

Understanding Nokia's smartphone strategy decision

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Executive Summary

- Nokia's smartphone strategy is a profound change for the company, marking the end of an era.
- A strategy change became necessary in the face of declining market share, caused by intense competition from its rivals in the smartphone space.
- Nokia's current situation is not untenable, but the concern is what the situation will be like in two or three year if no changes are made. Big strategy changes are not about the now, but about the next.
- The thinking behind the decision is based on Nokia CEO Stephen Elop's contention that "the battle of devices has now become a war of ecosystems".
- The cost of porting Symbian to new hardware and developing the next generation of the platform limited the effective life of Symbian. Nokia had already realised this and was positioning MeeGo as a successor.

- Qt is an elegant cross platform development framework, but its existence, in the mobile space, is largely tied to MeeGo and Symbian.
- MeeGo is not yet ready yet. The risks involved in Nokia waiting for MeeGo to be ready are perceived to be greater than switching to another platform.
- Nokia correctly foresaw the need for a surrounding ecosystem, but has struggled to fully implement its Ovi vision and, as a result, it now has a perception problem.
- It is becoming difficult for one company to do everything (hardware design, manufacturing, operating system, applications, developers, location, content services, advertising, etc.) as the competencies involved in building a competitive ecosystem grow ever broader.
- Android was always an unlikely option because the business case justification was weak.
- Windows Phone offers a modern UX with good underlying technology. However it has significant holes in its feature set that will need to be addressed.
- The agreement with Microsoft and the use Windows Phone allows Nokia to differentiate its devices from its main Android and iOS powered rivals.
- Nokia and Microsoft are well positioned to jointly build a viable and competitive mobile ecosystem in which both companies have a near-equal equity stake.
- Nokia's decision to switch to Windows Phone was primarily driven by the need for a competitive, viable and sustainable ecosystem, rather than any concerns with the underlying technology (operating system).

Introduction

Prior to February 11th, Nokia's strategy in smartphones was to use the Symbian and MeeGo platforms, linked by a common developer environment (Qt) and service layer (Ovi). MeeGo would be used in the highest end devices, with Symbian in everything else. Underlying this was an assumption that MeeGo would, in the longer term, gradually erode Symbian. Crucially, Nokia would control all areas - in both software and hardware. This 'go it alone' attitude has been a driving force behind Nokia's smartphone software strategy for the last decade. Put more simply, Nokia wanted to 'control its own destiny'.

In the run up to the announcement, speculation centred around Nokia introducing an additional platform, with Windows Phone emerging as the most likely option. When the

new strategy was announced, there was a palpable sense of surprise - very few in the industry, even amongst Nokia's harshest critics, anticipated the speed or depth of this unprecedented change in Nokia's smartphone strategy.

The impact is made all the greater because Nokia's new partner, Microsoft, is the very company it sought to avoid a decade ago for fear that mobile device manufacturing would become a commodity business. This really underlines how much things have changed in the last 15 years. Commoditisation is still a long term danger, but the short term danger from smartphone competitors is a far bigger threat.

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So make no mistake - this is the end of an era for Nokia. Its totemic smartphone software business will be washed away. While significant software engineering capacity will remain, the idea that Nokia has the capacity to solely create and shape trends in mobile technology on the cutting edge is gone. This is a profound and abrupt change for the company; along with the inevitable job losses, there is an impact on the psyche of the company and the morale of its employees. This shock is also transmitted to associated companies, Finland as a whole, and many of Nokia's fans.

In the week following the announcement, we've seen a broadly positive reaction from the industry. The large majority of those I spoke to at MWC thought that Elop, Nokia's CEO, had made the right decision, albeit with widely varying views on how successful the new strategy would be. However, at the same time, as is apparent from many of the comment threads both here on AAS and on many of Nokia's online properties, amongst existing Symbian users and developers there were more negative reactions. Within the AAS team there's a range of opinions, but a common sense of loss. We all grieve for the eventual loss of Symbian and cutbacks to MeeGo and do wonder what might have been...

The pains of Nokia

The pains that have afflicted Nokia in the smartphone space in the last few years have been well documented: declining market share, device resourcing mis-steps (most notably in the N97), developer frustrations and a poor service layer implementation.

Above all, it has been clear for some time, as we have noted on numerous occasions, that Nokia has been unable to sustain its position at the high end of the smartphone market.

This is best seen when drawing a comparison with Nokia's dominant smartphone market position five years ago, exemplified by the release of the Nokia N95, with its position today.

