

Explaining the Downfall of BlackBerry in the Smartphone Market: The Role of Leadership

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スマートフォン市場における BlackBerry の没落を説明する： リーダーシップの役割

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Abstract

Businesses in technology often experience rapid disruptions as things tend to change very quickly, with a developing market and shifting trends. While this has been a universal truth that has affected numerous businesses few have seen the dramatic fall that Research In Motion (later BlackBerry) saw in market share and value. The roots of the company go back to 1984, and their success started to take off just before the turn of the century. The drop in market share took a very short period of time, all within a few short years. There are a variety of reasons for the change in fortunes, from a changing marketplace. This paper will examine a few of those reasons primarily through the lens of corporate leadership.

Keywords: Smartphones, Technology leadership

(Received September 29, 2022)

抄 録

市場の発展とトレンドの変化により、物事は非常に急速に変化する傾向があるため、テクノロジーのビジネスはしばしば急速な混乱を経験します。これは多くの企業に影響を与えてきた普遍的な真実ですが、Research In Motion（後の BlackBerry）が市場シェアと価値で見た劇的な下落を見た人はほとんどいません。同社のルーツは 1984 年にさかのぼり、その成功は今世紀の変わり目直前に始まりました。市場シェアの低下は非常に短い期間であり、すべて数年以内でした。変化する市場からの運命の変化にはさまざまな理由があります。このペーパーでは、主に企業のリーダーシップのレンズを通して、これらの理由のいくつかを検討します。

キーワード：スマートフォン、IT リーダーシップ

(2022 年 9 月 29 日受理)

Introduction

Leadership matters, and the manner in which companies are led is a good indicator of the success that they will have later in the lifecycle of the firm. Currently, the largest, most leading-edge companies in technology and internet-related areas have visionary leadership that has allowed those firms to thrive in an everchanging environment. The current market leader in the sector is Apple Inc., the largest American manufacturer of smartphones, tablets, computers, and related software and services, with a brand value of USD 352 billion. It is then followed by Microsoft Inc. and Alphabet (formerly Google) having brand values of USD 327 and USD 324 billion, respectively (Tucker, 2020). Although it is tempting to focus on the top performers, it is nevertheless more informative to examine those firms that failed to maintain market share, and to thus ensure that one's company would remain viable and in business.

The history of new technology is recent as the ubiquity of hand-held telecommunication devices only began at the turn of the twenty first century. Recent successes are now formerly popular brands with products that proliferated around the world have now been taken over by competitors or start-ups that maintained a legacy of implementing continuous improvements in their products. Two decades ago the number one brand in the world was Coke, and the number one handheld device was BlackBerry. The dominant position of the first due to constant advertising and expansion of global markets and the second due in large part to innovations in the burgeoning field of ubiquitous internet and cellular communication. However, in the present scenario, both titles were supplanted by Apple (Forbes, 2021).

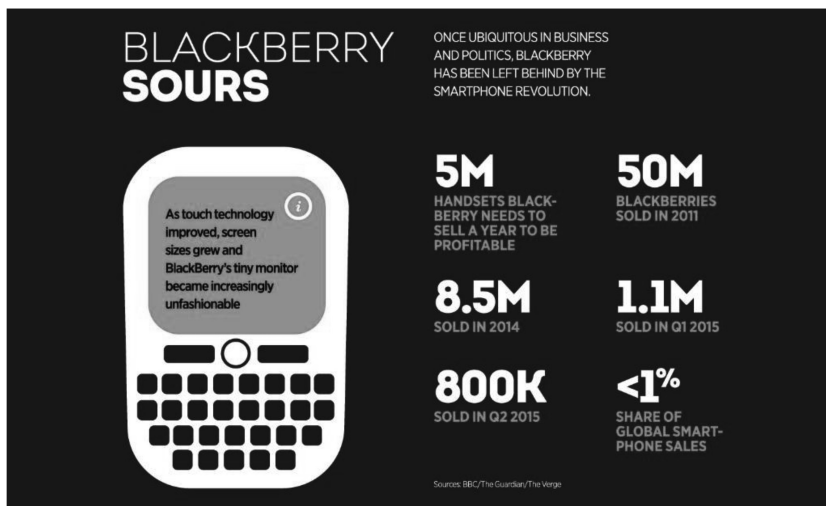
To look at what happened to the BlackBerry, a hand held portable device that offered corporate users the remarkable service of 'push-email' which allowed instant text communication from anywhere in the world was and that became so prevalent that it brought its own vocabulary to the English lexicon, the "Crackberry", but still it was relegated to the category of "also-rans" within a few short years, is crucial for business leaders who hope to ensure their sustainability for the long term in a competitive business market. Therefore, through the prism of the leadership of the company the question is if anything could have been done differently from the leadership perspective. Therefore the concepts and experiences of transformational interventions in the large scale enterprises outlined in Gilpin-Jackon's 2017 of one concept of leadership in the healthcare industry might enlighten and determine if similar elements were present in the case of BlackBerry.

