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Nokia Siemens Networks: Branding a Global Merger from the Inside Out

A handful of global players dominated the telecommunications infrastructure industry in 2007. The benefits to scale were significant: substantial funding requirements were necessary to sustain continuous innovation and development of networks, products and services; key customers themselves were globalising (e.g., operators such as Telefónica and Vodafone); and low-price competition from Asia (e.g., Huawei) increased pressures towards consolidation. In 2006, French Alcatel and the US firm Lucent Technologies joined forces and in 2007 Nokia Siemens Networks (NSN) was established.

NSN was created as a spin-off from the telecommunications equipment unit of Finnish Nokia's Networks Business Group and the carrier-related business of German Siemens' Communications Division. Each company owned 50% of NSN's equity. Headquartered in Espoo, Finland, NSN's 60,000 employees served approximately 600 customers in some 150 countries, including 75% of the top 100 operators around the world. NSN started as one of the largest telecommunications infrastructure companies in the world, providing a complete portfolio of mobile and fixed network infrastructure solutions, with combined pro forma revenues of about €17 billion in fiscal year 2006 (see Exhibit 1 for market shares).¹

NSN furnished its operator clients with all the equipment needed to set up and maintain telecommunications networks: a complex system of hardware – such as industrial PCs, switches, transmission systems and base stations – and software solutions. The union made both companies bigger players in the fixed-mobile convergence market, where consumers use a single device to make calls over both mobile and landline networks. The combined company was also able to offer quadruple-play services of TV, broadband access, fixed and mobile telecoms.

Industry watchers had reacted favourably to the merger, with Nokia gaining from Siemens' experience in fixed line and Siemens gaining from Nokia's management experience. The merger was also expected to realise synergies resulting in €1.5 billion cost savings, coming from areas such as research and development and human resources.² In 2007, the company announced it would cut 9,000 jobs – about 15% of its total staff – over the next four years as part of the integration programme. NSN's new CEO Simon Beresford-Wylie remarked:

This is a necessary step to build a Nokia Siemens Networks able to compete now and in the future ... I know that the planned actions announced today will be difficult for some, but it is our responsibility to create a winning company that can provide strong

This case was prepared by Gudrun Herrmann, communications consultant, under the supervision of Simona Botti, Professor of Marketing at London Business School, and Nader Tavassoli, Professor of Marketing at London Business School.

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