To an extent, the severity of the issue facing Nokia has been glossed over by the impressive growth into the mid tier and low end smartphone space. The growth here means that Nokia has remained the biggest manufacturer of smartphones by some distance.

Nokia's current position is not untenable, but the contention is Nokia can not continue on its current path. The biggest concern is not the position now, but what it would be in two or three years time if no changes were made. Strategy changes of this nature are not about the now, they are about the next. This means things are likely to get worse before they get better.

Elop bluntly stated the problems that Nokia face in his now famous 'burning platform' memo. He concluded that Nokia has failed to keep pace with market disruptions from its rivals and is therefore lacking in competitiveness, that the battle of devices has been superseded by a battle of ecosystems and that Nokia has lacked accountability and leadership to drive the company through changing times. While some may quibble over minor points, it is fair to say that there is general acceptance of the broad thrust of Elop's arguments.

A common theme in recent assessments of Nokia is that bureaucracy has directly impacted on its ability to execute strategy. This seductive siren call is not an unfair assessment, but it is sometimes a too convenient catch-all for a wide range of issues. Going forward, the importance of fixing the execution issue is common to any strategy that is to be followed.

Elop's decision and underlying thinking

This brings us to the decision that Stephen Elop had to make. In the light of the problems that Nokia was facing there was a clear consensus that action was necessary. In Elop's own words, there were three choices:

"Clearly, we were assessing three different paths forward for the company. There was the largely internal option, taking advantage of MeeGo and Symbian. The second option, clearly, was to make a decision to pursue Android and to place a significant bet on the Android ecosystem. The third choice we had was to enter into a partnership with Microsoft to build jointly an ecosystem around Windows Phone."

The key to Elop's thinking in making the choice lies in his thoughts on how the mobile device market has changed:

"The battle of devices has now become a war of ecosystems."

Ecosystem is not a new word in Nokia strategy. Traditionally it has referred to the grouping of companies involved in the creation of a device (Nokia leading, but with contributions from silicon providers, integrators, software component providers and operators). More recently, this was expanded to include third party software and services, but the sense of building round a device remained.

However, it is clear that Elop defines ecosystem much more widely:

"Where ecosystems include not only the hardware and software of the device, but developers, applications, ecommerce, advertising, search, social applications, location-based services, unified communications, and many other things."

This new ecosystem definition is a better reflection of the current state of the smartphone space. As the traditional platform versus platform debate gives way to an ecosystem versus ecosystem debate, a much wider number of factors need to be considered. This, in turn, means it is no longer a purely technology and engineering led debate. Rather, the creation of the surrounding ecosystem becomes the paramount factor.

Thus the choice of strategy for Nokia becomes a question of which option would give the best chance of building a sustainable and viable ecosystem around Nokia products?

So let's take a look at each of Nokia's three options to try and understand its recent strategy decision.

Option 1: MeeGo and Symbian

Technology (operating system)

Symbian has, in the last few years, faced a barrage of criticism. The most commonly cited example is the continuing debate around the Symbian user experience (UX). However, in the longer term its architectural legacy and the cost of porting Symbian to new hardware are more important factors. Essentially these factors, together with the resource constraint characteristic that has enabled Symbian's success to date, meant the cost of developing the next generation (i.e. 3 years time) of the platform would be expensive. Furthermore Symbian's biggest advantage, allowing the ability to build low cost devices (low BOM) is gradually being eroded, both by improvements in other platforms and by falling hardware component costs. Nokia was well aware of these factors, which is why it planned for the introduction of a next generation Linux based platform (Maemo/MeeGo).



This does not mean that Symbian no longer had any value. It had clear potential to continue as a mid tier platform for a significant period of time. Indeed, by weight of numbers, it would have remained Nokia's primary smartphone operating system for some time to come. However, it does mean, especially in the light of the Qt connection, that its future was bound up with Nokia's next generation Linux platform.

It's undeniable that the issues facing Symbian have been compounded by a number of evolutionary and management decisions that, over the years, became a ligature strangling the wider and continued development of the operating system. It may be interesting to ask what might have been, but in the context of Nokia's strategy decision, it is largely irrelevant.