BlackBerry Company's Background

BlackBerry was a widely-known pager company originating in Canada. The founders of the parent company of BlackBerry, Research In Motion (RIM), were Mike Lazaridis and Doug Fergin. They started in 1984 in Waterloo, Ontario, which was the same year that Apple began selling the Macintosh computer (Sweeny, 2009). With market growth continuing at exponential rates, this was an ideal time to get involved in the computer industry. Moores Law was continuing, with computing power doubling every 2 years, the computer revolution was just starting.

Canadian telecom company BlackBerry was a dominant force in developing the nascent smartphone market. Even as late as 2011, when it was at its peak it sold over 50 million units of its smartphone (Appolonia, 2019), in spite of the rising popularity of Apple's competing iPhone which sold 72.3 million units in the same year (Statista, 2022). However, its leadership failed to realize the need to innovate more and could not come up with new features in its smartphones that would be appealing to its customers. This resulted in the eventual demise of this once popular brand in the smartphone market (Sweeny, 2009).

The growth really took off after the attacks of September 11, 2001 when the BlackBerry's were the most reliable devices in use that day (Sweeny, 2009). Since relying on cellular networks which were damaged and trafficked badly due to the attacks, people of America relied on BlackBerry's data system which performed up to the mark on the unfortunate day. This prompted governments in the United States and in Canada to order large numbers of them. They became the most important accessory for those in leadership and powerful positions. As quoted by Mr. Redmen, "the reason behind



Source: Appolonia, 2019

the worthy performance of BlackBerry on the unfortunate day is the device preferred data transmission over voice which is easy and quick to transmit in such unanticipated circumstances” (Romero, 2005, p. 1).

However, the founder had criticised marketing departments and pressured on the research and technology part, leaving the corporate side with the research and better able to be influenced and swayed into waiting for the best (Sweeny, 2009). The company had a history of being slow to change and adapt, as it was thorough in its research and decisions were not rushed, as CEO Mike Lazaridis once stated, “We have a proverb here at RIM and it is ‘do your math’. The company culture at BlackBerry is to check twice and look in detail before proceeding further with any changes, and ask customers before we undertake them. If we work long enough, we know users will find value in our products” (Sweeny, 2009, p. 59).

While this type of thoroughness in any company is commendable as the company built everything on its own (excluding the wireless network) and also claimed and proved its every piece is finely crafted to give its users an impactful experience. The fact that Moore’s Law states that computing power doubles every 18 months (and was largely unchanged from 1963 until 2009) means that the exponential growth-rate of an industry such as RIM’s would require fast change in order to remain competitive and relevant (Sweeny, 2009).

BlackBerry’s Unique Product Strategy – Blue Ocean Strategy

BlackBerry’s leading position in the early 2000s came as a result of the uniqueness of its brand and the ideas behind its product. To put it into more metaphoric terms, there is a concept of ‘bluewater’ which is referred as a fresh or unexplored territory, and the first companies that enter it are going to have virtually zero competition. It is a business strategy where it is crucial for business owners to find business ideas which no one else has offered before or business lines where very few are offering goods or services in order to avoid the pricing issue (Kim & Mauborgne, 2004).

