

Global mergers, acquisitions, strategic alliances

Both Alcatel and Lucent were affected by the bursting of the internet bubble in 2001, seeing revenues and profit decline as telephone operators cut costs. In 2006 Alcatel and Lucent merged. The two companies had very different cultures and neither Alcatel nor Lucent had strong products in wireless technologies. Changes in management and reorganizations were not sufficient to keep a strong position in the telecoms equipment industry dominated by Cisco, Huawei, Apple and Samsung.

Nokia, founded in 1865 as a pulp and paper company, developed as an industrial conglomerate involved in rubber and cables. The mobile phone business, created in 1979, achieved global predominance in the 1990s with its digital cellular handsets, overtaking Motorola as the world number one producer of mobile phones. In 2007 its global market share was 30 per cent. However, Nokia did not manage to break into the smartphone industry

dominated by Apple's iPhones and Samsung's Android. By 2011, Nokia's market share in mobile phones had declined from 30 per cent to 14 per cent. Despite cost cutting, Nokia was unable to make its mobile phone business profitable again. The company decided to sell this division to Microsoft and concentrate on the supporting equipment business. Hence the decision to acquire Alcatel-Lucent. However the integration of the two companies proved to be difficult, hence the decision to cut 1,233 jobs in French in 2020, creating an uproar in French political circles.

Questions:

- 1 What pushed those giant companies to join forces?
- 2 Did Nokia made a good decision in acquiring Alcatel-Lucent?

Global alliances and joint ventures

Strategic alliances in a global context

An alliance can be defined as the sharing of capabilities between two or more firms with a view to enhancing their competitive advantages and/or creating new business without losing their respective identity. What makes an alliance strategic is that the sharing of capabilities, such as R&D, is aimed at the long-term competitiveness of the firms involved and implies a commitment between the partners. The combination of separate firms can be organized in different ways, ranging from a simple cooperation to a full merger of capabilities.