The issues with Symbian described above led directly to the adoption of Maemo as Nokia's platform for its next generation of 'smart' mobile devices. This had been long planned, with Linux development starting as far back as 2002. The acquisition of Trolltech in 2008 gave Nokia Qt, a much improved developer environment, and the bridge it created between the two operating systems allowed for a common ecosystem. Despite its cross platform elegance, Qt presence in the mobile space is largely tied to that of Symbian and MeeGo. While it can be ported to other mobile platforms, it would never be the primary framework of those platforms.

At acquisition, Qt was not mobile-ready. Neither the Qt Mobility APIs or QML and its related components have arrived quickly enough. The issues around Symbian's legacy architecture are neatly illustrated by the amount of time it took to integrate Qt into the platform. The time it took to bring Qt to Maemo and MeeGo is harder to explain, especially given that Qt was already running on Linux. On balance, the problem here lies more with integration into Nokia's software engineering culture and processes rather than the Qt environment itself. With that said, it is important to note that Qt is not a magic bullet, as is amply demonstrated by the failure of the Qt-based Orbit (Symbian^4) and Direct UI (Maemo / MeeGo).

Maemo's (and subsequently MeeGo's) ambitions, open source philosophy and technical architecture gave a level of reach and sophistication that sat well with Nokia's ambitions of playing right across the market and expanding into emergent disruptive markets.



The creation of the open source-based Maemo with a relatively small engineering team was both admirable and impressive. However, the N900 clearly showed that this was not yet a platform that was ready for commercial scale in either specification or design. Nokia threw engineering resources at the problem, but adding engineers rarely leads to a directly proportional decrease in development time. The merger with Moblin to create MeeGo gave additional credibility, scale and engineering resources, but also added further delays.

Put bluntly, MeeGo isn't yet ready for the role it was envisioned for. How quickly this might be resolved is a matter for debate. The first device will arrive this year, but it is unclear how quickly and how widely this could ramp up. It is entirely possible that MeeGo might still be ready in a similar time frame to the Windows Phone transition. But that does not matter, it is seen to be a significant risk, especially given Nokia's track record in delivering on software engineering targets. Ultimately, the market and Nokia investors are likely to be more forgiving of a transition delay than another delay in current strategy.

Ecosystem

Four years ago, drawing comparisons with the move to mobile telecommunications in the 1980's, Nokia's leadership spoke of the need for the company to transform itself into a 'software and services' company. The awareness of the need to build an array of services around its products was realised and given shape in the form of the Ovi services portfolio.

Nokia was far sighted here, but it failed to fully deliver on its vision. In retrospect, it was an unbelievably ambitious goal. It's hard to escape the conclusion that Nokia had the right idea but failed to execute it properly. Among the Ovi services, there have been some total failures, most obviously N-Gage, but there are some notable highlights too. Ovi Maps is industry leading and both Ovi Store and Ovi Music offer impressive geographic reach. Nokia's overall performance in emerging markets, for example with Ovi Mail, has been encouraging, but is largely restricted to Series 40 devices.

The biggest failure in the Ovi strategy is that Nokia fundamentally underestimated the importance of third party applications. Ovi Store was slow to arrive at the start line of the app store race and the early implementation was poor. While the implementation has improved markedly, it is still fundamentally limited by an inadequate software catalogue, which is the direct result of failing to fully connect with developers and build the services, tools and platform requirements they needed to create a sustainable business.

In a similar way, Ovi Music has been put in the shade by Apple's iTunes. Apple's iPod incumbency is a big factor here, but the failure to deliver a comparable user experience (DRM, catalogue scope, ease of use) must also be counted as a missed opportunity.



In choosing to continue with Symbian and MeeGo, a critical issue for Nokia would be that their related ecosystem is already somewhat discredited, overtaken by its competitors. The argument that past performance is a good indicator for future performance may be unfair, but is hard to escape without a visible change, such as that provided by transitioning to another platform. Put simply, Nokia has a perception problem. As far as many companies are concerned, especially those in the US, Nokia is not currently part of the smartphone landscape. That's why we've not seen the Kindle app on Symbian, it's why the vast majority of demos at this year's MWC were done on an iPhone or Android device (a sharp contrast to five years ago) and it's why the media, even in Nokia's European heartland, is dominated by its rivals.

But I think there's a bigger issue. As the elements that are encompassed by the ecosystem definition expand, I believe it is becoming very difficult, if not impossible, for any single company to build out a complete ecosystem on its own, especially if they wish to address the entire mobile market.

