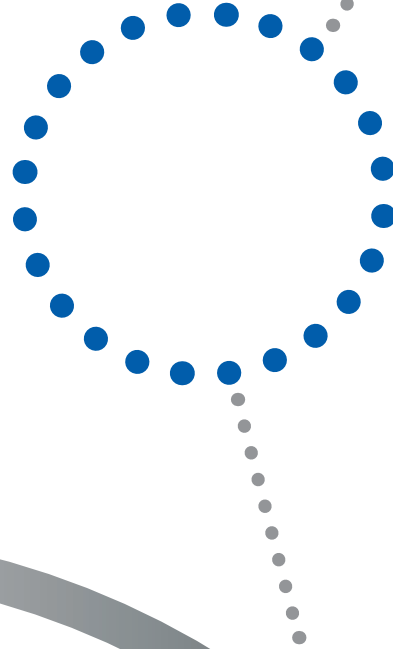




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**Strategic tensions within the smartphones industry:  
the case of BlackBerry**

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## Strategic tensions within the smartphones industry: the case of BlackBerry

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*This paper reviews some aspects of corporate strategy in a well-known smart phone provider. Two approaches to strategy are analysed: one concerning the industry and the other related to the organization. A general introduction on the smart phones industry is given followed by specific background on BlackBerry. Two perspectives are explored: the first talks about the paradox of compliance and choice within the industry and the second discusses the paradox of control and chaos in BlackBerry. The paper concludes with a brief overview on the company performance from 2006 to 2012 leading to some recommendations.*

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### Keywords

*BlackBerry | smart phones | corporate strategy | competitive strategy*

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## The smart phones market

Smart-phones have become ubiquitous products: for instance in the UK more than nine in ten of consumers owning at least one mobile handset (Mintel, 2013). These are multifunctional devices in which the telephone call function is no longer the primary use. Different generational cohorts are using them for various purposes: Web surfing, social networking, gaming, music and media consumption, location and navigation, and information searching, and using sundry special applications demonstrate their versatility and relevance in use. They rival other delivery platforms in use levels and mobility combined with physical design make them powerful tools and desirable objects. There is no doubt that smartphones become an essential product consumers must have. Many people consider smart-phones as an extension to themselves and an instant connection with their family, friends, work and the whole world (Sysomos, 2012). The sale of mobile phones has continued to grow during the second quarter of 2013 reaching 435 million units (Gartner, 2013). It represents 3.6% more than the same period of 2012, in which smartphones accounted for 51.8% (Gartner, 2013). Within this market, competitive rivalry is intense with firms competing with each other, trying to differentiate their product and aiming to boosting their market share.

Smart-phones are mobile devices powered by mobile operating systems (OS) which give greater computing capabilities and advanced features than regular cell phones (Key Note, 2013); therefore there is a difference between the hardware (device) and the software (OS). When talking about devices there are lots of companies providing such product: Samsung, Apple, BlackBerry, Nokia, Sony, LG, Motorola, HTC, etc. But, in regards to the software only few players in the market operate, contributing more than 99% of the total market share such as: Android, iOS, Microsoft (Windows) and BlackBerry (Gartner, 2013). Android (Google) is the market leader possessing 76% of the total market, followed by iOS (Apple)18% and similar market share of 3% for BlackBerry and Windows (Mobile Statistics, 2012). (Refer to Appendix 1 for more background).

## BlackBerry: company profile

BlackBerry, previously Research-In-Motion (RIM), incorporated in March 1984 is a wireless equipment and telecommunication company operating in the mobile industry (BlackBerry, 2013). This Canadian firm is mainly recognized as the creator of the BlackBerry brand. It creates software and hardware that provide platforms and solutions to access information including instant messaging, e-mails, browsing, internet and intranet-based applications, etc (Reuters, 2013). It started as a wireless data technology contributor, providing this service to various companies in Canada (BlackBerry, 2013). In 1999, following years of intensive innovation RIM introduced its first device under the name of BlackBerry 850 (Khattar, 2013). After a couple of years the company launched a new device BlackBerry 5810 with more options, but the problem was the lack of basic features of a mobile phone where there was no microphone and even no speaker. The company has faced a legal patent case against NTP Inc which claimed that RIM has infringed on patents held by NTP, this has forced RIM to pay \$23.1 million (Khattar, 2013).

