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Research

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Gores/Siemens Joint Venture Is Promising but Faces Tough Market

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A joint venture between Gores Group and Siemens Enterprise Communications will enable them to roll in other companies to create a larger enterprise portfolio. But the challenge of a consolidating market still looms.

NEWS ANALYSIS

Event

On 29 July 2008, Siemens announced that a private equity firm, the Gores Group, will acquire a 51% stake in Siemens Enterprise Communications (also known as SEN, as it was formerly called Siemens Enterprise Network). Both firms plan to invest approximately €350 million in the joint venture. The new business will combine two companies in Gores' current portfolio: Enterasys, a network equipment and security solutions provider, and SER Solutions, a call center software company. The deal is expected to close during September 2008.

Analysis

The announcement ends uncertainty regarding ownership of SEN, the enterprise division of Siemens. Benefits to the joint venture will include:

- A leaner SEN, following the heavy restructuring necessary to return the company to profitability
- Further investment of product and cash
- Retention of the Siemens brand

The joint venture faces challenges as a smaller player in a marketplace that has grown more competitive through consolidation. The organizational structure has yet to be confirmed, but Gartner expects consolidation and rationalization along product lines.

Enterasys is a hardware company, which will likely change SEN's vision as a pure software and services company. But the joint venture's promising unified communications (UC) portfolio and worldwide service business gives it the opportunity to build on current customer relationships with a more rounded portfolio of networking, UC and contact centers.

Inclusion of Enterasys and SER Solutions will improve both entities' long-term viability as part of a larger company, and will also extend their products to SEN's current customers. SER Solutions has a complementary portfolio of outbound, voice response and content analytics to boost the lagging HiPath ProCenter product. But the creation of a larger entity can make it more difficult for investors to exit over time. Customers need to understand the commitment term of both the Gores Group and Siemens.

RECOMMENDATIONS

- **HiPath and OpenScape portfolio customers:** Expect little change from this announcement. Continue to evaluate it for your UC needs. If you rely on a legacy platform, consider commercial terms when offered to update to HiPath and OpenScape.
- **HiPath ProCenter and SER Solutions customers:** Expect integration of the SER Solutions and HiPath ProCenter portfolios to take from 18 months to two years. Evaluate how an integrated suite will benefit your customer service environment.
- **SER Solutions and Enterasys customers:** Continue to deploy these products and assess the opportunity to provision these technologies in more locations.

RECOMMENDED READING

- "Magic Quadrant for Corporate Telephony in Europe, the Middle East and Africa, 2007" — Consolidation and the trend toward UC are driving changes in the telephony market. **By Steve Blood**
- "Magic Quadrant for Contact Center Infrastructure, EMEA, 2007" — Companies favor vendors with technologies to support the full customer service suite, rather than complex integration of best-of-breed products. **By Drew Kraus and Steve Blood**

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