Supply chain agility: Nokia's supply chain management success

Susan Fourtane - May 30, 2014

Some companies have proven they can reinvent themselves, remaining current and agile despite supply chain disruptions. This is the case of Nokia Corp, a Finnish company founded in 1865 as a paper mill. The company's evolution offers a broader lesson to the industry.

Nokia did not start manufacturing phones until 1982. The company's interests and businesses were diverse: telecommunications, consumer electronics, rubber, and cable kept it busy until 1992, when it gave its telecom business all its attention and focus and closed down the others. By making this strategic decision, Nokia became a global leader in telecommunications by 1998.

A history of adaptation in supply chain management

Industry experts have been fascinated by Nokia's ability to manage and adapt its supply chain over almost 150 years. According to the experts, the secret is its supply chain management and its long-term relationships with its suppliers, which make the company ideal for case studies.

The Harvard Business Review published such a case study in 2012 (subscription required). Throughout the study, we learn how Nokia's effective chain of command, its well-placed crisis plan, and an aggressive, multi-pronged strategy helped it avoid production losses for its new cellphone when a March 2000 fire damaged its entire supply of semiconductor chips at the Royal Philips Electronics plant.

Having a strategic risk management plan in place can help you avoid, or at least alleviate, financial difficulty. In a world where supply chain disruptions are simply inevitable, handling them successfully can lead to a happy. The Harvard Business Review case study contrasts Nokia's supply chain management success with the not-so-successful ending the Swedish company Ericsson experienced (with serious financial consequences) when losing its semiconductor chip supply in the same fire delayed production of its new mobile phone.

Lessons from Nokia on supply chain agility

A research paper published in the International Journal of Physical Distribution & Logistics Management in 2006 points to the ways that Nokia Networks' demand planning can make supply chain networks more agile. The authors take lessons from Nokia's integrated project management
program, which is based on the implementation of a "truly customer-focused delivery process."

The researchers found, "Supply chain agility does not just happen but requires continuous planning," something Nokia Networks has mastered.

According to the paper, there are several ways companies can implement agility into operations:

- Promoting the flow of information with suppliers and customers
- Developing collaborative relationships with suppliers
- Designing for postponement
- Building inventory buffers by maintaining a stockpile of inexpensive but key components
- Having a dependable logistics system or partnership
- Drawing up contingency plans and developing crisis management teams

**Building Nokia's global supply chain management success**

Since 1995, Nokia’s SCM approach has been to create the most efficient supplier network in order to offer the best solutions and meet customer expectations. The pillars for the company's success include:

- Creating value-based partnerships with suppliers backed by factual information
- Leadership
- Flexibility
- Trust

"Making the impossible possible through collaboration" is one of the company’s well-known and often-used mottos. Following this approach, it has made its supplier network a central element of efforts to reach its corporate objectives:

- Great products
- Operational excellence
- Customer satisfaction

Nokia's leadership philosophy responds to four elements: head, heart, hands, and sisu (a Finnish word that may be roughly translated into English as "guts"). That last one plays an important role in making the impossible possible at Nokia.

Below, Max Sjöström from Nokia Oyj talks about gaining a competitive advantage with supply chain.

*This story is part of the Special Report: Top 25 global electronics distributors. Read more from this report including coverage of the evolving market, the supply chain, the impact of big data and the IoT, and more, below.*

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