

Contact

COMPETE & WIN!
Take the Contact strategy quiz
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Glimpse into the future with...

The strategy

Pages 7-30



**DICK KOMIYAMA,
CEO OF SONY ERICSSON:**

"We need a new direction."

Pages 32-34

How it works:
OPEN APIs

Page 5



EMPLOYEES DISCUSS:

Do we need a new killer application?

Page 4

A woman in a black leotard is captured mid-jump, her arms and legs spread wide in a gesture of freedom and joy. She is positioned on a large, sloping mound of dark gravel or sand. The background is a clear, vibrant blue sky. The overall mood is one of liberation and achievement.

EMBRACE THE FREEDOM

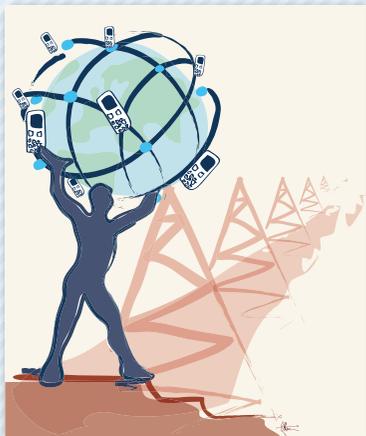
We take end to end responsibility for that complex project – so you are free to focus fully on developing your core business

ericsson.com/primeintegrator



Worth reading

Spend some time on strategy pages 7-30



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Contact

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Time for leadership

It is time again for a new strategy edition of Contact. Try to take some time, find a quiet place and read through the articles at a comfortable pace. Discuss the issues with your colleagues, and then check with your manager about when you and your workmates will get a briefing, if you have not already had one, from someone who took part in this year's Global Management Conference (GMC). It is important to understand how the decisions were made during the strategy process. It is also important to understand how those decisions will affect you and your day-to-day work. We all need to understand our own parts in the big picture, and how they fit in with Ericsson's strategy. Please save your copy of Contact and take it out again when you feel like you need an update.

During the first half of this year, many were still feeling the effects of last year's turbulence. Our profitability is still too low, despite the fact that we are far and away the world leader in mobile infrastructure in terms of technology and size. That is a bit tricky. When you think about the economies of scale we have, we should definitely be making more money. And that is essential if we are to have the freedom to take the company where we want it to go. We are working with the savings program throughout the organization. In my area, for example, we are reducing costs by 10 percent. In total, Ericsson has to reduce its workforce by 4000 people, 1000 of whom are in Sweden. It is very sad, but unfortunately it is something we have to do.

The theme for this year's GMC was clear: "Time to Show Leadership." You show leadership by doing the right things quickly when circumstances change. You show leadership by having solutions that are better than the competitors' and that successfully create added value. Leadership also means making tough decisions, such as the businesses that you want, or do not want. And leadership means being able to explain why you are doing what you are doing, so that everyone can take part. The GMC is the starting point for informing people about the path Ericsson has chosen. We start this activity every year at this time, and we don't stop until everyone working for Ericsson has had the opportunity to share in this understanding.



Henry Sténson, head of Group Function Communications and publisher of Contact

Have your say

E-mail us your questions, opinions, reflections or work-related images. We will publish a selection of the material on this page.

contact.comments@ericsson.com

DISCOUNTS ON PHONES?

I don't understand, and neither do any engineer friends of mine, why Ericsson can't promote employee discounts on Sony Ericsson cell phones. I'm work 100 percent of the time with the customer, training the operator, and mine isn't even a 3G phone. This feels totally against any market advertisement strategy in my view.

Diego Martos, USA

ANSWER The question should be divided into two parts: buying

telephones for business purposes and for private use. Regarding private purchases, operators subsidize the phones, which makes it hard for Ericsson to match these offerings, which are usually connected to a subscription. Were we to do so, we would also have problems with the tax authorities, which regard it as a benefit that must be taxed. Ericsson would then have to pay employment tax for this benefit as though it were part of your salary. The rules and levels for this to be seen as a taxable benefit differ between countries. Regarding Sony Ericsson phones for business purposes, our IT organization is responsible for these rules. They are described in "Telephony supporting and clarifying instructions," which can be found on the intranet.