It is instructive that neither of Nokia's two major ecosystem competitors try do everything themselves. Google has its manufacturing partners and is missing some service offerings (e.g. music and video). Similarly Apple, who in any case only serve a relatively narrow vertical market, effectively outsources its manufacturing and brings in (for example) location services from Google.

Option 2: Android

The business case

With Nokia's market share heading downwards, it became fashionable to suggest that Nokia should release an Android device. Android's greatest advantage is that it offers an existing viable ecosystem. But the business logic for Nokia going Android has never been clear. Nokia would be obliged to surrender too much of the value and differentiation ability, most obviously in services and advertising, to Google.

The word "ANDROID" is displayed in a large, bold, black, sans-serif font. The letters are thick and have a slightly rounded, blocky appearance. The 'A' is particularly prominent, with a wide base and a curved top. The 'O's are also large and have a consistent thickness. The overall style is clean and modern.

A partnership between Nokia and Google would not have been one of equals; choosing Android really would have been raising the white flag of surrender. Nokia still believes it can significantly differentiate its devices from its rivals, in large part by helping to build a cohesive and sustainable ecosystem. The subtle difference between joining and helping to build an ecosystem, and the associated value sharing that goes with each option, is ultimately what made a Nokia tie up with Google highly unlikely.

Other factors, such as a lack of operator enthusiasm, ferocious competition within Android, weaknesses in Android's architecture and governance model, and potential legal complications may have also played a role, but in my opinion Nokia would have found it difficult to look beyond the basic business logic, before these and other issues had even begun to be considered.

Option 3: Windows Phone

Technology (operating system)

Windows Phone 7 was launched at MWC in 2010, with the first devices arriving on the market in October 2010. It represented a near complete break from Microsoft's previous efforts in the mobile space. As such, it can be regarded as a young platform, but it should be appreciated that some of the underlying technology has a longer history.

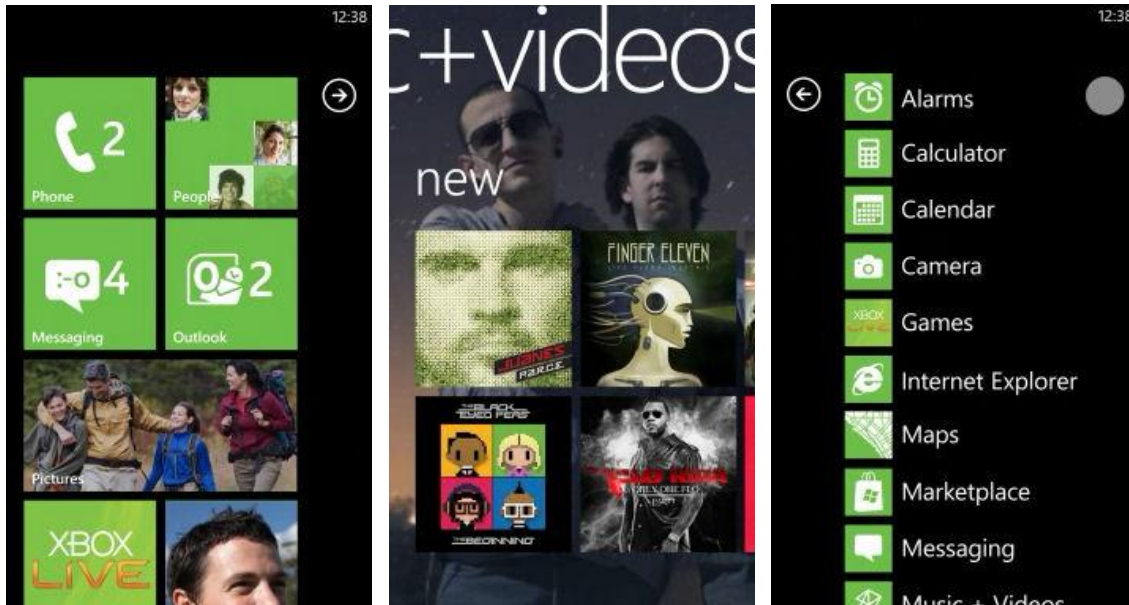


Windows Phone 7 is based on the Windows Embedded Compact 7 core, the latest version of Microsoft's embedded operating system (previously known as Windows CE). The operating system, especially in its more recent versions, is generally well regarded and used in a very wide variety of embedded devices.

On top of this core, sits the Windows Phone UI, codenamed Metro, and associated software suite. The design language of Metro is a significant departure from the traditional grid and list-based mobile UI. This directly addresses the most common criticism that Nokia has faced with Symbian, that of an inadequate UI/UX.

