

without stifling entrepreneurial benefits. The ideal situation is to rely on most of the existing senior and middle-management talent already existing in the acquired company and to support it with adequate training and reward. An important consideration is the practice of 'fair process'¹⁶ that gains the loyalty and commitment of managers. Fair process is a management practice based on combining those integration principles that are advantageous to both efficiency and local entrepreneurship. This has also the tremendous benefit of buying in the loyalty of the employees, and the goodwill of governments and local communities. In this way the acquirer positions itself as neither an intruder nor an invader, but an insider.

MINI-CASE 8.1

The long road of global mergers in the telecoms equipment industry

On 16 April 2015 Nokia announced that it would buy Alcatel-Lucent for \$16.6 billion. This announcement marked the latest in a swirl of global mergers and acquisitions in the fast-evolving telecoms equipment industry.

The telecommunications equipment industry produces products and services that are used to support telecommunication services: wireless and landline infrastructure equipment (such as cables, routers, exchanges), as well as handsets and mobile phones. Since the invention of the telephone by Alexander Graham Bell the telecommunication industry has been divided into two segments: the equipment and the services. Originally, in many countries, the services operators were national government-owned companies. In the USA, the American Telegraph and Telephone Company was involved in both segments. In other parts of the world, national operators bought equipment from national or nationally based producers. Hence the development of strong national equipment producers: Ericsson in Sweden, Alcatel in France, Nortel in Canada, NEC in Japan and Nokia in Finland. The 1960s saw a series of developments that transformed the industry, and still affect it today.

First, technological development such as digitalization, the opening of trade barriers and deregulation created the full or partial denationalization of operators, while economies of scale pushed firms toward concentration of competition.

Second, the internet revolution introduced new technologies and products such as routers, giving rise to crucial new markets that were captured by new players such as Cisco in the USA or Huawei in China.

Third, mobile technology saw the creation of a new type of internet-based technology: the smartphone, as initiated by Apple and Samsung, modified the competitive landscape.

This is the rapidly evolving background against which the acquisition of Alcatel-Lucent by Nokia took place.

Alcatel, created in 1879, was originally a giant French conglomerate involved in power generation, transportation equipment, and shipbuilding and telecommunications equipment. In 1992, the non-telecoms businesses were divested and Alcatel concentrated on telecommunications.

In the USA, Lucent was spun off from American Telegraph and Telephone (ATT), which itself had been created in 1876 under the name of the Bell Company.

Global merger

Both Alcatel and Lucent were bursting of the internet and new services and profit declined. In 2006 Alcatel-Lucent had very high costs. Alcatel nor Lucent had very high technologies. Characterizations were not in the telecommunications position in the telecommunications market. Cisco, founded by Nokia, founded a company, developed a new technology involved in the telecommunications business. The dominance of the telecommunications market share was not managed to be managed.

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