Rare capabilities are the uniquely possessed capabilities by one firm (Johnson et al, 2011). Accordingly, the exclusive capability of RIM is: the unique BlackBerry service including BlackBerry Messenger (BBM) which lies in the heart of their products and it represents the most coveted feature for smart-phones (Khattar, 2013). Another core competence is the email redirection option through BlackBerry Enterprise Server which allows users to communicate directly with the exchange software (BlackBerry, 2013). However, this feature does exist in other devices but the distinction is that BlackBerry devices have a QWERTY non-touchable keyboard allowing the user to type messages and write emails in a speedy, easy and efficient manner. In 2006, BlackBerry become an iconic service for a large number of users and a must have for every corporate around the world giving it the reputation of the preferred smartphone among various user classes such as email addicts, trendsetters, business leaders, young users and celebrities (Khattar, 2013). By the end of that period RIM share price reached its maximum of \$124.51 making it the most valuable Canadian company worth over \$67.35 billion (Khattar, 2013). During this era BlackBerry represented the concept of '*Blue-Ocean*' strategy in which they have created the demand

for smart phones, achieved a rapid and high growth, raised a new industry and altered the boundaries of the previous smart-phones industry (Kim and Mauborgne, 2004). (For BlackBerry strategic position see internal analysis (SWOT) in Appendix 2).

## The industry environment: paradox of compliance and choice

Within an industry, strategists need to understand the rules of the game (Hamel, 1996) and these rules rise from the structure of the industry (Porter, 1980). In other words, in order to survive and thrive in a chosen industry, companies should know their environment. Different drivers are considered important in leading and triggering the change and development of an industry such as: socio-cultural factors, suppliers, buyers, substitutes, economic conditions, competitive rivals, new entrants, technological and political drivers (De Wit and Meyer, 2010). It is considered as a 'Red-Ocean' industry, where competition is highly intense (Kim and Mauborgne, 2004), so new entrants, competitive rivals, buyers and technological factors are the main drivers of change.

Surprisingly, the emergence of Apple's first generation iPhone as a new entrant in 2007 (Apple, 2007) was a significant factor that triggered change in the industry, because its innovative technology as a 'killer app' will transform the niche adoption in the market into mass adoption (Moore, 2000). Such change driven by an individual firm is referred to 'industry leadership' in which companies like Apple are able to change the rules of the game by applying their choice to break industry rules (De Wit and Meyer, 2010). Because industries are interrelated systems thus any changes in one element trigger changes in other areas as well (Porter, 1980), so other competitors are required to act upon and cope with the new situation either by complying with this change or taking a new and different innovative approach. For BlackBerry, the device was seen as a regular new entrant and it did not take into consideration the threat of the iPhone especially when Jim Balsillie (RIM's CEO) announced that "it's kind of new entrant into an already very busy space... but in terms of a sea-change for BlackBerry, I would think that's overstating it" (Balsillie, 2007 in Arthur, 2012). Here, the problem is, if a company bases its strategy only on its core competences and internal resources without considering the external environment they will tend to have an inward looking frame and will lose its strategic position (Johnson et al, 2011). The core of strategy formulation is how to cope with competition (Porter, 1997), but RIM considered that iPhone was totally different from its devices and the only mutual feature is that both can make calls and send messages. However both had similar price (BlackBerry, 2007), thus having the same target market.

After a year iPhone's market share increased to 10.7% comparing to BlackBerry 19.5%: both companies were increasing their market share by taking customers from the struggling competitor Nokia (Khattar, 2013). After this change, BlackBerry should focus on the alignment between its strategy and the environment because any disassociation will cause a 'corporate death' (De Wit and Meyer, 2010). Therefore, as a response it decided to introduce its first touchable device '*BlackBerry Storm*' without thinking of its core competence in the QWERTY keyboard. This shift shows that RIM had considered the threat from the iPhone as a new favourable device (Khattar, 2013), because the introduction of a new disruptive technology will displace the previous one (Moore, 2000). According to Porter, predicting the evolutionary process of an industry is very important for companies to formulate their competitive strategy (Porter, 1980). As a comparison, Google successfully predicted this transformation and started to develop its own mobile operating system (Android) which was officially launched in 2009 (Khattar, 2013). This natural selection process of change whereby the fittest survive and firms that do not comply with the new environment and fail to survive (Porter, 1980), has resulted in increasing the competition between competitive rivals who have understood and complied with the situation by adopting strategic choices similar to those that triggered success in the industry. This resulted in redistributing the market share where Apple gained 16.7%, Android 25.5% and BlackBerry fell to 14.8% (Khattar, 2013).

Moreover, when Apple introduced the first tablet iPad, BlackBerry followed by starting to mimic Apple in every change and by introducing its own tablet (PlayBook). Then Google launched the Android Honeycomb tablet, which has resulted in the rise of a new product segment in which those companies also compete (Khattar, 2013).

