

BUSINESS STRATEGIES ANALYSIS BY STRATEGY TYPOLOGY AND ORIENTATION FRAMEWORK

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Abstract:

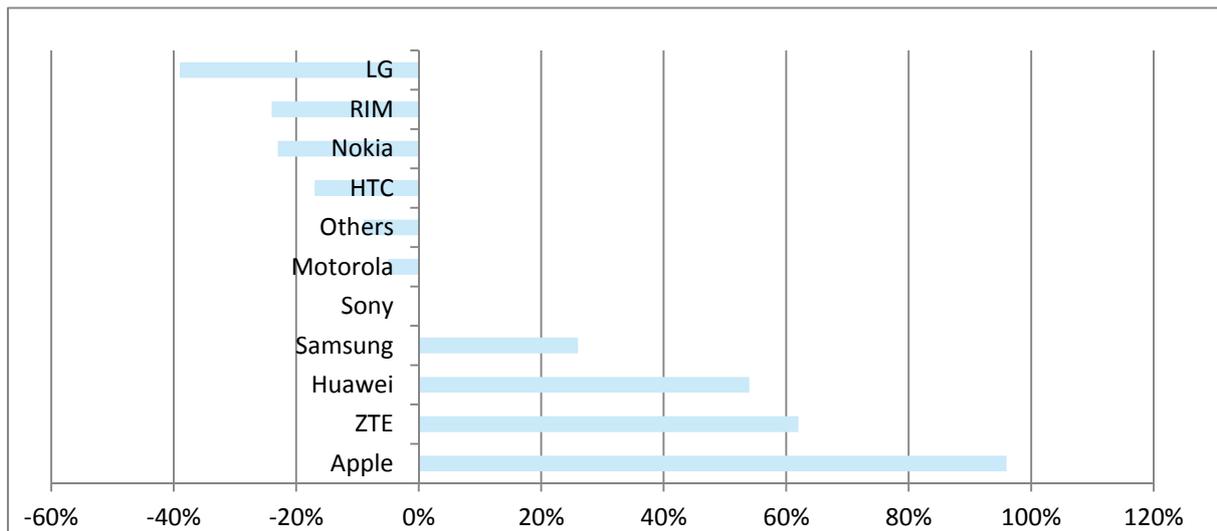
This article describes two business cases and their strategies by using a strategy orientation and typology framework. The framework is built as synthesis from market and product orientation characteristics based on a literature research as well as from the Miles and Snow strategy typology. This framework is used to evaluate two case strategies from the mobile phone industry. The findings show that the created framework can be used to find orientation and typology changes in both of the case businesses. The used model brings into light interesting changes in the strategies of the case companies.

Keywords: strategy analysis framework, strategy typology, market orientation, product orientation, smartphones, Nokia, RIM, defender, prospector, analyzer, reactor

1. INTRODUCTION

In today's expanding global economy business research gives many new avenues for researchers. Mobile phone developments from various aspects – technological, services, operating systems, applications, user experiences, social use, etc. – give a many ways to focus research in this business category.

Figure 1: Changes in Mobile phone sales in 2012



The life cycles of the various phenomena in mobile phone business are quite short making this business in the business research a bit similar to fruit flies (*Drosophila melanogaster*) which are widely used in the genetic research also because of their short life cycles.

There are many indicators available to describe the dynamics of the mobile phone market. One metrics is the market share. Using this measurement to show the changes in the global market we can see for instance the speed of change in the following figure, which shows the changes in sales between two business quarters in 2012 (Comeau 2012).

In highly competitive markets, like in mobile phone business, companies are forced to get closer to their customers in order to increase and even to maintain their business and to create value-adding solutions to capture more revenue from their customer base Whiteley 1991, Thompson 2000, Galbraith 2002). Strategy creation and its challenges in highly competitive market has been discussed e.g. by Porter (1985), Hamel and Prahalad (1994), Moore (2000), and Kim and Mauborgne (2005).

Market orientated companies, focused on 'market pull', build their strategy by having a long-term commitment to understand customer needs, and thus developing innovative solutions by discovering hidden customer needs and new markets (Slater & Narver 1998, Day 1994). Product oriented, product focused, strategy can be seen as internally focused company's strategy that pursuits competitive advantage by delivering cutting-edge products with best features, based its core-competences. (Galbraith 2002).

