

Nokia - Finland's sacred phonehenge

Helsinki (HedgeNordic) - For more than twenty years Nokia dominated the Finnish economy and capital markets. That legacy runs deep. Even today Finnish publications display Nokia's share price on their front page, alongside major financial indicators like Euribor, Euro-Dollar exchange rates and stock market indices. At their height Nokia wielded enormous influence over Finland. They could - and did - convince Finland to change laws or enter treaties to benefit their business. I don't know who could get a call through to the Finnish Prime Minister no questions asked - maybe Vladimir Putin and Barrack Obama - but Nokia's chairman was undoubtedly one of them.

The company contributed 23% of all corporate taxes in the country and made up 70% of the entire capitalisation of the Helsinki stock market. They were directly responsible for over 2% of all jobs and were indirectly responsible for quite a bit more. Things are certainly different now, but even though Nokia is no longer the largest company in Finland it remains the most important for international investors. The story of Nokia's rise, fall and miraculous recovery is, in many ways, a story of Finland's economy and capital markets.

At the end of the 1980s Nokia was known as a forestry company, which it had been for the previous 120 years. It made more than paper, though. It made industrial chemicals, cables, tires, rubber boots, televisions and computers. In polite terminology Nokia was a conglomerate, but calling it a medusa is more apt. All the different heads moved and hissed at their own will. The head of Consumer Electronics even decided to leave Finland altogether and set up a semi-independent fiefdom in Geneva. Other executives fought bitterly among themselves.

The CEO Kari Kairamo had even more problems than rebellious executives. The main owners were two banks whose heads hated each other intensely and refused to agree on anything just as a matter of principle. This sounds bad, but in reality it was even worse. Kairamo eventually hung himself.

Finally fed up with the infighting, a coalition was formed. One of the banks sold off their stake, and the remaining bank worked with other owners to get things under control. They fired rebellious or incompetent executives and cleaned out the board of directors. Jorma Ollila was crowned CEO. Ollila saw the future in mobile telecommunications.



"Nokia was indeed the darling of the European tech hype, even becoming the most valuable company on the continent in 2000."

He shuttered or sold off everything except Mobile Phones and Networks. The old forestry company which had turned into a conglomerate had now moved to telecommunications, just at the perfect time. 2G was taking off, taking digital mobile communications to the masses. Nokia had begun to view themselves as a European company in the late 1980s, having their shares first listed in Stockholm and then in London, Paris and Frankfurt in rapid succession. Under Ollila they considered themselves as a global company and wanted to attract global investors. They dumped a class of shares which gave control to Finnish institutional investors and listed on the New York Stock Exchange. Business was booming and practically every day international investors came to Nokia House.

In 1998 Nokia overtook Motorola as the largest mobile phone maker in the world. They were fast,

decentralised and pursued growth and market share at all costs. Some years Nokia hired almost every engineering graduate in Finland. While much of the world considered the end of the 1990s the dot-com era of the stock market, in Finland it was the Nokia era. The public was fascinated by both long-time investors and company executives who became 'Nokia millionaires'. Newspapers were filled with stories of people who had purchased stock in decades past and suddenly discovered they were rich.

You can read the full article by David Cord on pages 41-43 in the HedgeNordic Special Report on Finland

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