More changes in the industry took place with the emergence of smartphones apps where key competitors like iPhone and Android started to provide thousands of apps to different users, whereas BlackBerry was providing only a few hundreds. This has negatively affected the company and it was not able to cope with these changes. BlackBerry continued to fall and its market share reached its lowest 1.1% in major markets (Khattar, 2013). Additionally, BlackBerry introduced the BBM (BlackBerry messenger) application to iPhone and Android; which was a shock for most of the industry strategists and faced lots of criticism from market experts. They believed that by making this application available in other OS will make it more familiar to users and they might become more interested customer segments to purchase a BlackBerry device in order to get the full BlackBerry experience (BlackBerry, 2013). However, this is a paradoxical strategy and a very risky choice, they aim to increase their familiarity and acquire new customers using competitors devices but they haven't think of current BlackBerry customers, this category mainly known of its loyalty to the company because of the BBM and now it is available on other devices so why not shifting to a more glamorous and trendy iPhone or Android while still using the BBM and in this case BlackBerry will lose more customers. The argument here is that BlackBerry cannot under any circumstances to compete with other rivals by introducing its core competence and feature to become available in rivals devices, this will not increase customer's interest to shift to BlackBerry devices because they already used to iPhone to Samsung and now as BBM is available in those devices then its very hard to shift from them.

Contradicting industry rules might be valuable if and only if firms are able to do something different than other competitors, and do something that does not fit within the current rules of the industry (De Wit and Meyer, 2010). This means that the more innovative firms who want to break the rule, may succeed in gaining a larger benefit and gain more competitive advantages over rivals (De Wit and Meyer, 2010). But, BlackBerry did not have any innovative products, and did not make the correct adaptation (Arthur, 2012) and when it tried to comply with the new changes it started to imitate competitors without gaining added advantage.

The reasonable thinking is that companies need to find a balance between compliance and choice (De Wit and Meyer, 2010), in which they comply and follow the industry changes and cope with those changes based on a strategic choice, which allows them to strongly compete, gain competitive advantage, and achieve higher market positioning. For RIM that was the problem: first they did not comply immediately with the industry changes; second, when they took their strategic choice to follow that transformation they ignored their core competences and unique selling point of their product when they introduced the BlackBerry Storm and the same happened with their tablet. Moreover, for the mobile apps, the new innovative feature of smart-phones, they still do not comply at all with the industry changes, and. BlackBerry ignored the existence and the growing popularity of the touch screen launched by its rivals; they also failed to embrace the disruptive potential of mobile applications (Klingebiel, 2013). Therefore, BlackBerry has missed the boat, they did not comply with the surrounding changes and innovation and even when they tried to obey they made the wrong choice.

After this period, they have tried to put all of their energy into producing a new line of devices (Q10 and Z10) and implementing a new operating system OS10. But that has not been enough to overcome the failure and it came too late (Klingebiel, 2013), because the launch of Z10 was bought in to by the BlackBerry fan base. This has resulted in taking \$1 billion write down on unsold inventory stock (Pepitone, 2013). At the same time, they have noticed the weakness of their situation and later launched the Q10 having the QWERTY keyboard as their unique selling point: but this was too late as well. Companies need to make accurate choices, which help in complying with the overall changes, instead of chasing and copying other competitors who already have tilted the game in their favor (Klingebiel, 2013). What's more, the corporate segment changed its policy towards providing employees with corporate phones and asked them to use their own phones, which has significantly affected BlackBerry as it used to be the favorable corporate device (El Akkad, 2013). According to a survey made by Gartner Inc, 38% of companies are expected to stop providing devices to employees by 2016 (Gartner, 2013) (El Akkad, 2013). This emphasizes that not only the consumer market impacts BlackBerry but the corporate market as well and employees are more likely to turn to iPhone or Android to check personal and work emails (Lee, 2012).

Consequently, the company tried to lower its operating cost by cutting 4,500 jobs (40% of total workforce) in order to reduce its cost by 50% (BBC, 2013) including R&D teams (Bailey, 2013). And during the third quarter between July and September, BlackBerry announced a drop of 45% in sales and a \$1 billion loss due to the struggled situation and wrote down an excess of Z10 devices that failed to sell (BlackBerry, 2013) (Williams, 2013). After that, they started to seek strategic alternatives including breaking up of the company, acquisition by other competitor (Williams, 2013) platform partnerships, joint ventures, going private and licensing deals (Reuters, 2013).

## The organizational context: paradox of control and chaos

The essential thing to spotlight is who is responsible for the alignment between company strategy and its environment, and who is empowered to carry out a change through the process known as organizational development? Some say it is the manager's duty, others state it is the leader role. At this point, it is crucial to differentiate between leaders and managers. Leadership is the process of influencing the behaviour and opinion of other members of the organization in order to achieve a certain aim (Bass, 1990). The importance of leadership in any organization affects the allocation of attention among participants and successful leaders allocate it with the aim of achieving company objectives (Cyert, 1990). On the other hand, managers are individuals who have a specified position (job role) in the organizational hierarchy and do not possess the authority or responsibility to perform an organizational development (De Wit and Meyer, 2010). However, managers might engage in the change process and work with others to complete the change, but they do not sway people to do something in this regard (De Wit and Meyer, 2010). Thus, not all managers are leaders because they need power to influence.

