak form of chance** which implies that something is “likely but not certain to happen” and it is “dependent on or conditioned by something else” (Merriam-Webster dictionary)
  - Suggests uncertainty and dependency that cannot be planned or predicted
  - Enables us to understand what could have happened and what generated the actualized outcome

- We examine **how and why chance affects and is embedded in strategy processes** by studying the key strategic choices that Nokia made during 1986-2015

How chance has been treated in strategy literature

- Chance and strategy outcomes
  - **Majority of earlier studies** track the impact of chance on performance (Denrell, Fang, and Liu 2015)
  - Chance refers to events in the business environmental that individuals or organizations respond to or events that influence innovation and technologies
  - Chance understood as natural variation (e.g., MacKay and Chia 2013) or statistical random variance (e.g., Denrell 2005)

- Chance events and strategic choices
  - How chance events influence strategic choices and decisions is a **much less studied area**
  - Also covers the individual (Rao and Greve 2018), organizational (de Rond and Thietart 2007; Baum et al. 2003; Korn and Baum 1999), and innovation/technology levels (Cattani 2006)
  - Yet, studies on the organizational level don’t really focus on actual strategic choices or decisions

Theoretical framework

- We draw from historical sociology analyzing the structure of contingency (Ermakoff, 2015, 2019; also Lara-Millán et al., 2020; Sauder, 2020) and strategic management literature addressing chance and luck (e.g., de Rond & Thietart, 2007; MacKay & Chia, 2013)
- **Key concepts:**

1. Moment of collective indeterminacy
   - Moments of indecision when existing procedures seize to guide actions, when conflicts emerge, or when managers don't know what to do next
   - Generally these are situations that don't solve themselves and are open to influence
2. Emergent choice scenarios
   - Alternative courses of action that emerge during collective indeterminacy
3. Parallel event sequences
   - Partly exogenous event sequences that influence collective indeterminacy and provide resolution to it
4. Strategic choice
   - Decision to actualize a scenario and collective alignment following the decision

5. **Structure of contingency**
-- Processes that generate likely events which actualization is dependent on parallel events

Methodology – Context and data

- Research Context: Key Strategic Changes in the Nokia Corporation 1986-2015
    1. Nokia's transformation into a mobile telecom corporation by divesting former core businesses during 1989-1992
    2. Nokia's decision to initiate collaboration with Microsoft and discontinue own software development in 2010-2011
    3. Nokia's decision to sell mobile phones to Microsoft in 2012-2013

Three events that came somewhat as a surprise to the top managers themselves

- Data collection
    - Secondary sources (81 academic publications, biographies ex-CEOs, studies by former Nokia managers among others)
    - Archival data (unrestricted access to Nokia archives until the year 2000)
    - Interviews (25 interviews with former Nokia board members, executives and relevant industry experts)

Methodology – Analysis (1/2)

- **Stage 1:** Identifying periods of collective indeterminacy and alternative scenarios
  - Writing narratives to make sense of the events (Pentland, 1999) and bracketing (Langley 1999) periods where Nokia's top management lacked collective direction
  - Identifying alternative decision-making scenarios from documents and interviews pertaining to the period

- **Stage 2:** Analyzing event sequences leading to alternative scenarios
  - Event structure analysis (Corsano & Heise, 1990; Heise, 1989) to trace events leading to different scenarios
    - Coding initial narratives into event chronologies
    - Analysis of event relations using the ETHNO program
    - The process generates a network of necessary antecedents
      - Includes iterative addition/removal of events to identify prerequisite events for the scenarios

Event structure analysis using ETHNO focuses on analyzing the event chronology forward, while answering a series of yes/no questions to determine which events are required for the current event to occur (Griffin 1993)

Methodology – Analysis (2/2)