This was the case in 1999 when RIM was able to innovate the process of sending and receiving emails on the go via mobile devices and developing a mobile-friendly QWERTY keyboard allowing for the double-thumb texting that was ubiquitous for executives and leaders both in the public and private sectors (Sweeny, 2009). In fact, in 2008, newly elected President Obama was the first president who had a difficult time with the concept of being “unplugged” while serving as the president (Sweeny, 2009). It is significant to mention here that senior U. S. government leaders are provided with the phone models, often BlackBerries, modified on both the software and hardware level to ensure their

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data security from being hacked. On the other hand, on the basis of mentioned scenario, Obama's successor, the 45th President, Donald Trump, refused to give up his hand-held device, even though it was an Apple iPhone, and remained connected throughout his term in office (Collen, Vazquez & Cohen, 2019).

Reasons for BlackBerry's Downfall

Researchers have critically analysed all possible aspects that might have served as a basis of downfall of the twentieth century's leading smartphone manufacturing company and have identified leadership as one of core reasons behind the demise of the renowned mobile manufacturers of its own time (Holla, Pillai & Jagannahrao, 2017).

Leadership's Willingness to Quickly Adapt

The problem, therefore, with a fast changing market becomes the willingness to adapt quickly, as the competition creates, then fills, voids. In the years between 2006 and 2011, BlackBerry controlled 20% of the smartphone market globally and 50% in the US (Appolonia, 2019). The company was previously known as Research in Motion (RIM). With all the big business deals and government contracts, BlackBerry could easily gain a leading position in the market. The elegant keyboard and the BlackBerry Messenger (BBM) system were immensely popular during that time, and people considered having a BlackBerry a status symbol. However, due to the rapid fall in its demand, the company stopped manufacturing its own phones in 2016. At that time, iPhone, Samsung and Motorola started to take over the market with new smartphone features based on the demands of their customers (Holla, Pillai & Jagannahrao, 2017).

BlackBerry's story is often called one of the most spectacular upsets of this century- from 50% of the market share in 2009, and falling to 3% within 2 years (Garside, 2013). Initially, the company could generate billions of dollars with an addictive smartphone and outsmart its competitors through a combination of sharp-elbowed tactics and innovation. However, within a short period of time, the company lost its way. With unpopular and poorly designed smartphones with a rudimentary browser that limited the usage of data, the company failed to compete with its rivals. Just two and a half years after its peak, by late 2013 its share came down to only 1% in the U.S. market (McNish & Silcoff, 2015).

Failure of BlackBerry Leadership - Conflicting Opinions

The leadership of the BlackBerry Company failed to understand the need to

make big, sweeping changes in its features that could have surprised and delighted its customers, it stuck with a physical keyboard even when the iPhone could satisfy its customers with full-touch-screen devices. Inevitably, as a brand, BlackBerry collapsed. According to business journalist and writer Sean Silcoff, "If the rise and fall of BlackBerry teaches us anything, it is that the race of innovation has no finish line and winners, and losers can change place in an instant. We live in an era of disruption where we are one algorithm away from being rendered redundant" (McPhee, Carbone, & Silcoff, 2016, p. 36).

The leadership of BlackBerry Company, particularly that of former CEOs Jim Balsillie and Mike Lazaridis, failed to bring the right product into the market at the right time and in the right place (McPhee, Carbone, & Silcoff, 2016). They also were unable to realize that without commercialization (monetizing the product), innovation alone is not sufficient (Collins, 2009). New technology and the resulting products should be made available to all consumers. In the end, these factors laid the foundations for the demise of the company (Collins, 2009; MCPhee, Carbone, & Silcoff, 2016).