BlackBerry's leadership has shown a fragile performance since the rise of iPhone and other competitors. Leaders in any organization draw power from two sources: the personal and the positional, and apply these in different areas such as the political, cultural and psychological sphere, in order to reach strategic changes (De Wit and Meyer, 2010). At BlackBerry, from the co-CEOs Jim Balsillie and Mike Lazaridis to the new CEO John Chen, they possess these types of power as they are the decision makers in the organization along with the board of directors. However, they did not use that power in order to influence organizational participants (employees) in an appropriate direction. Instead they experienced a disability to take the right strategic decisions internally, and they have been forced to hire external expertise like JPMorgan and RBC Capital Markets in order to help them evaluate and reform strategies (Reuters, 2013). This external influence will affect the image or the personal source of power for BlackBerry leaders towards their employees, because in this case employees will lose the confidence and trust in their leaders as they do not possess a sufficient amount of knowledge to direct and shift the focus of attention of the whole organization members towards important goals and objectives.

Leadership is a sophisticated issue in which the perspective of management can be divided into two opposing approaches: control and chaos (De Wit and Meyer, 2010). The leadership control strategy is the power to direct and impose on others by whatever means. Whereas, chaos is the result of failure in terms of leadership strategy with an inability to counteract disorder and a lack of robust organization (De Wit and Meyer, 2010). From the beginning, Mike Lazaridis and Jim Balsillie were the first leaders of RIM, who turned the company into a global powerhouse delivering mobile emails, revolutionizing the mobile communication and defining the smart-phones under their flagship (Castaldo, 2012). Their initial leadership can be related to the control strategy or organizational leadership perspective, in which they took the responsibility to drive the organization development, took charge of the organization and were responsible for the strategic direction of the company (De Wit and Meyer, 2010): in other words they represent the directive leadership (Vroom and Jago, 1988).

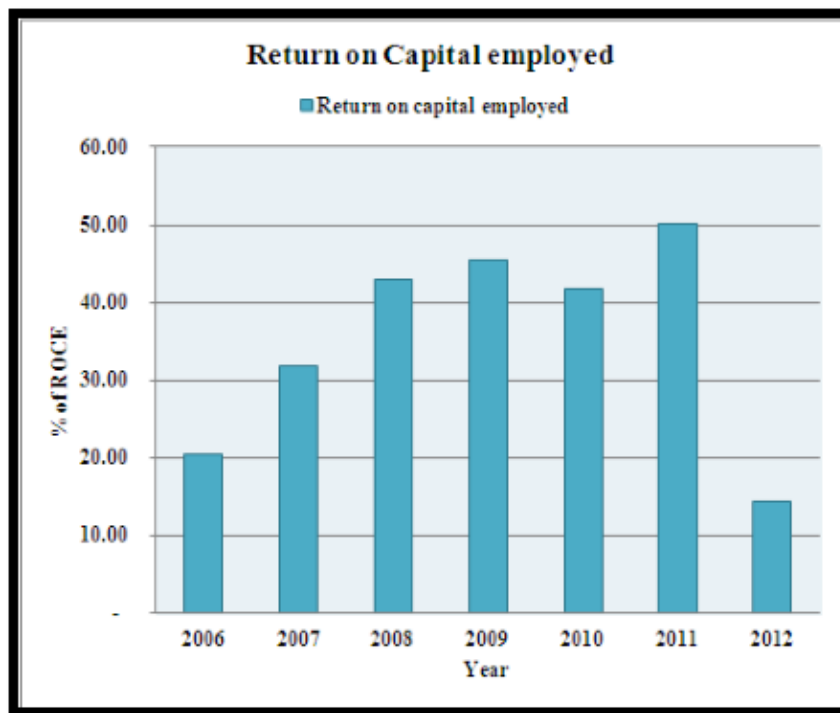
A successful leader is the one who can heavily influence the attention of participants in the organization towards a desired direction and influence the process of determining the goals and objectives of an organization (Cyert, 1990). However, because organizations are complex social systems and they differ from one company to another, then it is crucial to maintain a balance between control and chaos, which means accommodating some degree of chaos to take

place but compensated by an efficient and effective self-organizational development (De Wit and Meyer, 2010). But, for RIM, instead of encouraging the self-organizational concept during the success phase of the organization, they allowed chaos or disorder to predominate in the organization after the rise of their major competitor iPhone: they ignored its presence and failed to limit its threat. Some argue that companies suffer from lack of implementation not ignorance (Pfeffer and Sutton, 1999), which is true for RIM as inside the organization they rushed to compete with the iPhone and introduced the BlackBerry Storm. But here the problem is that they adopted the concept of solving the knowing-doing problem (Pfeffer and Sutton, 1999) which can be accomplished by pursuing the knowing through doing approach, but in their case this approach did not prove to be enough to overcome the situation as a new technology and new innovative product has entered the market. So they needed to create a completely new device based on their core competence without imitating others. Decisions taken by the company management are totally inconsistent with the industry environment: for example they have decided to shrink their product line from 6 devices to 4 (Williams, 2013), which is not the case in the industry where other competitors are introducing a diversified large portfolio of products in order to meet the maximum possible number of consumers.