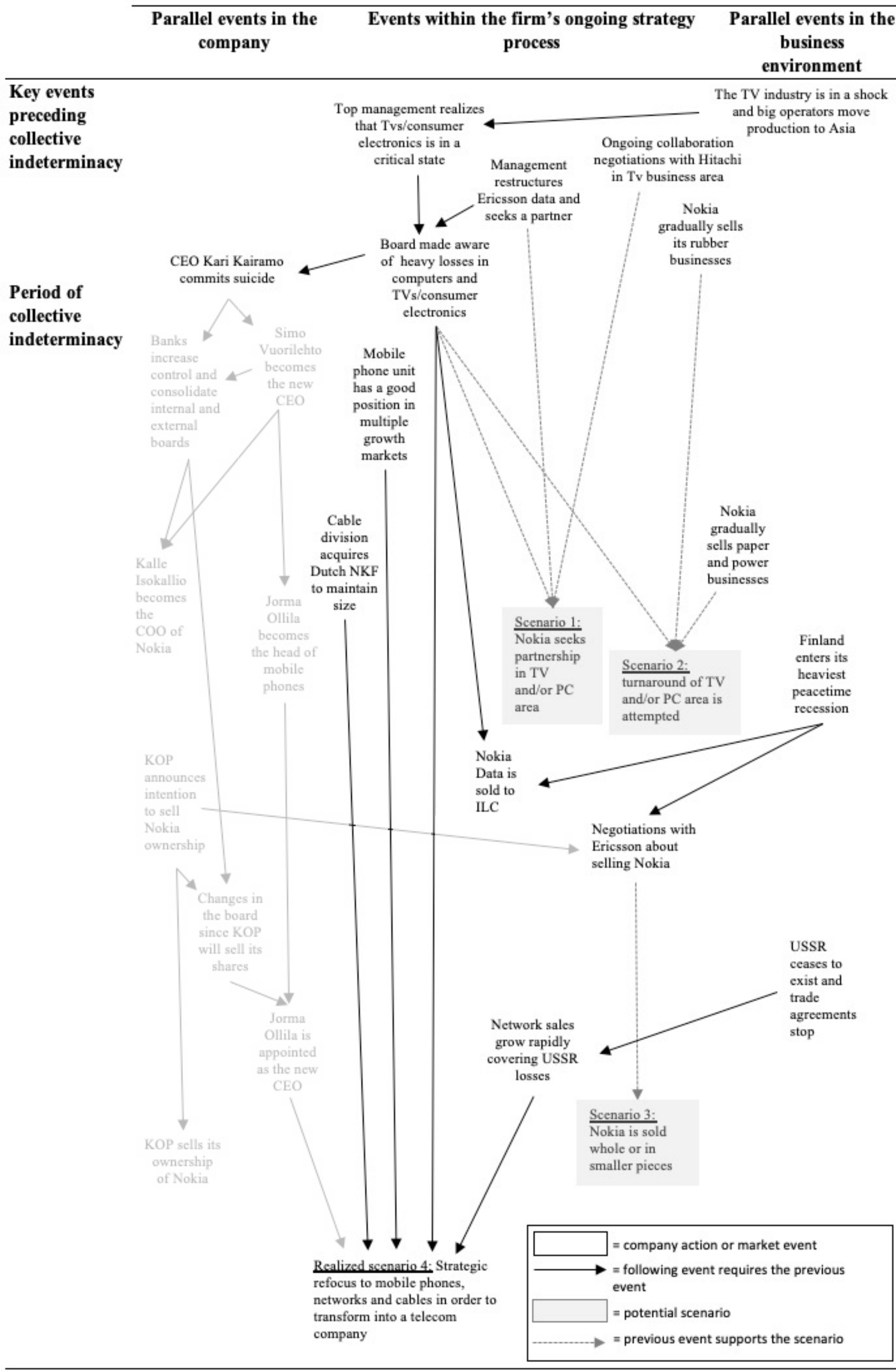
- Stage 3: Closure of scenarios
  - Identifying events and event sequences that influenced the viability of scenarios
    - Focus on the closure of alternative scenarios and the eventual decision
    - Event structure analysis to trace how parallel events influenced the viability of scenarios
  - Integration of the two event sequences to understand how scenarios emerged and how parallel events closed scenarios and influenced the final choice

- Stage 4: Theory development
  - Comparison across event sequences
  - Elaboration of how contingency manifests as a property of strategic change processes

