

The alcatel lucent merger what went wrong?



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Introduction

The merger of two companies Alcatel and Lucent technologies was completed on November 30, 2006. Before this two companies could not continue their merger for a long period. This paper is aimed to highlight the conditions which forced the merger of two companies and also current situation of the Alcatel- Lucent. The challenges of the Alcatel- Lucent towards the merging progress will be also discussed in this paper.

The merger of French Telecom Company Alcatel and US Company Lucent was finalized by the US committee; indicates that both companies lowered their corporate credits. When the process of the integration is discussed, it is too much challenging for the size and scope of Alcatel and Lucent. Changing market condition forced the two companies to recombine as Alcatel-Lucent. There was high pressure of workforce for both companies. Reduction of the workforce was a difficult with a fair and balanced manner. Separately both of companies were not in position to compete in global market due to evolving industry. During the pre-merger period a steering committee and integration team from both sides were formed to manage all the functions related to merger and integration planning efforts. The issue of global cost reduction plan was aimed for this merger as there were no restructuring plans individually in both sides. Freedom of the thought, expression, and opinion was at risk before this merger as employees were not provided the chances to meet and discuss the concerning issues individually. Both Alcatel and Lucent were in need to improve the efficiency of products at a joint venture.

Performance and Reliability

When Alcatel and Lucent were operating separately, they could not achieve compliance to secure their performance and reliability of their solutions and equipments. Both companies lack comprehensive programs and specific procedures to ensure that products shipped to other countries were fully compliant with the company's directives. A significant effort was required to check the thousands of components from the hundreds of suppliers and tracing the compliance status.

Relationship with Suppliers

New merger of two telecom companies was required to support the national and local councils with diverse supplies issues. A process or set of tools can enhance supplier diversity program to provide the best business solution to customers.

Current Status of Alcatel- Lucent

In the field of the broadband networking, Internet protocol, applications and other services Alcatel-Lucent is leading for its above mentioned services.

Both of best world were brought together on April 2006 by the merging of two telecom companies. Alcatel-Lucent has become best in its capability to innovate the products, solutions and services with low prices. Alcatel-Lucent generates its 50% revenue from the European markets. Income sources have following shares as fixed communication (41%), private communication (32%) and mobile communication (27%). Lucent derives its major revenue from the US market. Alcatel-Lucent is working in more than 130 countries of the world. Alcatel has a very strong business of wire line access while Lucent is holding a grip over the wireless. Alcatel-Lucent provides best services

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globally in the industry. Alcatel-Lucent now has greater product, strong research and development capabilities. I have also found that Alcatel-Lucent is a competitive telecom industry especially providing the carrier consolidation, making new changes in technology, free cash flow and reflecting the moderate sale growth. The two former entities has achieved their targeted synergies and operating margins. In wireless technology Alcatel-Lucent has demonstrated the leadership to become the pioneer in point to point microwave radios. After the merger the trading volume of Alcatel's Depository Receipt DRs is doubled as compared to the volume before April 2006. Due to fluctuations in trading volumes the DRs Value remained constant. The price of the shares contained by the Alcatel-Lucent continued upward momentum and their DRs were traded at a constant discount after the merger of two companies. The DRs of the Alcatel-Lucent remained in high demand as their value moved up. Numbers of institutional investors has been more than 407 and 3. 2 million retail holders of DRs.

Alcatel-Lucent has grown its business in various domains like IT/Telco, Rich Media and application integrations. Now the Alcatel-Lucent is in a good position to focus on more projects in future to generate revenue. Both of team have worked together and identified many opportunities which can be achieved by the rationalization and integration in the different areas of business.

There is confusion about the charge of the Alcatel- Lucent. When Russo has become the CEO and Tchuruk the chairman of the Alcatel- Lucent; the CEO was considered the authority man in American culture. In European context especially the French considered the chairman as boss. Both of Americans

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and French have different ideas about the business operations in crisis. American concentrates on the right sizing of the business, lowering the cost and cutting down the jobs. On other hand French seek assistance from government and their own banks. Two nationalities try to defend the compatriot's jobs. I think this is wrong with Alcatel- Lucent as Americans and French have different ways of business working. Each side is trying to defend its own turf and this kind of merger works for a period of time. When cultural strains are magnified the business becomes unmanageable. During the period of dynamic change in market it becomes difficult for the CEO to meld the two cultures. Russo faced many practical obstacles because he could not speak the French. The board of Alcatel-Lucent took steps to reduce the size of the board and removal of the Henry Schacht the former chief executive at Lucent also stepped down. Competitors of the Alcatel-Lucent are also struggling to make the growth. Alcatel-Lucent also added itself more problems to attain the success in different cultures of Americans and French. It is correct to say that merging companies may take several years to adjust with the cross border companies. In our case both of companies have different customer and geographic focuses, naming conventions of products and these issues are likely to be resolved and competitors exploited it to get benefits. These differences can be solved by adopting a problem solving approach. Lucent and Alcatel merger is well tested based upon the best problem solving system.

International challenges for Alcatel

Changing customer's demands, intense competition and economic flux demand the Alcatel-Lucent to be more responsive. The changing conditions

and customer's relationship are vital for Alcatel-Lucent to reduce the risks, drive the greater efficiencies and capitalize the opportunities. To provide the subscription services to their customers Alcatel-Lucent faces many business and practical challenges. Important challenges are given following.

Next generation networks need the modifications in infrastructure and Alcatel-Lucent will have to manage very carefully to avoid the disruptions and customer's dissatisfaction.

Competitors try to get benefits in telecommunication industry; Alcatel-Lucent a unique service provider faces the quick needs to maintain their growth.

Network upgrade requires the customer experience and service continuity which are critical and end users must not be impacted by the technology changes.

Management and operational complexity are produced due to increased network because number of network elements is also involved in the same process.

I have mentioned the technology issues in above lines but financial challenges of Alcatel-Lucent are more obvious. These financial challenges can impact the growth plans and investment. The new incumbents like Avaya, Nortel and Cisco may face the challenges of recognition with Alcatel-Lucent. Not promoting the benefits vendor considers himself at risk of losing the market share to IBM and Microsoft portfolios. Socially responsible manners are vital for all companies in corporate sector. Ethical behaviour of all employees in Alcatel-Lucent may create concerns for the society.

Conclusions

In this paper the consequences of Alcatel and Lucent are discussed with pre-merge conditions. The factors which forced the two telecom companies are given here with causes of integration. Due to changes in market trends both companies decided to remerge to compete the other companies. After merge the Alcatel-Lucent has become the leading industry in telecommunication providing best services to its new and regular customers. European, Asian and USA markets are the targeted markets of Alcatel-Lucent to generate its revenue. The merger of Alcatel and Lucent has proved very beneficial for the officials of Alcatel-Lucent to challenge the other companies in competition with best services and lower prices. Domains of the new technology must be searched through R&D to get the market differentiation to fulfil the today's customer needs and revenue opportunities. More collaboration must be focused on other operators like Telecom British Telecom Research and Italia. Key competencies must be highlighted and indentify the future leaders to stabilize this merger of two companies. Common training programs from both merged companies must be started to combat the cultural differences.