Furthermore, chaos is an important leadership concept because the long-term future of an organization is unknowable and no one can intend to control it (Stacey, 1993). A lack of control does not mean that the company is adrift; instead firms have a self-organizing capability that allows producing controlled behavior even if no one is in control (Stacey, 1993). By allowing the chaos approach, which emphasizes the concept that managers need to let go or allow some disorder in the organization and use their limited power to facilitate self-organization development because disorganization is often a prerequisite of strategic renewal, a necessity for normal functioning and creates conditions for development (De Wit and Meyer, 2010). This will help BlackBerry to run effective operations on a regular basis by complying with environmental changes (industry) without relying on a strategic choice generated from a single source, which is the leader. Here it helps and emphasizes the natural cycle of companies complying and evolving according to the industry changes. RIM has followed a participative leadership (Stacey, 1993) where their decision making process was mainly based on consensus between top management members (Castaldo, 2012). Accordingly, they lost control over leading the company and according to previous employees: during the last period the company has been disorganized; leadership has conflicting opinions and experienced a lack of direction in a very tough situation (Castaldo, 2012). Specifically, they did not step down after the dissolution started, instead they insisted on staying in the leadership position of the organization because they consider themselves as creators of the smart phones industry. Also their decision making style was not appropriate in such a large-size organization. Besides, leadership is about taking responsibility as previously mentioned. But also by adopting a consensus decision-making style, no one would take responsibility if a strategy fails, and which indeed will affect the performance of the company and productivity of employees (Figure 1).



Figure 1; Effect of bad leadership on the return of capital employed.



Source: RIM Annual Reports from 2006 to 2012

Moreover, during the same period and while the competition started to get more intense, RIM leaders shifted their focus into external activities not related to the company. For instance each of the co-CEOs has established a non-profit organization and started to engage and spend more time in those organizations (Castaldo, 2012).

Leaders are considered a role model for members of the organization and they must take into account the impact of their own behavior on the attention focus of participants. Because actions clearly represent ideas of leaders (Cyert, 1990), therefore, such actions from RIM leaders have highly affected other employees because they saw that their leaders are focusing on other things not related to the core of the business. Accordingly, this will decrease motivation and employee attention to industry changes which lead to reinforce the possibilities of failure.

The heart of leadership is communication with other participants in the organization: this can be done by different methods, either by direct communication or indirect communication symbolized in a reward system (Cyert, 1990). This was totally absent in RIM where internal deadlines were not taken seriously by employees and by the top management even when an employee knows that his/her team might not be able to fulfill a project deadline. There was no communication between teams and top management (Castaldo, 2012), which resulted in lack of information about the source of problems for top management and of course late releases of product. Later on, the new CEO Thorsten Heins inherited a mess of problems and his replacement faces a worse situation than before (Pepitone, 2013). According to experts the main problem with Heins was a failure to prioritize BlackBerry's core business focused customers: instead he tried to replicate other competitors (Pepitone, 2013). Here the emphasis is on the knowledge of leaders and how they can pass it to other participants, in other words it is the importance of learning within the organization. The learning process is an important feature in the ongoing organizational variation, which exists in both leadership and dynamics perceptive but each, has its own aspects of the learning process, thus, leaders must facilitate the organizational learning by motivating participants (Senge, 1990). Which means engaging employees in business processes in order to let them gather additional information that help in motivating and increase their capabilities

along with exploiting their individual experience and ideas towards a common objective. The company management started to cut costs and fire employees for the purpose of reducing overall company expenditures, which has negatively affected employees' motivation, productivity and performance. Surprisingly, during the same quarter (Q2 2013) in which the company announced its huge loss, RIM ordered a Bombardier Global Express jet claiming that it will replace the old two jets but as of today they still didn't sell the previous two jets (Griffith, 2013). Consequently, this incident shows how the company leaders didn't take appropriate decisions and focused on their self-awareness without considering the current company situation.

Nowadays, a new shift in BlackBerry leadership has occurred by appointing a new CEO John Chen, it seems that the new CEO started to refine the strategy of the company and restructure its hierarchy by replacing different top management positions and merging others (Austen, 2013). Following such orientation, the new CEO is trying to regain control over the decision making process in order to smoothly elaborate with other participant in the aim of achieving company's objectives.