Strategy typology as presented by Miles et al (1978) and successfully applied by Isoherranen et al (2011a, 2011b, 2011c, 2011d) proposes a strategy classification of four distinct types: prospectors, defenders, analyzers and reactors. Any of the three first strategies can be successful in the market place. Reactor strategy can be considered as failure to execute one of these strategies.

In this study the two above-mentioned approaches to strategy are studied and two case companies were selected.

The first case business NOKIA is an old Finnish company and was founded in 1865. In 1995, it focused on telecommunication businesses and in 2007 in mobile phone products and services, when the network systems business merged with Siemens and Nokia Siemens Networks was established. Nokia is the global leader in mobile telecommunications and has dominated the telecom market for years. Nokia shipped 2009 over 430 million units of mobile devices, average of over 1.1 million units a day and thus reaching market share of estimated 35% of mobile devices market. The transformation of Nokia from a company constructed of several different business areas, such as rubber, chemical, consumer and industrial electronics products, to company that has focus on telecommunication has been remarkable. Nokia made strategic decision to focus on one of its business areas, and has been able to grow significantly due to this strategic choice. Especially, this choice has been followed by long growth in sales of Nokia's mobile phones and thus Nokia has gained leading market position in mobile phone market. This success and growth makes Nokia mobile phone business interesting case example to study strategy orientation due to its ability to maintain competitiveness. In addition, the ongoing transformation of Nokia from mobile phones focused company to also as a provider of internet-based services, also make Nokia's mobile phone business relevant research case for strategy orientation. Nokia's strategy has been especially discussed by Doz and Kosonen (2008) from the viewpoint of strategic agility. Other academic papers written about Nokia cover e.g. topics from open innovation and innovation networks (Dittrich & Duysters 2007) Nokia's growth success factors (Häikiö 2002) and the fundamental change that Nokia brought to telecommunication industry (Steinbock 2001).

The second case company Blackberry Ltd (former R.I.M) is a Canadian leading designer, manufacturer and marketer of innovative wireless solutions for the worldwide mobile communications market. Through the development of integrated hardware, software and services that support multiple wireless network standards. Blackberry provides platforms and solutions for seamless access to time-sensitive information including email, phone, text messaging (SMS and MMS), Internet and intranet-based applications.

These both companies have had great changes in the market performance. This research aims at answering research questions:

RQ1: What is the framework to analyze strategy orientation with strategy typology?

RQ2: How do the case businesses strategy orientations and typologies change?

2. STRATEGY ORIENTATION

In the following paragraphs a brief description of the product oriented and market oriented strategies are presented.

Product orientation

The biggest difference of view for product oriented and market oriented company is the approach of which company following product oriented strategy drives to find as many uses and customers for its product as possible, in contrast to company focused to listening it customer, which tries to find the most suitable products as possible for its customers and then integrating these for value adding solutions Galbraith (2002). Galbraith (2002, 2005) defines the characteristics of product-centric company from 13 different viewpoints. Here the most important views from strategy point of view are considered to be the goal, main offering, value creation route, customer definition, organizational setup, reward priorities, the priority setting basis and the pricing.

According to Galbraith (2002) the goal of product product-centric company is to create the best product for customer. The definition of best product is something that separates the product from the competitors and can be sold-in for the customer using these rationales. The value creation route is the cutting-edge products, useful features and new applications. The organizations are built around product creation, as there are e.g. product business units. The organizational setup focuses on product profit centers and the reward focuses e.g. on the market share. Top management's focus on product reviews and the logic is that more features, capabilities of the products also create more value to product thus driving sales. The priority setting of strategic actions is thus based on portfolio of

products, which is the product oriented strategy point of view the main offering. Highest customer priority is given to most advanced customers which take into use the new features and applications created by the product oriented company. This is important due to fact that product oriented strategy fundamentally focuses on creation of competitive advantage by ultimate product capabilities, thus the adaption of new features is essential. Customers want to be locked to the feature richness thus preventing them to consider competitive options with less features or lack of applications.