Some of the board members advised the CEOs that the market for mobile phones equipped with the keyboard was dead (McNish & Silcoff, 2015). However, the CEOs believed that it would be a mistake to bring in another all-touch smartphone in a market crowded with them, and their corporate customers were happy with their product at that time. It was, indeed, a fatal mistake not to. The Canadian newspaper *The Globe and Mail* interviewed several company insiders and found that there were a series of deep rifts at the boardroom and executive levels. Those divisions hurt the ability of the company to develop new products (McNish & Silcoff, 2015). According to Youssef (2013), the leadership of BlackBerry did nothing to quiet the disorder or chaos that predominated in the company after the rise of iPhone as the main competitor.

Some of the other decisions taken by BlackBerry management were also not consistent with the industry environment. For instance, when other competitors started introducing a diversified portfolio of products for meeting the needs of the maximum number of customers, BlackBerry's leadership made decisions to shrink their product lines from 6 devices to 4 (Youssef, 2013). Instead of imitating others, they needed to come up with an entirely new device using their core competencies, but they failed (Garside, 2013).

According to previous employees of the company, during the later periods, the leadership had conflicting opinions, and was unable to provide proper direction in tough situations. This resulted in the disorganisation of the company. Again, the leadership insisted on staying in their positions even when they failed to solve the problems with their decisions that proved ineffective. For example, they rushed to introduce the BlackBerry Storm to compete with the iPhone, but this initiative also failed to bring success for the company (Youssef, 2013). According to Muthukumar, Ramakrishnan, and

Krishnamacharyulu (2017), lack of visionary leadership, failure to continuously innovate with the changing trend of technology and consumer preferences, and inability to see the potential competition have caused many leading enterprises to fail. One of them is BlackBerry. In 2008, the upper management were facing serious legal problems related to stock options with potential devastating results for the corporate leadership (of \$100 million).

Need for Large-scale Organisation Development Interventions (LODIs) at BlackBerry

Through a qualitative study involving 23 participants, Gilpin-Jackson (2017) tried to find out what participants believed regarding the success of large-scale organisation development intervention (LODI). Through one-on-one interviews, the researcher found that according to the participants, transformational change is necessary to ensure the success of LODI. This transformational change involves contextual conditions as well as organisational and personal transformation processes.

In the case of BlackBerry, transformational change was also necessary to solve its problems, which involved contextual conditions with personal and organisational transformations. The contextual situation was that BlackBerry lost its position to its rivals in the smartphone market, which it dominated a few years back. In a time when other rivals entered the market with their innovative products, BlackBerry failed to do the same, and tried to stick to its older, outdated versions of smartphones. This resulted in the ultimate failure of the company and what looks like complacent leadership (Llopis, 2014).

In order to solve the problem and bring large-scale organisational changes, BlackBerry needed several levels of personal and organisational transformations. Regarding the personal transformation, the failed leadership should have tried to reconcile with some other Board members by conceding that the company needed to enter the market with all-touch smartphones. However, the top-level leadership of the company failed to pay heed to the value of these opinions, rather they were adamant to stick to their previous plans. In addition, those leaders even refused to step down when the disaster was inevitable. This brought catastrophe for the company. From the organizational level, when it was understood that they needed to change their models, BlackBerry tried to imitate the iPhones, which was another disaster, as customers are always looking for something new and extraordinary rather than a cheap imitation.

Furthermore, as mentioned by Gilpin-Jackson (2017), large-scale organisation development interventions (LODIs) are driven by emotional engagement, group energy, and intrinsic motivation to contribute. All of these factors were hardly present at

BlackBerry when it was about to collapse. In order to bring effective organisational changes, the leadership needs to focus on bringing large groups of people together to address the challenges and opportunities.

Conclusion

The leaders in any organisational context need to be future-driven and capable of inserting positive energy into the team in order to become successful in bringing large-scale changes to the company. BlackBerry leadership failed in all of these aspects. A fundamental shift is needed in “how we think” and “how we work” to make transformational impacts in an organisation, but the leadership of BlackBerry completely disregarded these factors and allowed their company and legacy to collapse.

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