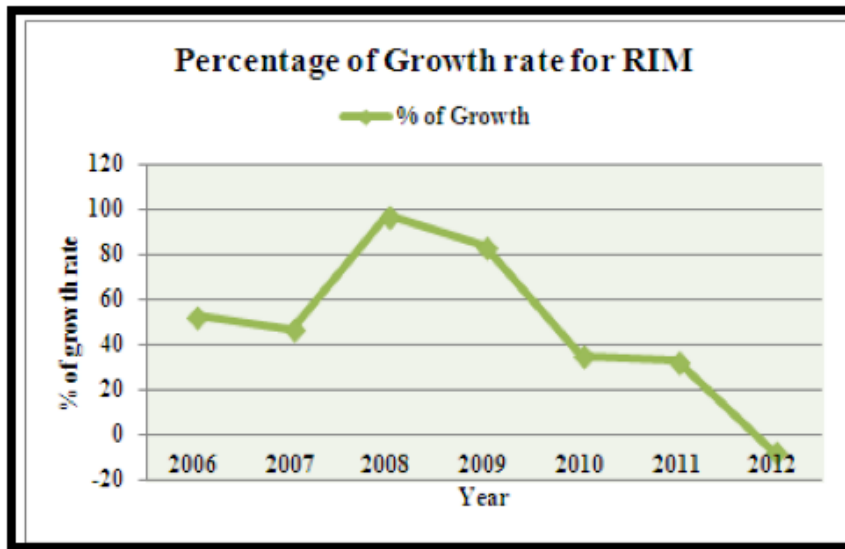
### BlackBerry performance 2006-2012

BlackBerry consumers grew significantly from 4.6 million in 2006 (RIM, 2006) to 77 million in 2012 (RIM, 2012), reflecting a significant interest in BlackBerry product. Nevertheless, this increase did not affect the sales revenue and profitability of the company where it has fallen by 12% from 2006 to 2012 (BlackBerry, 2012) because of the emergence of new entrants especially iPhone and Android (See Figure 2 for graphs representing: sales, operating revenue and percentage growth).

**Figure 2: Sales revenue and growth rate.**



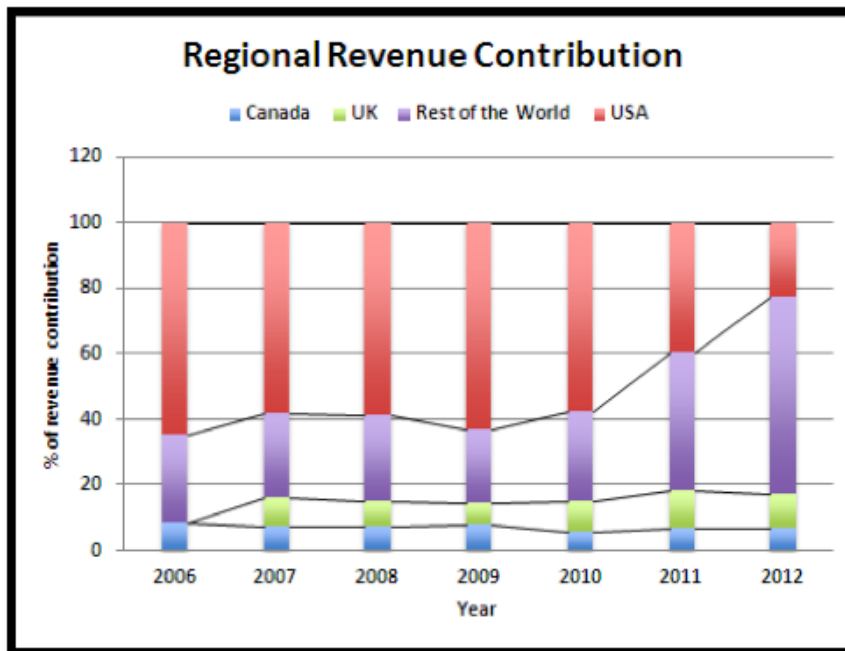
Source: RIM Annual Reports from 2006 to 2012



Source: RIM Annual Reports from 2006 to 2012

Moreover, the company has witnessed a significant decrease in its sale in lots of countries mainly USA, UK and Canada (Balasubramanian, 2012). On the other hand, the demand for BlackBerry products in emerging markets has witnessed a significant growth from 26.7% in 2006 to 60.1% in 2012, which is a positive sign for the company to restructure its strategy and target those markets in order to have a future expansion and solve its sales crisis (Balasubramanian, 2012). (See Figure 3 for regional sales data).

Figure 3: Regional revenue distribution.



Source: RIM Annual Reports from 2006 to 2012

As previously mentioned in such markets, innovation and technology is one of the most important factors that lead to future changes and expansion in the marketplace. Thus, in order to regain the company's position, it should invest in its Research & Development so it can innovate products, meet customer expectations and gain more core competences. But, BlackBerry did not follow this approach as after the previous failure they invested only 7.8 % of their revenue in R&D and not enough for a company wanting to regain its competitive position.

From the investors perspective, BlackBerry earnings per share have dropped from \$6.36 in 2006 (RIM, 2006) to \$2.22 in 2012 (RIM, 2012), Investors are no longer receiving the same profit from BlackBerry and this may lead to a discouragement in future investment. Lastly, BlackBerry reported a loss of \$ 965 million in the second quarter of 2013 (BlackBerry, 2013) as a result of the sharply decreased demand for company's product and adoption of inappropriate strategies.