Nonetheless, the move to Windows Phone will be an abrupt change for existing Nokia users and may not be universally welcomed. The path of familiarity from Series 40 will also be lost, potentially making it harder for Nokia to upgrade its mobile phone customers to its smartphones.

A more significant issue is that of the holes in Windows Phone 7's feature set, when compared to Symbian. The best known of these is the absence of third party app multi-tasking, but other areas of concern include VoIP support, video calling, tethering, HDMI, Bluetooth serial, USB Mass Storage, USB OTG, custom ringtones, depth and richness of API support, and more. We'll look at this specific area in more detail in a future article to highlight some of the work Nokia and Microsoft will have to do to achieve a greater degree of feature parity.



At this stage, it not really possible to provide a full assessment of what Windows Phone technology means for Nokia devices. That will only be possible once the first Nokia Windows Phone devices arrive. However, in general, a key performance indicator for Microsoft and Nokia will be whether a consumer comparing the functionality of a new Nokia Windows Phone device to an older Nokia Symbian device finds any major negative differences. This includes not only definable feature requirements, but also more subjective performance characteristics, such as battery life and software stability.

Ecosystem

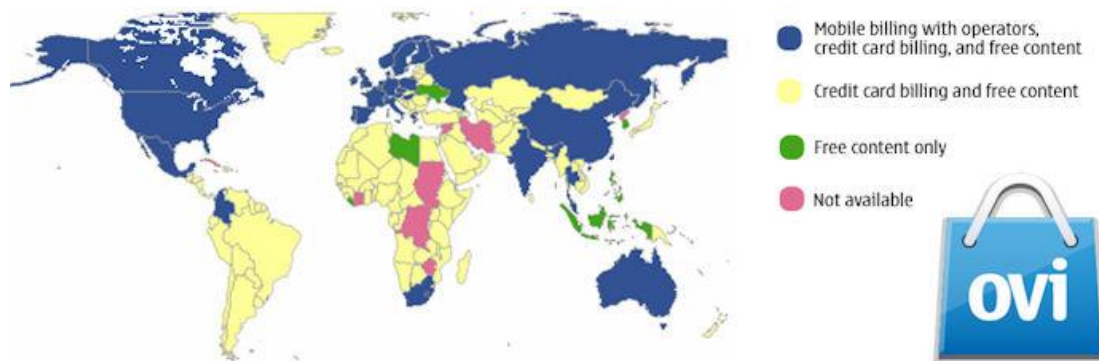
In the press releases announcing the Microsoft and Nokia partnership, it is telling that, in their respective quotes, both Stephen Elop and Steve Ballmer emphasised the ecosystem that the two companies could build together. While the licensing of Windows Phone by Nokia is the starting point for the partnership, it is quite clear that the ability to build an ecosystem together was the driving force behind the deal.

The hardware and software parts of the deal are at first glance obvious, with Nokia providing hardware and Microsoft providing the software. However, it is important to appreciate that these are not indivisible competencies. Microsoft will draw heavily of Nokia's expertise as it evolves Windows Phone, especially as it seeks to move the operating system into lower cost devices. Moving forward, a close working relationship on the software engineering side, with contributions from both companies, will be vital if the partnership is to reach its full potential.

At this point it is worth reminding ourselves of the significance of Nokia's scale in the mobile device industry. As a company, Nokia touches more consumers than any other and does so with that most personal of products - the mobile phone. Scale is the single most vital prerequisite for a viable ecosystem - it doesn't matter how good the products and services are if you can't get them into peoples' hands.

In entering a strategic partnership Nokia and Microsoft are seeking to combine different service assets to jointly build a sustainable and viable ecosystem in mobile. So what are these respective contributions?

Nokia, because of its global focus, has done a far better job of taking its services outside the core Western European and North American markets than its competitors. This by product of Nokia's scale means that it has significant infrastructural assets in key services areas. For example, Ovi Store has billing arrangements with more than 100 operators in 34 countries. Similarly, its Ovi Music service is operational in many more countries than Microsoft's Zune. Setting up the necessary licensing agreements and infrastructure for these operations is a very significant time and financial investment.



Nokia's biggest service contribution is its location assets in the form of Navteq and Ovi Maps. The importance of the current generation of location and mapping services is already well appreciated. But, more importantly, location is also the key component underlying the trend towards contextual awareness, which provides that vital bridge between the physical and digital worlds, and will, in time, radically change the way we interact with technology.