Thompson (2000) describes the transformation journey of inward-focused product driven company via market-focused company to customer-centric company. The characteristics of company focused on the core competences, with certain inward-focus, also can be identified as part of the product oriented company's strategy (Hamel and Prahalad 1994)

Also the aspects of organizational setup and reward priorities together with measurement principles of success are essential aspects to consider. Product oriented company measures its success by the market share position, number of new products created, and the capability to lead by latest product features and top end applications.

We define the product focused or product-centric strategy in this research to be referred and synonymous as the product oriented strategy.

Market orientation

Brem and Voigt (2009) summarize the market pull to be "characterized by unsatisfied customer that creates new demand, which requires problem solving". The impulse comes from individuals or groups that state their demand; this impulse is then used for focusing company targets, resources and activities so that this demand can be satisfied. Day (1994) lists the market-driven company features to be a set of beliefs that puts customer's interest first, ability to generate and use information about customers and competitors, and the ability to coordinate resources for customer value creation. Day (1994) also adds that market orientation represents superior skills in understanding and satisfying customers.

According to Day (1994) market-driven companies know their markets deeply so that they are able to identify valuable customers. Thus these companies are able to make strategic choices and implement those consistently. These choices can be e.g. prioritization of customer requirement in the favor of most valuable customers or the service levels of which are offered.

According to Day (1994) the characteristics of market-driven organizations following market oriented strategy can be listed as following: offering superior solutions and experience, focus on customer value, ability to convert customer satisfaction into loyalty, drive to energize employees, anticipation of competitor moves by intimate market understanding, viewing marketing as investment and not as costs and leveraging brands assets. Customer value is something fundamental which the buyer, customer, recognizes to create benefit, so that is without any doubt something that the customer is willing to invest to get this service or product in to use.

Slater and Narver (1998) summarize market orientation to be continuous collection of target customers' needs and competitors' capabilities. This means that market orientation strategy drives the operational mode and organization of the company to be able to collect and analyze customer's needs. This is consistent with Hartline et al (2000) stating "market orientation to be organizational culture that creates effectively and efficiently superior value to buyers and thus excellent business performance". Slater and Narver (1995) describe the market-oriented approach to be "long-term, proactive, commitment to understand customer needs, both expressed and latent, and develop innovate solutions for ensuring high customer value". At the same time, market-oriented companies, understands, that different types of customers provide different levels of information and that customer voice is only one source of information for building strategies. This notion of balance is important part of the market-oriented strategy execution, in order to prevent loose of company's profitability, or that e.g. over executed customization efforts can lead loosing company's identity, company's branded assets. Sustainable competitive advantage achieved by the market-oriented strategy can be summarized to be based on the intimate knowledge of customers, ability to select the customers which to serve, and finally offering them unique product or service, which has been build based on the customer knowledge, and delivering it efficiently and effectively based on strategic focus.

The characteristics of both market orientation (Market pull) and product orientation (Product push) are summarized in the Table 1. The summary is built around four dimensions (Isoherranen et al 2011a,b,s,d) strategy focus, value creation, operational driver and culture.

Table 1: Strategy orientation characteristics summary

Strategy orientation characteristics by drivers	Market orientation, 'Market pull'	Product orientation 'Product push'
Strategy focus	a) Delivering most suitable product for the customer	a) Creating the best product
Value creation	b) Customer value	b) New features and applications
Operational driver	c) Ability to generate information about customers, "portfolio of customer information"	c) Creating portfolio of products
Culture	d) Long-term proactive drive to understand customer needs	d) Inward-focused, 'core competences'

3. STRATEGY TYPOLOGY

Miles et al (1978) and Miles and Snow (1978) have proposed a strategy classification of four distinct characters: defenders, prospectors, analyzers and reactors. The classification is based on assessment of how the company responds to the following three problems or challenges: entrepreneurial, which defines the organization's product-market domain engineering, which focuses on the choice of technologies and process for production and distribution administration, which involves the formalization, rationalization and innovation of an organization's structure and policy processes.

