



## Overview of the ALCATEL case study

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- ✓ The ALCATEL group is a major player in the new information and communication technology sector. It is a highly competitive and technological sector, with high R&D costs, in which global players vie for position. They operate in a largely deregulated market, which is particularly true for Europe due to EU policy, which has led to the proliferation of telecommunication operators in the market. Rapid growth, especially linked to the growth in mobile phone and internet businesses, was followed by a downturn at the beginning of 2000, characterised by what was referred to as the "the bursting of the internet bubble". Consolidation of the equipment maker sector continued, with the merger of ALCATEL and the American company LUCENT being the most recent example.
- ✓ The bursting of the internet bubble led ALCATEL's management to embark upon a true transformation of the group, with its CEO announcing its intention to become a "company with no factories". It was a question of the group pulling out of manufacturing ("*fabless*" model). It was unquestionably a culture shock for a group that had already withdrawn from non-telecommunications businesses: abandoning its conglomerate model and selling of ALSTHOM and then of the cable manufacturer, NEXANS. Over the period from 2001 to 2005, in three steps, ALCATEL stopped most of its industrial production, i.e. a reduction from 40 to 60% of its European workforce (-50% for France). First, there was the divestment of companies on block to American OEMs (other equipment manufacturers), which were overall deployed as entire factories – this led some to say that these companies were for all intents and purposes "labour defeasance" companies for ALCATEL. There was then a second wave of divestments to specialised SMBs. Finally, tailored operations or solutions were sought for the plants at Illkirch in France and Rieti in Italy.
- ✓ In fact over the last 5 years, ALCATEL has gone from a quite brutal approach of restructuring programmes (all the more true as the OEMs quickly relocated and so restructured their west European former ALCATEL plants) to a more concerted approach over prolonged periods... we can therefore speak of a learning phenomenon, especially as regards the historic plants of the group such as Illkirch in France and Rieti in Italy. This made possible concerted operational anticipatory intervention from structured and legitimate players (local management that had gained a certain autonomy and staff representatives). It is worth noting that Alcatel's European works council (ECID) was highly involved in the information-consultation process. In addition, the ECID obtained access to the results of the industrial divestments made since 2001; results that it considered to be very "poor", particularly the divestments on block to OEMs. The situation is less clear for the divestments to SMBs. As regards "tailored" operations concerning Illkirch and Rieti, the interim assessment – the operations not being completed – show that for the French sites, the results are still rather meagre from the point of view of the means employed, while in Italy the partnership with FINMECCANICA seems to be a sign of better results in terms of jobs preservation.