Lennart Nilsson C, head of Strategic Alliances

DEBATE

KILLER APPLICATION WANTED

Ericsson needs a new killer application to trigger new massive investments in Europe and the US. We need something like GSM was in the 1990s. I don't see this kind of 'application' yet...

Antonio Montone, Italy

SOME SUGGESTIONS

I suggest creating an interactive language translation service for our voice telecom service. Can someone do this in the near future, so we can have "real" international calls?

An easier killer application may be a real-time mother-tongue-

Reader picture



Here is a picture I took with my K610i phone when I was in Japan in March. I was there for the P6 First Office Application of WRAN that we had in Tokyo. The picture is from Hakone with Mount Fuji in the background.

Joakim Persson, Sweden

speaking tour guide: your mobile phone could act as your tour guide when you visit cities in different countries.

The easiest killer application may be a 3G illustrated encyclopedia: an encyclopedia with the focus on pictures and voice, but not words in written form.

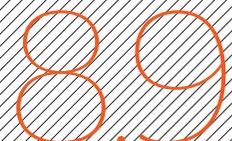
George Chan, China.

IT'S ALREADY THERE

Is it really a killer application that we need? I think the killer applications are already out there, just as telephony was already there when GSM was introduced. I think we will make money on helping our customers by making the killer applications available to the end user. We will do this by providing seamless, always best connected, fixed and mobile access. Then we can add some functionality and services to enable the killer applications to utilize the network we provide.

Jan Gjärdman, Sweden

Web poll



...percent of 1231 Ericsson employees say they have tried dating online.

Welcome...

PHOTO: ALI KABAS



... Metin Zavrak, who recently joined Ericsson

In April, Metin Zavrak joined Ericsson in Turkey, where he works with integrating solutions at the CEMA (Central Europe Middle East and Africa) regional competence center, a group created to satisfy the need for competence in the North Africa, sub-Saharan Africa and Middle East markets.

Where did you work previously?

"At Nokia Siemens Networks, but after the merger I applied to Ericsson. At the same time, I was contacted by a headhunter for this job at Ericsson."

What is the difference between Ericsson and Nokia Siemens Networks?

"There is a unified corporate

culture here, while Nokia Siemens Networks is trying to create a common way of working within two different cultures. But there are also similarities, with both companies working in a market with a lot of competition. At Ericsson, I feel a part of new projects and programs, which was not the case at my previous job."

Have you been asked ...

...WHAT IS AN OPEN API?

Developers of new services need easy access to new technology and functionality in the networks and mobile phones. The relatively closed telecom's world is opening up. Ericsson supports standardized open interfaces, APIs, which allow quick testing of services for new technologies.

An API, or Application Programming Interface, is used by people who develop services and applications. An API is a simplified interface that allows the designer to access different functionalities on, for example, a mobile telephone or a network server.

An API might start an MP3 player or camera in a mobile phone, for example. Or it might access IP Multimedia Subsystem (IMS). The designer first chooses a programming language, such as Java, and then an appropriate, standardized API, which can be downloaded from a portal.