## Conclusion

Some believe that failure of a company is not related to its environment, because lack of demand, unfair completion, and so on are symptoms of its breakdown rather than the cause (Baden-Fuller and Stopford, 1992). Accordingly, no matter what has happened to the company the focus of blame is on its previous leadership who were observing new entrants in the market having new technology and innovating different products without taking that threat into consideration and trying to do something about it (Ciaccia, 2013). BlackBerry has missed the wave and it is obvious that the company will face very rough times in the future, unless its management works very hard to do something extraordinary. (See Figure 4 for a summary of major failings for BlackBerry).

First, the company management needs to take full control over the whole organization and each business unit and interact in day-to-day tasks. They do not need to adopt an output control or input control but instead adopt a full range of leadership influence including throughput, output and input controls. Second, they must use their core competences in order to create a new innovative smart-phone device that do not just copy competitors features, but which offer independent and novel characteristics to reinforce its unique selling point. For example: introducing a new device having the features of an encrypted phone that increases the security and protect the anonymity of users (Baskin, 2013). Also, the company needs to shift its focus to be more market oriented and sell its products to people not job descriptions. Meaning not only focusing on corporate segments or corporate customers, they need to focus on regular consumers as they constitute the largest segment of consumers. Third, it is crucial for BlackBerry to target new markets especially Asian markets in which it is still considered as a key player and introduce new products that differentiate it from other rivals.

Some might argue that differentiation still exists in BlackBerry devices as most of them use the Qwerty keyboard and have their own operating system, but this is not what is now needed as other competitors have effectively emulated this competence of BlackBerry. Instead, they need to differentiate in terms of cost, as a basis for achieving competitive advantage: therefore BlackBerry needs to introduce new devices with low-cost, targeting specific markets where consumers have high price sensitivity. Finally, seeking to restructure and enlarge the company's offer with more mobile applications to give users more or the same services that are available in other operating systems like iOS and Android (Williams, 2013) will be a good step forward.

**Figure 4: Summary of BlackBerry's major mistakes.**

<b>Mistakes</b>	<b>Description</b>
Foresight and innovation	Not trying to be ahead of the competition and cope with the rapid changing industry and didn't match itself with the evolving technology in the market (Smart Air Media, 2013)
Targeting the wrong customer segment	BlackBerry was original designed for corporate and government use where most of the companies and governments started to provide their employees with blackberries in order to facilitate the communication at work, but this trend has changed and BlackBerry has transformed to be in the mass market for all customers without any technological upgrade (Smart Air Media, 2013). However, the company has released a new version of their Enterprise server but it was too late.
Complacency, ignoring and underestimation the warning signs	In the highly changing and evolving market companies cannot relax in the face of emerging trends and innovations, thus dismissing any threat of new entrant in the market especially iPhone in 2007 is an oversight no leading company should make (Smart Air Media, 2013). BlackBerry slow and late response to signals of forecasted low sales has negatively impacted its competitive position in the market.
Touch screen	At the beginning co-chief executive of BlackBerry was criticizing the iPhone especially in terms of writing emails on a touch screen, however the paradox is that after a year of his statement BlackBerry introduced the first touch screen device "Storm", their idea is to have a device acting like a keypad, it clicks when a user pressed it but this didn't work and was too weird for consumers (Griffith, 2013).
Playbook flop	When the time was crucial for BlackBerry to focus more on its smart phones product segment and try to enhance and develop them, it turned around and started to work on a tablet which consumed lots of company's resources and capital in order to enter the tablet arena and compete with iPhone when they released their iPad, resulting with no benefit another failure (Griffith, 2013).
Late releases	The late release of BlackBerry new operating system OS 10
Multiple outages	Multiple incidents happened during the last couple of years where the BlackBerry messaging, BlackBerry enterprise server and the whole BlackBerry network went down (Griffith, 2013).
Executives self-awareness	Even when the company was in its worst situation of losses executives bought a new private air jet.

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## Appendix 1: Industry analysis

### PESTEL Analysis

The PESTEL framework is a strategic tool used by companies in order to categorize and study the environment in which they operate; it categorizes environmental influences into six: Political, Economical, Social, Technological, Environmental and Legal factors (Johnson et al, 2011).