Nokia's transformation into a telecom company 1989-1992

- During the latter part of 1980s Nokia made major investments in computer and TV businesses that eventually led to heavy losses and suicide of the CEO Kari Kairamo that left a power vacuum in Nokia

- The top management experienced collective indeterminacy on the direction of Nokia and several alternative scenarios surfaced over time:
  1. Seeking partnership in the computer and/or TV business area
     - This was negotiated with Hitachi in the TV area (and Honeywell, Olivetti and ILC in the PC area)
  2. Attempting a turnaround of the computer and TV business areas
     - Divestment of the paper and power businesses already provided capital for this
  3. Selling Nokia as a whole or in pieces
     - This was actively negotiated with Ericsson
  4. Strategic refocus to mobile phones, networks and cables
     - Initially this seemed very unlikely to happen

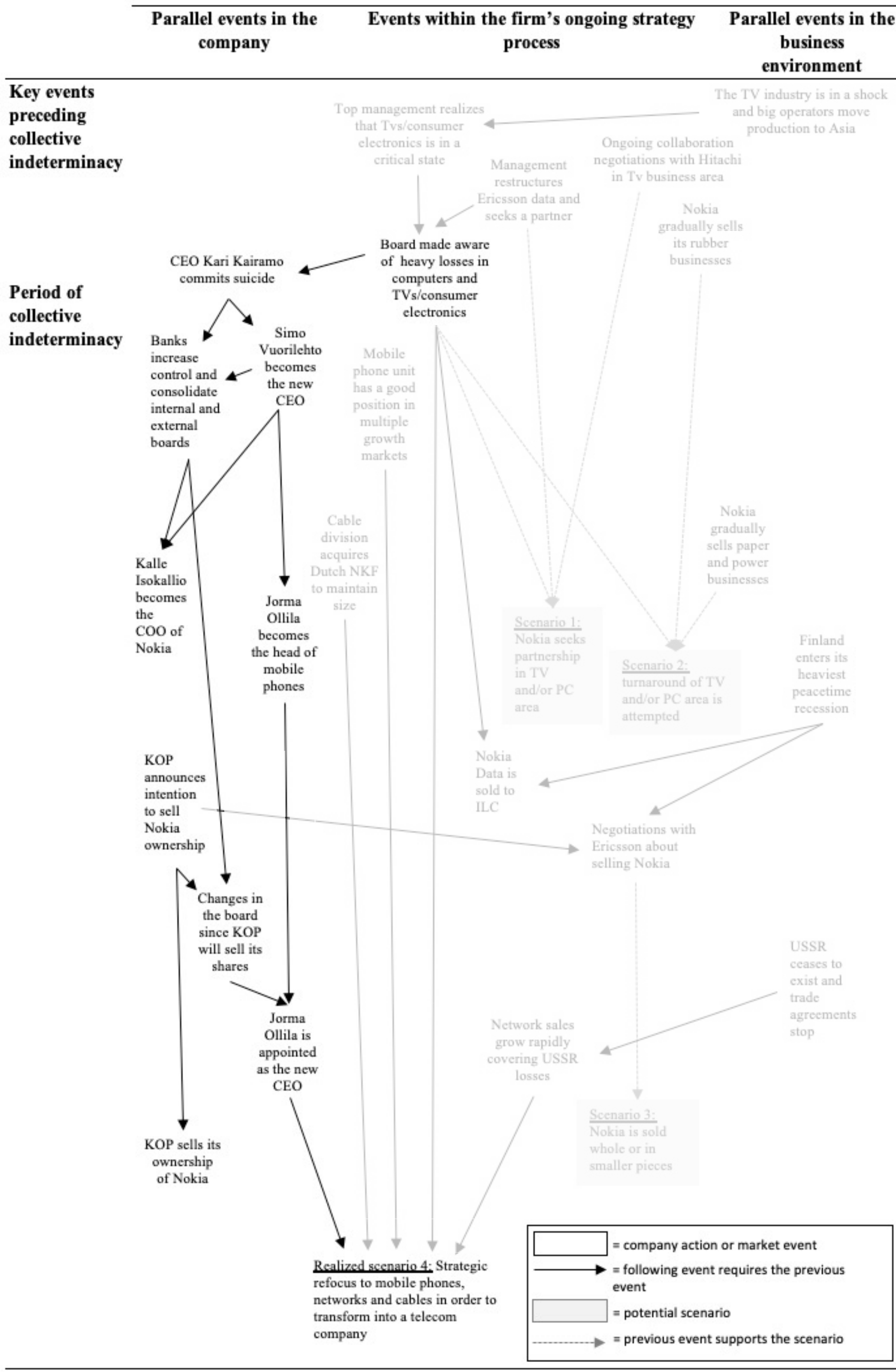


Nokia’s transformation into a telecom company 1989-1992

- The suicide of CEO Kari Kairamo set in motion a parallel event sequence
  - Simo Vuorilehto became the new CEO who chose CFO Jorma Ollila to lead the mobile phone business
  - Rivalrous commercial banks (KOP and SYP) increased their control of Nokia, while there was also power struggles among top management

- In 1991, KOP announced their decision to sell their shares of Nokia, while CEO Vuorilehto announced his retirement
  - This cleared the table for a new strategic direction

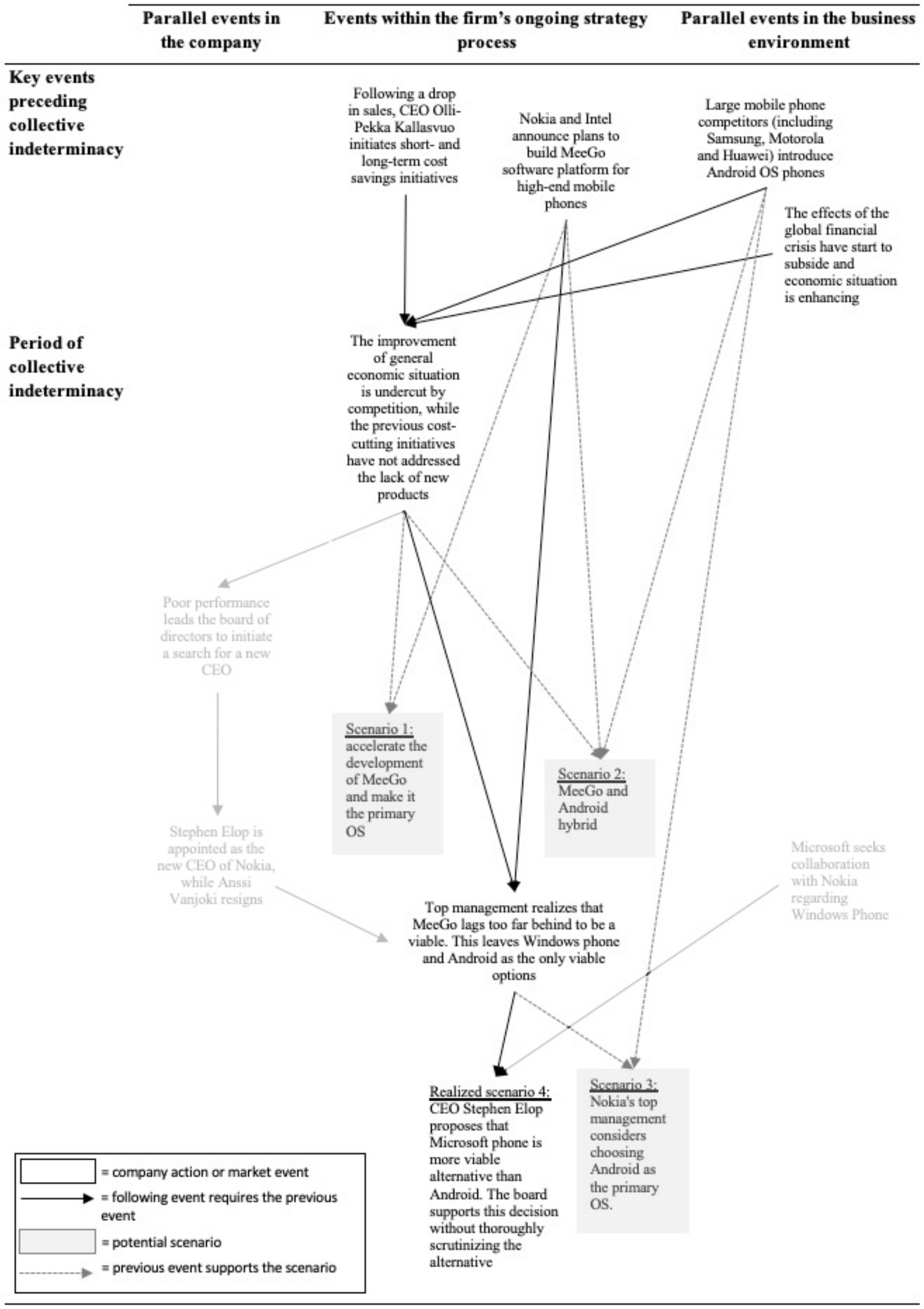
- Jorma Ollila was asked to become the CEO and draft a new strategy for Nokia
  - This led to a decision to realize the scenario of focusing on mobile telecom