The **defenders** are companies which have a stable set of products or services and compete primarily on the basis of price, quality, and service. Defender organizations face the entrepreneurial problem of how to maintain a stable share of the market, and hence they function best in stable environments. The **prospectors** are defined as companies which are first in the market and have a very broad product-market definition. Prospector organizations face the entrepreneurial problem of locating and exploiting new product and market opportunities. The **analyzers** have been defined as companies, which have characteristics from both of the prior strategies and they seek a balance between stable and changing domains. Analyzer organizations share characteristics with prospector and defender organizations; thus, they face the entrepreneurial problem of how to maintain their shares in existing markets and how to find and exploit new markets and product opportunities. The **reactor** organizations do not have a systematic strategy, operational driver, or structure, they exhibit actions both of inconsistent and unstable. They are not prepared for changes they face in their business environments. If a reactor organization has a defined strategy and structure, it is no longer appropriate for the organization's environment. A reactor has no proactive strategy. They react to events as they occur and their response is inappropriate for the situation. Also the failure to execute defender, prospector or analyzer strategy can lead the organization actual strategy to be reactor approach. (Isoherranen et al 2011a,b,c,d)

4. ANALYSIS FRAMEWORK

Based on the literature synthesis strategy orientation framework has been created for the analysis (Table 2).

Table 2: Analysis framework

MARKET ORIENTATION				
	Defender	Prospector	Analyzer	Reactor
Strategy focus:	Delivering most suitable product for the customer			
Product-Market domain:	Narrow and stable	Broad and continuously expanding	Segmented and carefully adjusted	Not clearly defined
Value Creation:	Customer value	Customer value	Customer value	Customer value
Operational Driver:	Cost-efficiency Customer information	Flexibility and innovativeness Customer information	Technological synergy Customer information	Inconsistent and not optimized Customer information
Culture:	Long-term proactive drive to understand customer needs			
Organization:	Functional and line authority	Market oriented	Matrix oriented	Independent business units with loose connections

PRODUCT ORIENTATION				
	Defender	Prospector	Analyzer	Reactor
Strategy focus:	Creating the best product	Creating the best product	Creating the best product	Creating the best product
Product-Market domain:	Narrow and stable	Broad and continuously expanding	Segmented and carefully adjusted	Not clearly defined
Value Creation:	New features and applications	New features and applications	New features and applications	New features and applications
Operational Driver:	Cost-efficiency Creating portfolio of products	Flexibility and innovativeness Creating portfolio of products	Technological synergy Creating portfolio of products	Inconsistent and not optimized Creating portfolio of products
Culture:	Inward-focused, 'core competences'	Inward-focused, 'core competences'	Inward-focused, 'core competences'	Inward-focused, 'core competences'
Organization:	Functional and line authority	Products oriented	Matrix oriented	Independent business units with loose connections

5. THE RESEARCH PROCESS

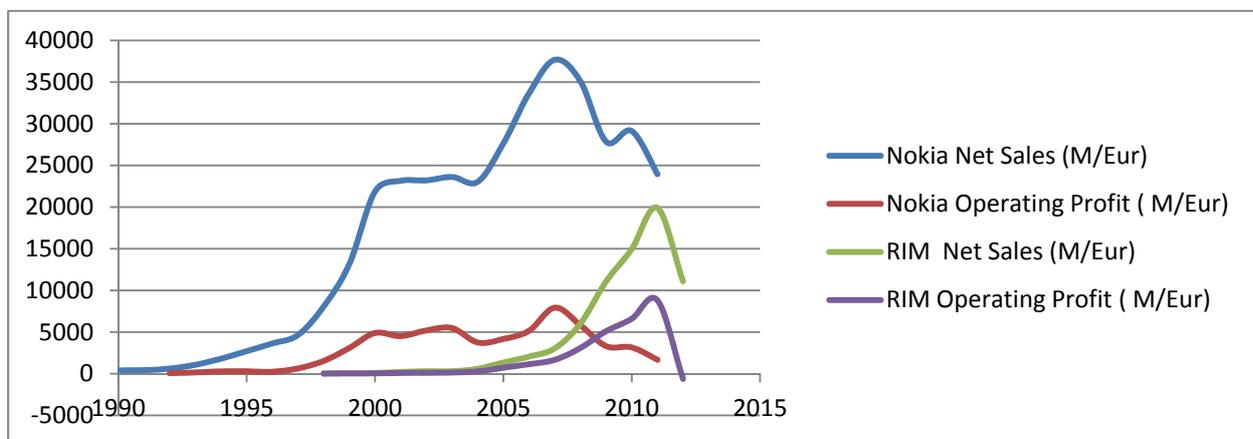
The strategy orientations and strategy typology (Miles et al 1978) were studied by using existing literature as a source. The output of the literature review was the synthesis in form of the analysis framework. This phase was followed by the case material empirical data collection. This empirical data was collected from the annual reports of the two case businesses. For the first case empirical material was collected through the years 1990 – 2009. This empirical data consisted of 20 case business annual reports. Time span of nearly 20 years was considered to be sufficiently wide in the fast changing telecommunication markets and to bring extensive knowledge on the case business