Factors	Findings
Political	<ul style="list-style-type: none"> <li>• Countries have raised concerns over the security features and monitoring capabilities of Smart Phones especially BlackBerry</li> <li>• Hygiene and safety standards for manufacturers</li> <li>• Issue of cyber-bullying</li> </ul>
Economical	<ul style="list-style-type: none"> <li>• Steady growth in developing countries</li> <li>• Fluctuation in exchange rates</li> <li>• Economic meltdown</li> <li>• Elastic demand means more price sensitivity</li> <li>• Intense and high competition</li> </ul>
Social	<ul style="list-style-type: none"> <li>• Practical necessity to own a smartphone</li> <li>• Changing demographics</li> <li>• Users need to stay connected with the external world</li> <li>• Anti-social elements can obstruct brand perception</li> <li>• Technology mishap can tarnish brand image</li> <li>• Life style</li> </ul>
Technological	<ul style="list-style-type: none"> <li>• Ease of use</li> <li>• High technology</li> <li>• Robust features</li> <li>• Continuous and rapid change</li> <li>• Advances in technology</li> <li>• Advent of mobile computing</li> <li>• State-of-the-art sophisticated operating systems</li> <li>• Innovation in product accessories</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Recycling and waste disposal</li> <li>• Environmental standards including: Energy usage, eco-friendly manufacturing, etc</li> <li>• High volume of production</li> </ul>
Legal	<ul style="list-style-type: none"> <li>• Innumerable patent lawsuits between competitors</li> <li>• Countries imposing ban on some products especially RIM eg: UAE, China and India</li> </ul>

**Porter’s Five Forces analysis:**

Michael Porter’s framework is used to identify the attractiveness of an industry in terms of looking to specific competitiveness forces such as: potential entrants, buyers, substitutes, suppliers and competitive rivalry (Johnson et al, 2011). These five forces together illustrate the structure of the industry and as we can see from the below table that the attractiveness of the industry is mainly low because of the high competition between rivals, moderate to high bargaining power of buyers and the complexity of entering the market.

Forces	Importance
<p><b>Threat of new entrants</b></p> <ul style="list-style-type: none"> <li>• Require huge capital for investment</li> <li>• High brand value</li> <li>• Intellectual property rights</li> <li>• Constant innovation in technology</li> <li>• High fixed costs</li> <li>• Strong distribution network required</li> <li>• High economies of scale</li> </ul>	Low
<p><b>Threat of substitutes</b></p> <ul style="list-style-type: none"> <li>• Tablets, notebooks, PC’s, regular handsets</li> <li>• Internet based calls</li> </ul>	Low
<p><b>Suppliers power</b></p> <ul style="list-style-type: none"> <li>• Lots of providers of both hardware and software products</li> <li>• High competition between suppliers</li> </ul>	Moderate
<p><b>Buyers power</b></p> <ul style="list-style-type: none"> <li>• Variety of choices for consumers</li> <li>• Limited differentiation</li> <li>• Elastic demand, high price sensitivity</li> <li>• Low or moderate brand loyalty</li> <li>• Large base of customers</li> <li>• Low dependency on distributors</li> </ul>	Moderate to high
<p><b>Competitive rivalry</b></p> <ul style="list-style-type: none"> <li>• High and direct competition between rivals</li> <li>• Big competitors</li> <li>• Technological competition</li> <li>• Brand identity</li> <li>• Diversity of competitors and products</li> <li>• Price wars</li> </ul>	High

## Appendix 2: Internal analysis

### SWOT

In order to gain an overall picture of the strategic position of an organization it is important to analyze its environment and capabilities. To summarize the results SWOT analysis is used to capture strengths, weakness, opportunities and threats of BlackBerry (Johnson et al, 2011). It is helpful to use SWOT analysis because it is a basis against which the company can generate strategic options and assess future courses of action (Johnson et al, 2011).

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Robust security and reliability of data</li> <li>• Enterprise resource provider used in majority of fortune 500 companies</li> <li>• Strong hardware and software integration</li> <li>• Distinguished QWERTY keyboard</li> <li>• Unique technology including QNX platform mobile fusion</li> <li>• Unique instant messaging application</li> <li>• Expandable memory</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>• Slow response to other competitors and changes in the market</li> <li>• Lack of clear positioning</li> <li>• Low diversified portfolio</li> <li>• Significant technological issues ex: global outages</li> <li>• Decrease in sales and profit</li> <li>• Bad management decisions and problems between top managers</li> <li>• Inability of management to find solutions for industry threats</li> <li>• Ageing and archaic product</li> <li>• Dependency on corporate customer segment</li> <li>• Limited innovation capabilities</li> <li>• Low number of apps available on the BlackBerry store</li> <li>• Poor presence in other markets eg: tablets</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Rising demand for smart phones</li> <li>• Growth in emerging markets</li> <li>• Potential to expand in the tablet market</li> <li>• Extended application offering</li> <li>• Social integration</li> <li>• Create strategic alliances</li> <li>• Increase number of apps</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Fast technological change</li> <li>• Intense competition</li> <li>• Political threats</li> <li>• Investors worrying on decreased market share</li> <li>• Infringements of patents</li> <li>• Environmental factors</li> <li>• Saturated market in developed countries</li> <li>• Low usage from corporate users segment</li> </ul>



# VISTAS

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