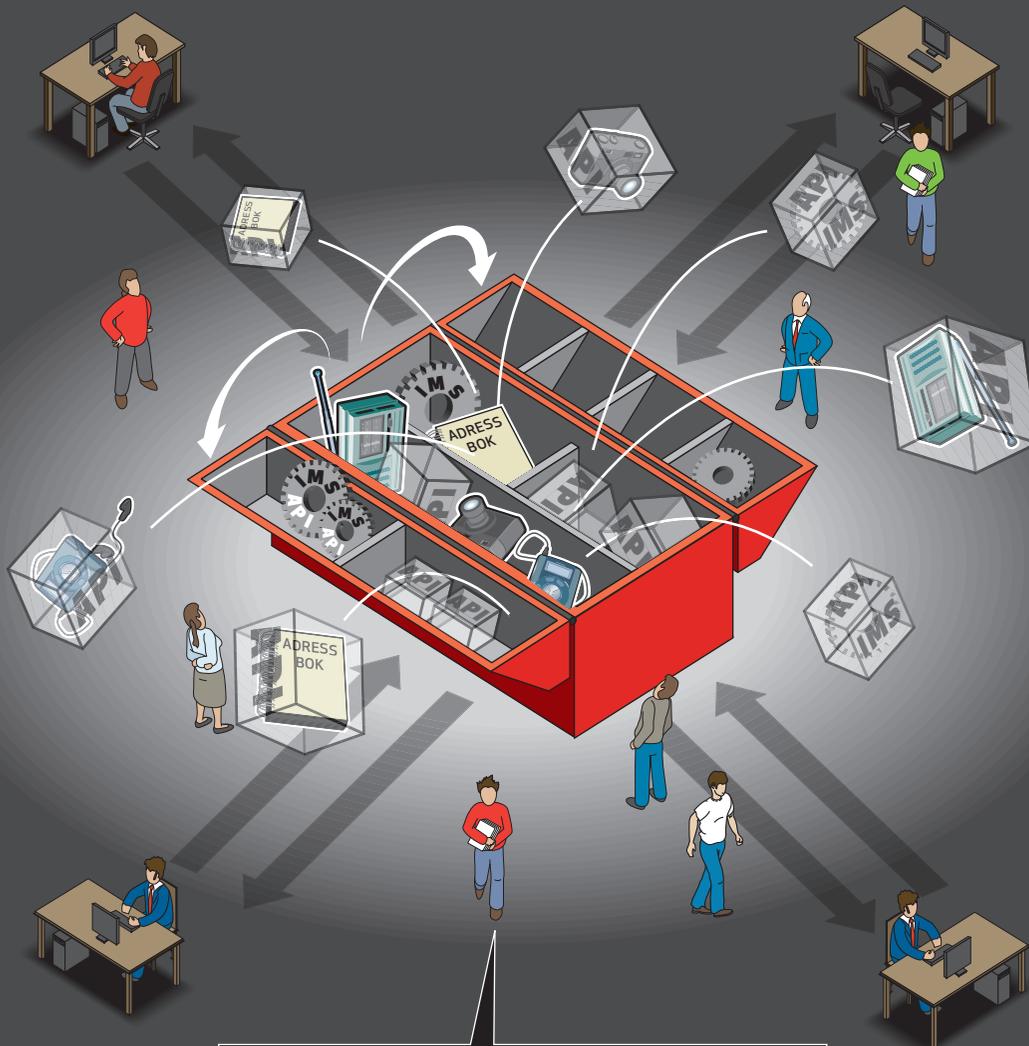
WHAT DOES OPEN API MEAN, AND WHAT IS THE ADVANTAGE?

Access to functionality is essential if application developers are to be able to test and introduce new services. Open APIs mean that developers can easily get access to functionality, from an operator or somewhere else. It is also important that developers can quickly get answers to questions and even have the opportunity to influence the APIs.

WHAT IS ERICSSON'S POSITION?

Open standardization of APIs is crucial for application developers. The functionality must be easily accessible. For operator-owned functions, Ericsson can act as a broker. For functions in the mobile phone, Ericsson works together with Sony Ericsson for access to, for example, the mobile's phone book and IMS functions.

✉ Lars Cederquist



Developers choose the appropriate API from a toolbox. An important aspect of the openness is that there is also help available through a developer portal, with tools, examples and a discussion forum.



Green calling

Björn Engström, head of Business Development Unit Partnering & Sourcing, makes an environmentally friendly call during this year's Global Management Conference (gmc) in Stockholm. A solar charger with the capacity to charge about 10 telephones at once was set up outside the entrance to the conference facility. The solar panel was also connected to a car battery, which means the charger can work even when the sky is cloudy. Participants appreciated the solution and made a lot of use of it.

PHOTO: PETTER EDELSWÄRD

24 Strategy 2008

... packed pages on how Ericsson will **lead the development** of the IT and telecom industry in an all-communicating world





Carl-Henric Svanberg, CEO and President:

It's time to

It has been a long time since Ericsson was this strong, but it also has never faced as many challenges. These include technology shifts, fierce competition and tighter margins. This is the world Ericsson faces in as it **sets its direction** for the next five years.

There is a lot changing in the world and in the communications technology industry right now, says Ericsson CEO and President Carl-Henric Svanberg. "This makes the future more uncertain than ever. But we are in a good position. We are better at mobile solutions than anyone else, and that is an invaluable asset when everyone wants mobility for their services. Everyone I meet in the industry is jealous of us."

A glance at Ericsson's CV shows that Ericsson is far and away the No.1 company in mobile infrastructure and telecom services. Although the telecom industry has experienced some recent

difficulty, Ericsson has continued to win market share, with the highest profitability in the industry. Ericsson is also building a position in fixed infrastructure and multimedia solutions, and it has generally satisfied customers and employees.