Nokia's decision to collaborate with Microsoft in 2010-2011

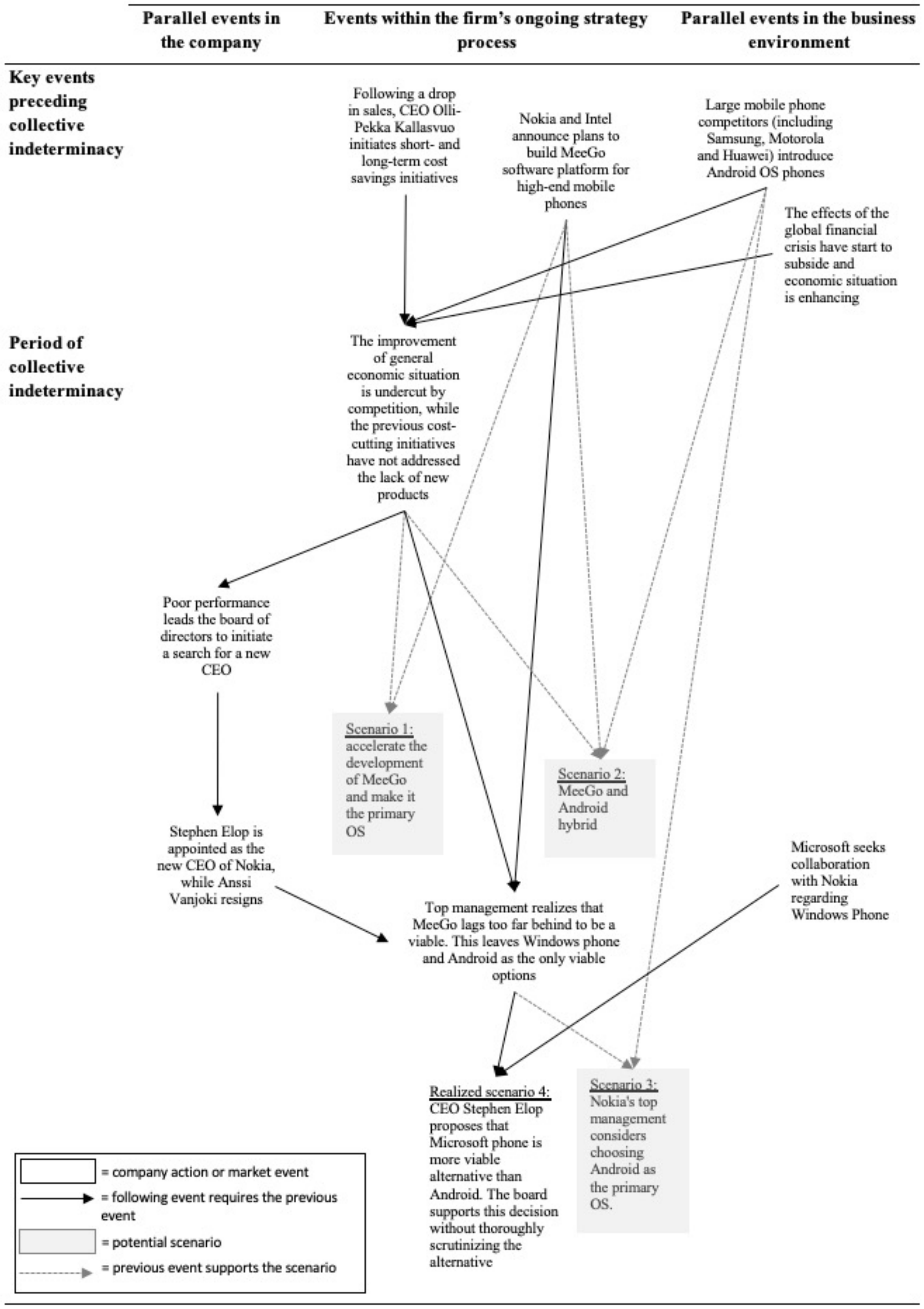
- During 2007-2010 Nokia focused on Symbian that was becoming rapidly outdated and they missed the emergence of ecosystems
  - In 2010 it was realized that cost-cutting initiatives by CEO Kallasvuo had not addressed the main problems and new direction was needed

