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ABSTRACT

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Abstract

This qualitative desk study is mostly based on prior literature about development of Finland´s mobile phone industry and on invoked prior theoretical views, especially about technology adoption life cycle, global lead market benefits and industry cluster dynamics. The study sets to find out and understand what happened and why in Finland´s mobile phone industry in 1971-2007, especially in terms of activity in Finland in numbers of employed personnel. In the study, the industry is organised into first order firms serving end customers and second order firms serving first order firms.

World´s first industrially important mobile phone markets began in 1971 with Nordic "pre-cellular" services (ARP in Finland), dominating the scene for a decade as the global lead market, providing Nordic industry with a competitive advantage. Next Nordic service, the NMT, opened in 1981 and became a success also internationally. This prompted an accelerated realisation of the contemplated pan-European mobile service which opened in 1992 and became a huge global success.

Based on the outlined market evolution, Finland´s mobile phone industry emerged in early 1970´ies, with Salora SRP positioned best to exploit the opportunity and take the Nordic market lead with sustained fast growth and internationalisation. This led to formation of Mobira as a JV firm by Salora and Nokia in 1979. Inheriting Salora SRP´s leading Nordic position, Mobira achieved world-class status in early 1980´ies through sustained fast growth and further internationalisation. After acquisition by Nokia in full in 1982, Mobira´s name was changed first into Nokia-Mobira and finally into Nokia Mobile Phones ("NMP").

In 1990´ies NMP became the dominant business of Nokia Corporation and the dominant global player in the focal industry. The booming first order industry created a vigorous cluster of second order firms for supplying components, accessories and services. After year 2000, the tide turned, cluster growth and profitability stalled prompting second order firms to sharply downsize in Finland. By end of 2007, virtually all in-Finland manufacturing had ended at scrutinised second order firms Salcomp, Aspocomp, Perlos and Elcoteq. First order firm NMP behaved differently by continuing significant manufacturing in Salo, but even its expansion took place offshore, mostly in Asia. In aggregate, after year 2000, in-Finland activity of Finland´s mobile phone industry appears to have turned into decline, which evolutionary picture is in broad conformance with views in invoked theories about industry cluster dynamics.

To question "why" or what have been the root causes, the following view is proposed: At first, Nordic lead market, entrepreneurial drive to expand business with in-Finland activity and favourable factor conditions were driving the initial long-sustained growth phase of domestic activity in Finland´s mobile phone industry from 1970´ies to 1990´ies. After that, commodisation of technologies in GSM´s market tornado phase in 1990´ies, fast improving demand and factor conditions in China and India and eroding conditions in Europe and Finland prompted NMP to start off-shoring its manufacturing expansion, mainly to Asia. This compelled the second order firms to attempt to do the same, thus triggering offshoring of the cluster´s second order firms´ manufacturing activity from Finland.

Key words	Finland´s mobile phone industry, lead market benefits, industry cluster dynamics, ARP, NMT, GSM, Salora SRP, Mobira, NMP, second order firms, factor conditions, off-shoring, cluster decline
Further information	