So everything is just fine for the future, right? Well, it is not really that simple. And that is where today's changes come in. Svanberg says that he sees the future in a positive light.

"We have everything we need to maintain our position as the leading vendor for operators, so it is time for us to show leadership," he says.

To do that, however, Ericsson has to understand the dominant trends.

show leadership

These trends are basically the same as in recent years, but they are growing stronger.

One major trend is the increasing importance of the internet. Consumer behavior is flavored by the web; people use it to share and find information, download and upload video, images and text, and communicate via social networks. There has also been a dramatic increase in the volume of multimedia services and user-generated materials.

The internet is also public property. Anybody can surf the internet or develop applications. And users have grown used to free or cheap services. All this affects the consumer view of the comparatively closed-off telecom networks.

Joakim Westh, head of strategy, says: “It is essential for us and for the entire telecom industry to understand and embrace the internet. We need to understand that it is not us versus the internet companies. We have to adapt to them, rather than the other way around. It is essential for us as a company to understand the nature of the internet world if we want to be a long-term winner.”

Embracing the internet means that Ericsson can make money by helping internet companies and ope-

rators take their services mobile. And Ericsson can also contribute to opening up telecom networks for application developers (as Ericsson is doing with IMS). Within the company, employees can use internet-based ways of communicating to better understand end-users’ needs.

The growing popularity of mobile broadband is a closely related trend. Internet access using the mobile network has broken through, and is set to spread around the world. In mature markets, consumers are using laptops as a complement or an alternative to fixed broadband. In emerging markets, people are getting access via the mobile phone to internet, payment, communication and information services for the first time.

The development of the internet and mobile broadband has given data traffic dramatic momentum in both the fixed and mobile networks. That momentum appears to be continuing, not least thanks to the flood of new mobile subscriptions, primarily in high-growth markets. There are expected to be 6.5 billion mobile subscriptions in the world by 2013, compared with today’s 3.7 billion. Indeed, most new subscriptions will come from high-growth markets.

For Ericsson, these changes are basically very positive, but as always there are difficulties. High-growth markets provide new business and

increase voice and data traffic in the networks, but it can be difficult to make profitable deals in the developing world.

Another vital issue for the industry is how operators can maintain the kind of profitability that they have become used to. Even if data traffic is increasing, revenues are not keeping the same pace, and voice – operators’ traditional cash cow – no longer pays off as well as it once did.

That is why operators today are looking in two directions at once. One is based on services that can compensate for declining voice revenues, and the other has to do with finding ways to reduce their costs. Ericsson can help in both areas, thereby lifting its own business, but the operators’ push to cut costs could potentially hurt Ericsson.

“This is the challenge facing operators and it has led to the ongoing technology shift,” says Ericsson’s CTO Håkan Eriksson. “The networks are going from circuit-switching to packet-switching.”

That is why we are seeing the first signs of fixed and mobile networks merging, with IP as the bearer – something that has long been expected.



Joakim Westh



Håkan Eriksson

“We have everything we need to maintain our position as the leading vendor for operators”

Carl-Henric Svanberg

► Convergence has provided Ericsson with a great opportunity. But it has also meant that new competitors will realize that they also have a chance to gain a foothold with operators. In this way, Cisco, with its IP expertise, could be Ericsson’s toughest competitor in a few years. This helps to illustrate the point that Huawei, Alcatel-Lucent and Nokia Siemens Networks will not be the only competitors any longer.

Operators are continuing to merge, acquire each other and break into new countries. They are doing this in order to grow and gain economies of scale. But for Ericsson there are pros and cons to these developments too. Fewer, but larger, operators means larger deals but also fewer deals and tougher negotiators on the other side of the table.

The environmental issue is the trend that has grown strongest in recent years. Global carbon-dioxide emissions must fall. IT and telecom solutions can play a part in this by reducing the need for travel, thus

avoiding the subsequent emissions. Smart communications solutions can be both good business and good for the planet.

Henry Sténson, head of Communications at Ericsson, puts it this way: “We have already changed the world once through the mobile telephony revolution. What is happening now is even bigger. If we as an industry can think smart, we can help the world advance without emissions continuing to increase.”