strategy development. Both the printed and electronic version were used to achieve rich insight on the case business strategy. For the second case company RIM / Blackberry empirical material was collected from years 1998 to 2009. The time span of 12 years was considered to give wide enough perspective to the research. The annual reports were available in electronic format.

The created strategy orientation and typology framework was then used to analyze the empirical case data of both of the case businesses. The analysis was conducted in four parts for the first case business (mobile phones case business). The phase's selection and timing was based on the analysis done in the previous research. For the second case company the analysis was conducted similarly using the framework but looking the data to find logical points when there was strategy focus change.

6. ANALYSIS AND RESULTS

The case companies have gone through significant changes as can be seen in the figure 2 which shows the sales and profit of the case companies throughout the research period.



Case1 Analysis

The case 1 business strategy during the 1990 to 1994 can be categorized as product oriented prospector. The strategy focus during this period is to create best product for the new market. This new market is created by the Global system for Mobile Communications (GSM) standard, the new digital communications standard. The case 1 business is one of the first ones to pursue this new product-market domain created by technology advancement in wireless communication, thus the value creation channel is to be able to create new applications to for this new technology. The operational driver is to invest on research and development activities, so that new market opportunities can be exploited on full scale. The product orientated strategy drives focus on internal capabilities development, together with securing enough commercialization capacity. This organization product oriented focus can be seen by establishment of new research and development sites.

The period of 1995-2000 the case 1 business continues to have the characteristics of product oriented prospector in the strategy according to the analysis framework criteria. The case business strategy focus and operational driver is on creation of broad portfolio of products with the most advanced features. Focus is on creation of the best product with the latest industrial design. The case business is involved in several technology areas, and drives to create efficient product creation capabilities. The product market domain is being constantly expanded by finding new segments of customers to serve. Thus the drive from strategy point of view is to find as many customers as possible for the products the case business is creating.

During the period of 2001 to 2006 the case 1 business strategy can be categorized as product oriented defender. The case business has established its position as market leader, and its strategy has focused on to protect its position. Case business has established product business unit to achieve economies of scale to its product creation and delivery. During this examined period the case business launches on several consecutive years over 40 new mobile phone models, thus aiming to create

widest portfolio of products in the industry. These new models contain the latest features, form factors, such as computer like keyboard for messaging and digital camera capabilities.

The period of 2007 to 2009 the case 1 business can be defined as market oriented analyzer. During this last analysis period there can be noted significant change in the case business strategy. The case business is searching for new market areas while maintaining its position on the current market it operates. The product-market domain is carefully adjusted and case business operates in matrix mode organization. There are indications from the strategy point of view to get closer to customers, and establishing specific solutions unit to serve the needs of customers to get the most suitable product. Similarly, the strategic customization efforts are raising their priority as well as customer information collection.

Case 2 Analysis

The second case company follows the strategy of product oriented analyzer during the years 1998 to 2000. This clearly stated in the Annual report from 1998 “Research In Motion is a world leader in designing, manufacturing and marketing wireless consumer and business-to-business electronic access technology for the rapidly emerging mobile personal communications market. Its product portfolio includes two-way pagers, wireless PC card adapters and embedded OEM radio modems. These products are sold to a range of major multinational companies, including wireless network suppliers, original equipment manufacturers, and value-added resellers.”

During the years case 2 company moves from product orientation to market orientation so that in 2001-2002 the company acts as a prospector and then in 2003-2004 as an analyzer. In 2005-2006 the case company again is more product than market oriented. There the characteristics of an analyzer are most visible.