- The top management experienced collective indeterminacy on how to rectify the situation and four scenarios emerged over time:
  1. Accelerate the development of MeeGo and make it the primary OS
     - Anssi Vanjoki was tasked by the board of directors to develop a plan for this
  2. Use a MeeGo and Android hybrid
     - A way to retain in-house software development and mitigate the Android threat
  3. Focus purely on Android
     - Proposed by McKinsey consultants as a low risk alternative
  4. Focus purely on Windows Phone
     - Microsoft had been seeking collaboration with Nokia for some time



Nokia's decision to collaborate with Microsoft in 2010-2011

- The problematic situation initially led to a search for new CEO where Stephen Elop and Anssi Vanjoki were the primary candidates
  - The decision to hire Elop led Vanjoki to resign
  - The plans to save MeeGo were lost when Vanjoki left
- Soon afterwards the top management realized that MeeGo was a failure leaving Android and Windows phone as the only viable options
- CEO Elop proposed that Microsoft collaboration is the more viable option
  - The board unanimously supported this decision without considering the alternative
  - This led to a decision to realize the scenario of focusing purely on

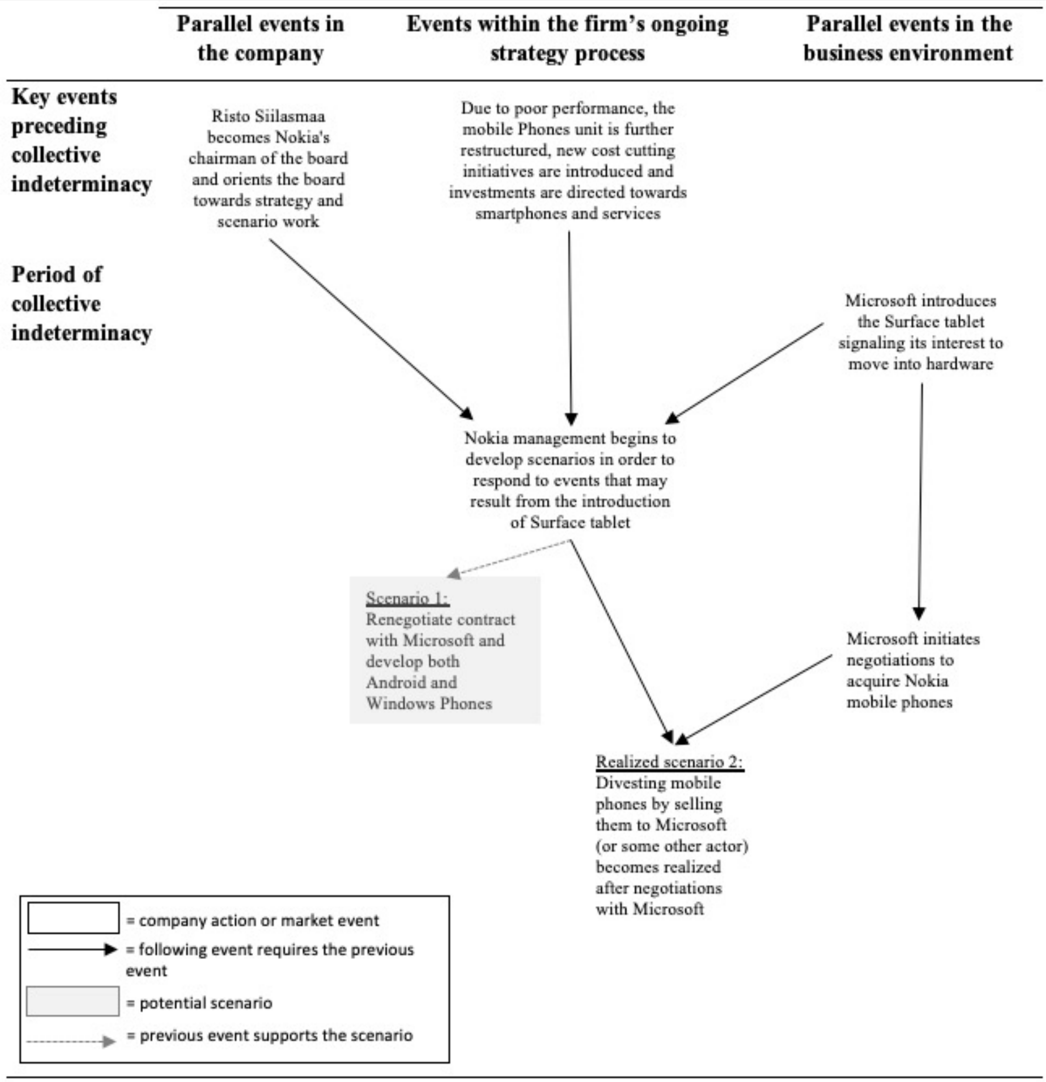


Nokia's decision to sell mobile phones to Microsoft in 2012-2013

- Microsoft introduces the Surface tablet in 2012 casting a shadow over their collaboration with Nokia

- Nokia's top management initiated scenario work to respond to this unexpected event:
  1. Develop both Windows and Android phones
     - Nokia had the option to renegotiate the Microsoft collaboration
  2. Divest mobile phones by selling them to Microsoft (or other actor)
     - Would mean selling the core business and retaining only NSN which is a joint venture with Siemens