Westh says all these trends share a common characteristic: they require network investments from operators.

“That means we have good opportunities for growth,” he says. “The hard part is growing with solid margins.”

Westh is addressing Ericsson’s greatest and most acute challenge. Good



Henry Sténson

margins are the same as profitable business, and without profitability, Ericsson loses its ability to determine its own future. In other words, without good margins, Ericsson cannot turn its strategy into reality.

“Our profitability is a storm cloud on the horizon,” says CFO Hans Vestberg. “We do have the best margins in our industry, but the trend is worrying. We were at 20 percent; now we are around 10 percent.”

That is why Ericsson is putting a lot of effort into improving its finances. It is introducing an updated sales process (see pages 28-29), and continuing its work on operational excellence; Ericsson will start charging better for software, running projects better and the entire organization needs to push down costs even more.

Svanberg explains: “We must become cost-obsessed. And we must be prepared to say no to deals. If a deal has



Hans Vestberg

THE STRATEGY IN 90 SECONDS

First things first: The strategy remains in place. Ericsson’s strategy temple is unchanged, but the wanted position has been slightly updated. The big news is the three group-wide priorities.

Just as before, Ericsson’s way forward for the next five years is described using the strategy temple and the wanted position (see page 30).

The wanted position now includes Ericsson becoming the leader in embedded PC modules for mobile broadband and more emphasis on the company’s multimedia push. But this will not affect the strategic



Joakim Westh

direction, says Joakim Westh, Ericsson’s head of strategy.

That is why the strategy temple’s three pillars remain unchanged: Excel in network infrastructure, Expand in services and Establish a position in multimedia solutions.

These are complemented by three group-wide priorities involving Ericsson’s three business units. This makes the most and best of Ericsson’s combined strength.

The first priority is to continue as the world’s leader in mobile infrastructure (Secure continued leadership in mobility, pages 12-15).

A secure position in mobile infrastructure lays a good foundation for success with the second priority: becoming a leading player

in the transformation of networks to all-IP (Enable Full Service Broadband – IP Network Transformation, pages 16-19). These networks will eventually bring together fixed and mobile communications, media, data and telephony.

The third priority is based on creating new services and helping operators and other service providers create new business as media and communications networks converge (Support multimedia service providers in building new revenues, pages 20-21).

And Ericsson now has three, rather than the previous six, strategic focus areas, which support the implementation and thereby the realization of the strategy (page 15.)

poor margins, it is not a good deal. In that case, we drop it and take another one instead.”

The shifts, changes and trends described here are affecting the entire industry. Ericsson predicts that the market will see single-digit growth up to 2013. Professional services and multimedia are growing most, while growth in infrastructure is more moderate. Construction of new mobile networks will be slowing, while upgrades and expansions to existing networks will be increasing.

Westh says: “The forecast is good in the long term, even if things are a bit tough right now.”

Ericsson is affected by what is happening in the world at large. In terms of revenue, Networks will still be the largest business unit in five years, while Global Services will have the most employees. There will be service-led infrastructure sales and systems integration-led multimedia sales.

Above all, there will be a continu-

ation of the paradigm shift that has been going on for several years, from an Ericsson that was – and to a large extent still is – a voice-centric, mobile-focused hardware company.

Svanberg spells out the challenge: “That is good – it is invaluable – but we also have to become better in multimedia and IP networks, and find some new business segments. We are delivering a lot of software, and that is where we will earn our living. So we have to charge for it, and we are not always doing that today. We have a broad portfolio in multimedia and IP, but we have to learn to sell it. We still have a long way to go there.”

He is certain about one thing: if Ericsson succeeds in this shift, it will remain in its position as leader in the communications technology world.

“It is time to show everyone else in the industry the way to the new era,” he says.

✉ Text: **Andreas Andersson** Photo: **Stefan Borgius**

DID YOU KNOW...

- ▶ ... that the word strategy means “the art or science of the planning and conduct of war; generalship” or “a particular long-term plan for success, especially in business or politics,” according to the Collins English Dictionary? Strategy is originally a military term, stemming from the Greek word *strategos*, which in turn comes from the words *stratos* (army) and *ago* (lead or control). The meaning has expanded and is now used in the business world for long-term plans for business development.
- ▶ ... that Ericsson’s direction and vision have largely continued unchanged since CEO and President Carl-Henric Svanberg joined the company in 2003?