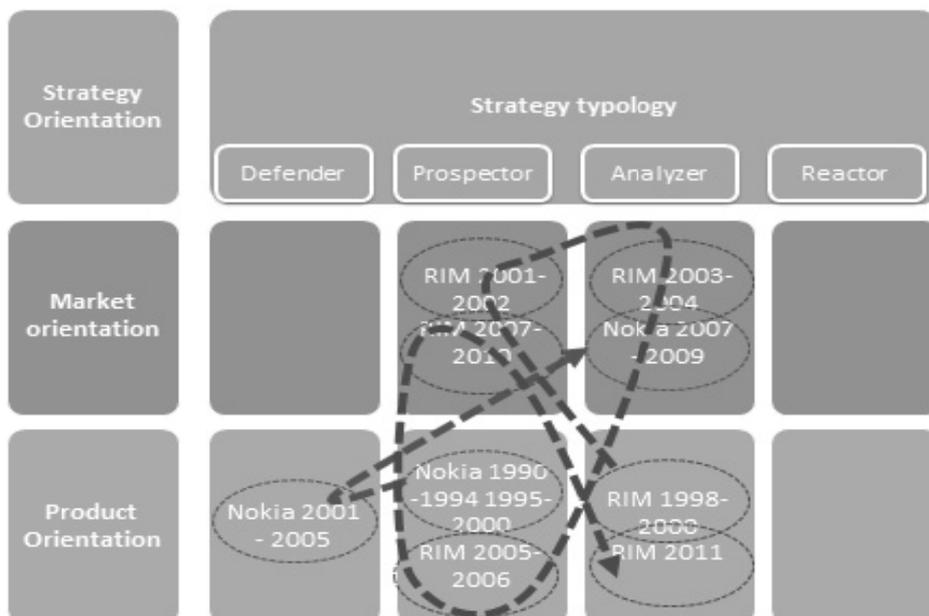
In the years from 2007 to 2010 the case 2 company has clear market orientation and has selected the prospector character as strategic orientation. “People love BlackBerry smartphones because they are intuitive, useful and reliable. BlackBerry smartphones help simplify life by giving people more flexibility to get things done when and where it’s convenient.” (Annual report 2008).

In 2011 the case 2 company seems to return back to its product oriented strategic approach.

Analysis summary

In the figure 2 the dynamics of the strategy orientation of the case companies is presented. The figure clearly shows the reorientation of the strategy through the years. It also shows that these companies have chosen a slightly different strategies but the final outcome has been close the same.

Figure 2: Changes in the strategies of the case companies



7. CONCLUSIONS

The purpose of this study was to use analysis framework for two dimensional strategy orientation fitted together with the strategy typology, both parts based on literature references, and then the aim was to utilize the framework to test with two case businesses strategy evaluations.

Answers to research questions can be presented as follows:

RQ1: The framework to analyze the strategy orientation with the strategy typology is presented in the Table 2.

RQ2: The case businesses strategy orientation and typology changes are summarized in the figure 2.

As conclusion from both of the case businesses results can be stated that the created strategy analysis framework is able to detect strategy change in both of the case businesses strategy

The limitations of this research are originated from the definitions of the analysis framework dimensions. The definition of market oriented strategies is in the field of strategy research quite new and there is discussion ongoing on the fundamental definitions and directions. Also the empirical material of both of the cases businesses has limitations due to its nature, as it gives overview on the examined period but many detailed or fine scale notations cannot be examined in further details. The view in this research is breath but shallow, in comparison to e.g. interview approach in empirical material collections where it is deep but narrow.

The areas for further research can include the framework testing in case businesses from different industrial areas, such as highly regulated markets or sports equipment companies. Overall the product or market orientation as source of competitive advantage are interesting area for further research.

POSTSCRIPT

Nokia decided in 2013 to sell its mobile phone business to Microsoft. The transition from Nokia to Microsoft took place in early 2014. The NOKIA signs in the NOKIA head quarters were replaced by Microsoft on April 26th, 2014. The final fiscal quarter of the Nokia mobile phone business showed a significant reduction in sales “Q4 2013 Highlights: Net sales were EUR 2.6 billion, down 29% year-on-year and 5% sequentially” The loss in mobile phone business in the last quarter of 2013 was 191 M€ (47 M€ in 2012).

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