Oliver Alexy¹

Competition from the Commons?
Siemens Enterprise Communications and Asterisk

1 Introduction ........................................................................................................................................... 3
2 SEN's Turbulent History .......................................................................................................................... 4
  2.1 Historical Origin ................................................................................................................................. 4
  2.2 Foundation and Dissolution of Siemens Com ....................................................................................... 4
  2.3 Uncertainty at Enterprise Networks .................................................................................................... 8
3 Enterprise Communications .................................................................................................................... 9
  3.1 Technical Environment ....................................................................................................................... 9
    3.1.1 The Heart and Soul: The PBX ................................................................................................................. 9
    3.1.2 Circuit Switching and Packet Switching .............................................................................................. 11
    3.1.3 It's VoIP Time ...................................................................................................................................... 12
  3.2 Market Environment and Business Model .......................................................................................... 14
  3.3 SEN's Product Offerings ..................................................................................................................... 16
    3.3.1 SMEs: HiPath 2000, HiPath BizIP ........................................................................................................... 16
    3.3.2 Large Enterprises: HiPath 3000, 5000 ................................................................................................. 16
    3.3.3 World Players: HiPath 4000, 8000 ........................................................................................................... 17
    3.3.4 Anytime, Anywhere: OpenScape ......................................................................................................... 18
    3.3.5 Present and Future .............................................................................................................................. 18
4 Asterisk – Dawn of a New Age? .............................................................................................................. 19
  4.1 Open Source Competition ..................................................................................................................... 19
  4.2 Open Source goes Pro .......................................................................................................................... 21
  4.3 The Open Source Promise .................................................................................................................... 22
5 How to React? .......................................................................................................................................... 23
6 Problems ............................................................................................................................................... 23
7 Literature ............................................................................................................................................... 26

¹ Dr. Oliver Alexy, Innovation Studies Centre, Imperial College Business School, London. This case has been written with the help of Gerald Hopf and Winfried Mundl under the supervision of Prof. Dr. Joachim Henkel.
1 Introduction

2006 had been a very interesting, not to say turbulent, year for Juergen Bauer, head of product strategy for small and medium-sized enterprises for Siemens Enterprise Communications (SEN), and all of what had previously been Siemens Communications. With the foundation of the new SEN subsidiary that originated from the Enterprise Networks segment of Siemens Communications, SEN could now focus on what lay ahead, hoping to leave its troubled past behind for good. Sitting in his Munich office in late December, Bauer was starting to prepare a presentation he was supposed to give at the first Board meeting in January 2007, in which the current strategy of SEN was to be reviewed. Bauer had chosen to take a closer look at some of the current drivers of the industry – especially Voice over IP (VoIP) – and how they were currently being addressed by SEN.

Bauer was wondering whether he should also talk about Digium, an open source software (OSS) based competitor, and their main product Asterisk in his presentation. While Asterisk was not news to him and most of his colleagues, Bauer wondered whether SEN might have underestimated the danger of Digium/Asterisk becoming a full-scale competitor in the past. Few people in the organization had really kept a close eye on Asterisk and Bauer feared that a lot might have changed since 2005, when SEN had last thoroughly analyzed this potential threat. It was not that Siemens did not believe in OSS. In one way or another, OSS was contained in almost any SEN product offering: both HiPath 2000 and 8000 – the company’s two most promising product suites – were running on Linux.\(^2\) SEN had even looked into the possibility of using Asterisk as a basis for HiPath 2000! It was more that OSS represented commodities for Siemens: programs that provided basic functionality with which little or, in most cases, no money could be earned – something Siemens used, not something to compete against. Bauer was wondering whether this position could still be maintained.

Still, these were not his only problems. If Bauer were to find out that Asterisk had indeed become a competitive threat to SEN – and if he could convince his colleagues of the importance of this issue – what should Bauer recommend? SEN – and probably no other part of Siemens, either – had no experience whatsoever in competing with OSS. Of course, Bauer had read about OSS success stories such as MySQL or Red Hat; however, what he had not heard or seen was anything on how their competitor successfully pushed them back. As he was putting aside his unfinished presentation to look through the corporate intelligence documents available on Digium, he started to think about what options SEN might have to push back Asterisk and whether and how these could be integrated into SEN’s future strategy.

\(^2\) Other examples of Siemens’ products using or even running OSS included web servers (Apache) or programming environments (Eclipse).