- Microsoft initiated discussions about acquiring Nokia's mobile phones
  – This led to the divestment of mobile phones and full acquisition of NSN



Discussion and Conclusions

- EXPLAINING STRATEGIC CHANGE THROUGH CHANCE AND POLITICAL DYNAMICS
  - How Chance Influenced Nokia's Strategic Change
  - The Role of Political Dynamics in Nokia's Strategic Change
  - Chance, Politics, and Strategic Change
- To summarize our findings, we discovered that chance events and political dynamics influenced strategic choice-making in four main ways.
  - First, chance events and the existence of competing management coalitions contributed considerably to the initiation of periods of collective indeterminacy within the top management. The initiation of collective indeterminacy, in turn, initiated the process towards strategic choice, and thereby, change.
  - Second, during the periods of collective indeterminacy, chance events directly influenced strategic change scenarios both by generating some scenarios and by blocking other scenarios from being realized. Chance events also had an indirect influence on the emergence and elimination of strategic scenarios, as they generated circumstances for further event sequences leading to the increase or decrease of the viability of certain scenarios.
  - Third, different political coalitions used chance events as a springboard by which to develop and advance such strategic scenarios that were favorable to them and to resist such scenarios that they considered unfavorable.
  - Finally, collective indeterminacy proceeded through the emergence and elimination of scenarios through chance and politics until a scenario was found that was not rendered defunct by chance, and which did not have considerable political opposition left, either.