Microsoft will be contributing its advertising assets. Microsoft's adCenter will be used to serve advertising across search results and services on Nokia devices. The two companies also specifically identified new advertising opportunities related to local services as being significant. Given the rapidly evolving business models being built around advertising, especially in the mobile space, there is obviously scope for a great deal more here. Nokia has tried to get into the advertising space before, with the Enpocket acquisition and related Nokia Ad service, but was never able to gain any real traction. So for Nokia, the potential new revenue stream could be one of the most significant outcomes of the deal.

Microsoft will also contribute search (Bing) and gaming (Xbox) services. Xbox, in particular, could be a significant draw for consumers and there's a very real potential to provide console integration that none of the competing ecosystems would be able to match easily.

There are also areas where both companies have similar existing operations. The most obvious of these are in music (Ovi Music/Zune) and developer services and their related app stores (Ovi Store/Marketplace).

Nokia and Microsoft have been curiously quiet on music services details. During the partnership announcement and subsequent discussions, neither music brand was directly mentioned, suggesting the details are still to be worked out.

Microsoft's Zune provides a more elegant user experience but is only available in a limited number of countries. Nokia's Ovi Music is more widely available and will need to be retained for Nokia's Series 40 devices. Regardless of how the two services are amalgamated (or not), the companies do have strong music assets in place.

The switch to Windows Phone means a switch to Microsoft's developer environments (Silverlight and XNA) and associated tools. Microsoft has built a business around providing excellent developer tools and support and its current mobile offering is generally regarded as first rate. The switch to Windows Phone is likely to attract developers who were previously unaware of, or ignoring Nokia, but there is no denying that it will be painful for existing Nokia developers.

Both Microsoft and Nokia have extensive teams helping to support their developer ecosystems. Both have their strengths and weaknesses. For example, Nokia sometimes struggles to clearly communicate the credibility of opportunities it offers, but has enjoyed success in building connections with developers by connecting at a local level.

In terms of app stores, the details are also still being worked out, but it looks like an Nokia branded store will live within the infrastructure of the Windows Phone Marketplace. Content will be accepted by both Microsoft (App Hub) and Nokia (though Ovi Publish).

There's a lot more to discuss here, so we will look at the issue for developers in more detail, including the impact on Qt, in more detail in a future article. Ultimately though, developers are (mostly) rational and will move to the ecosystem where they can make money.

The idea that Nokia's and Microsoft's service assets can be combined in an ecosystem which is greater than the sum of its parts is beguiling. A great deal will depend on execution and how well the two companies can mesh the components together. Nonetheless the potential is clear - a combination of Microsoft and Nokia offers the opportunity to create a very competitive challenger in the mobile ecosystem war.

Differentiation

A critical factor for Nokia, regardless of platform, is the ability to differentiate its phones from its competitors. After all, this is what persuades someone to buy a Nokia device rather than a competing device.

At first glance, Windows Phone, with its limited customisation elements and tight chassis specification, seems to offer only limited possibilities. The most obvious of these is through Nokia's hardware design capabilities and specialisms (e.g. imaging). On its own, this is a strong differentiating element, but I believe there are three additional points that should be considered.



Firstly, during the strategy announcement, it was made clear that additional chassis specifications (classes of devices) will be introduced, catering for different and lower priced devices. Indeed, Nokia is likely to be instrumental in helping author these specifications. Thus the limitations of the chassis specifications are likely not a major concern.

Secondly, it was made clear that Nokia would have the ability to customise any part of Windows. Intriguingly, Elop suggested that Nokia would not necessarily do so, recognising consistency within the Windows Phone ecosystem could be a significant asset. That, of course, still leaves plenty of room for a variety of Nokia-only applications and services. It seems reasonable to think that a Nokia Windows Phone device might be able to offer significant software and hardware advantages over a vanilla offering.

Thirdly, it is likely that Nokia will come to dominate the Windows Phone device line up. It's not hard to imagine Nokia devices making up 80% or more of Windows Phone shipments. That level of dominance will also give Nokia the greatest voice in shaping the future of the platform and it clearly becomes Microsoft's favoured hardware partner. It's going to be interesting to see how Microsoft's other hardware partners react - there's a real possibility that one or more of them will stop making Windows Phone devices, on the basis that it is going to be hard to compete with a Nokia which has (now) fully committed to the platform. It is not too much of a stretch to suggest that it may get to the point where Nokia smartphones and Windows Phone become almost synonymous with each other.

Critical to the ability to differentiate, is to ask what devices Nokia will be needing to differentiate against. Elop made it clear that his number one priority is to compete with Android. So the answer here is Android and, to a lesser extent, iOS devices. Differentiating against these devices from within the Windows Phone ecosystem is

relatively easy. In other words, the competition Nokia faces outside the Windows Phone ecosystem is a far bigger issue than any competition it will face within it.

Contrast this situation with what would happen if Nokia went with Android. It might still end up as the biggest player within Android, but it would not be dominant and would face ferocious competition from within its chosen ecosystem.

Conclusion

For me, the discussion around Nokia's smartphone strategy decision comes down to this simple question: Could Nokia be successful in the smart devices space by following a 'go it alone' strategy? There are two answers to this question, each of which leads to a different strategy. If yes, continue the Symbian-MeeGo-Qt strategy. If no, a strategic partnership with Microsoft and a switch to Windows Phone offers the best way forward. In both cases, Nokia will need to improve upon its execution.

The trouble is that there are so many factors and uncertainties involved that it is just not possible to give an absolute answer to the question above. To an extent, it means the decision then comes down to assessing relative risk and potential return.

It is possible to make a strong case that Symbian-MeeGo-Qt remains a viable option from a pure technology perspective; indeed, it may even be the most technically advanced. Symbian's sophistication remains undiminished and MeeGo's scope, philosophy and architecture seems well equipped to address a multi device segment world. However, the ecosystem factor means that this is not enough on its own.

In the smartphone space, who are Nokia's biggest competitors? Answer - Google and Apple, and perhaps RIM too. The current competitiveness of iOS, Blackberry and Android devices is of course, in part, related to their hardware and software functionality, but it does seem that their most significant difference to Nokia is their surrounding ecosystems.

This lends heavyweight support to the argument that the smart devices space has indeed become a battle of ecosystems. It means that to be competitive you have to have a viable and sustainable ecosystem and, as such, it becomes the critical factor in deciding what strategy to follow.

Nokia's track record in building its own ecosystem has been mixed. With the limited time available, it is difficult to see how it could change this on the scale required to be competitive. Part of the problem here is that the ever increasing competencies required to build an ecosystem make it difficult for any company to succeed alone.

Participating in a jointly built ecosystem with Microsoft makes a lot of sense. The companies are complimentary; with the obvious exception of mobile operating systems themselves, there is surprisingly little overlap. Each company has assets that the other needs - meaning that there's a mutual dependency and joint equity in the ecosystem. Nokia becomes the dominant manufacturer in the ecosystem almost immediately and is

able to have meaningful differentiation from its main Android and iOS competitors. As a secondary consideration, a joint approach also arguably allows Nokia to concentrate on what it is best at, rather than spreading itself too thinly.

So in assessing the relative risks and potential return between the two strategies, my opinion is that by following the 'go it alone strategy' Nokia would see a continued gradual decline in the face of intense competition and a less competitive surrounding ecosystem. By contrast, partnering with Microsoft offers Nokia the opportunity, although not the guarantee, to reverse its recent decline and potentially return to its dominant position in mobile.

Undoubtedly, Nokia is taking a big gamble with its new smartphone strategy. Inevitably, questions get raised around the wisdom of partnering with Microsoft. Some of the concerns are addressed by appreciating that Microsoft is a changed company in the light of the rise of Google and other competitors. Furthermore, this is a partnership of a bigger scale and more equal footing than anything else Microsoft has done in mobile. But I think there is another factor to consider; namely that this strategic partnership is just as important for Microsoft as it is for Nokia.

Nokia provides Microsoft with the swing factor; taking Microsoft from an also ran to a serious challenger in the mobile ecosystem war. Bearing in mind the important role mobile is certain to play in the evolution of the tech landscape over the next decade, this is, for Microsoft, an almost priceless opportunity. If it can't succeed with Nokia in mobile, it will not succeed with anyone. It's no exaggeration to say a failure to perform in the mobile would have dire consequences for the future of Microsoft as a whole. Nokia clearly are taking an enormous bet on their new strategy, but I think the stakes are just as high for Microsoft.

Ultimately this mutual dependency is why I think Microsoft and Nokia will give everything they can to make this partnership succeed. And it's why I think these two giants will ultimately find success together.