PRIORITY 1:

Secure continued leadership in mobility

Dominate mobility

There are no two ways about it: Ericsson is No.1 in the world for mobile infrastructure. But it would be devastating for the company to rest on its laurels. **Maintaining its leadership** is a vital part of the strategy.

Mobile infrastructure is the core of Ericsson's business, and the company has had numerous major successes over the years. Today, Ericsson has more than 40 percent market share in GSM and WCDMA, the company is biggest within HSPA and the world's operators have chosen LTE – which Ericsson is behind – as the major mobile standard for the future. In short, Ericsson dominates the mobile world.

Ericsson knows this world well, but it has changed dramatically in just a few years. Ten years ago, there were about 10 competitors. Today, there are only three major ones: Huawei, Alcatel-Lucent and Nokia Siemens Networks. But the competition has toughened, resulting in price pressure. This means it is harder to maintain profitability, and the demands on efficiency are also rising. So even though Ericsson dominates in mobile and knows the industry well, it is not exactly business as usual.

A top priority in Ericsson's strategy for the next five years is therefore about enforcing the company's leadership. There are two reasons this is important: one, it opens the door for Ericsson to become a major vendor when the operators move towards IP-based networks, which is another priority for Ericsson (pages 16-19). There are also big opp-

ortunities for future sales when high-growth markets expand their mobile networks, while mobile broadband has started to make a breakthrough on a wide front. There are also opportunities to sell service delivery platforms and revenue management solutions.

"We're going to do for broadband what we did for telephony: make it mobile," says Ulf Ewaldsson, head of Ericsson's Product Area Radio.

Johan Wibergh, head of Business Unit Networks, adds: "Mobile broadband development will radically change the need for coverage and capacity. And by making use of our market share, we're in a very good position to become the customers' partner of choice – now and in the approaching transfer to complete convergence."

In terms of the long-term possibilities, at the end of August 2008, there were 3.7 billion mobile-phone subscriptions. In five years, that number is expected to be about 6.5 billion – of a world population of 7.1 billion. The new subscribers are mainly from Asia, with China and India at the forefront, as well as other high-growth markets.



Ulf
Ewaldsson



Johan
Wibergh

What is important to remember, says Wibergh, is that GSM will remain the largest mobile standard for a long time to come. This is good for Ericsson, which can help its customers when they want to develop their networks.

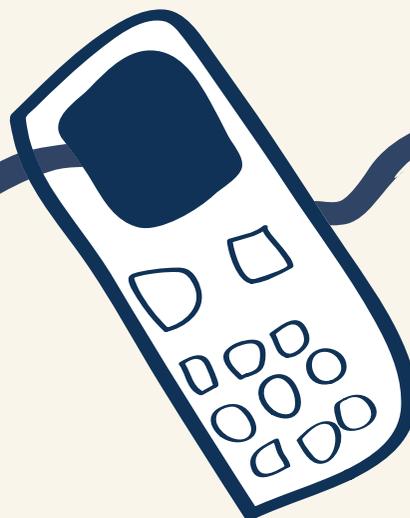
"Our solutions are optimized for low operating costs, and we also improve them constantly to reduce costs further," Wibergh says. "There is a huge opportunity today to modernize and expand GSM, with more than 700 GSM operators in 218 countries."

To do this – to build on Ericsson's strong position within GSM – the plan is to take new functionalities and technologies to customers. Ericsson says it can offer a secure transfer from GSM, to WCDMA and LTE. This will help operators, who definitely face challenges. They must be able to handle the shift to new technologies to increase capacity in the networks and increase the range of new services. At the same time, they must also provide offerings that have less impact on the environment. And they have to do all this at a lower cost.

So what must be done to secure the company's leading position in mobile infrastructure? Technology of course plays an important part. Ericsson must be the best; it must be innovative with new products and solutions that satisfy customers' needs. One example is the Tower ▶

“Delivery is about having the right person at the right cost at the right time”

Fredrik Strand



► Tube, which reduces energy consumption and saves money for operators while having less impact on the environment. Ewaldsson gives another example, based on a predicted explosion in mobile broadband over the next few years. HSPA will be the detonator, so you will need to have your fuse ready: Ericsson's new RBS 6000 base station.

“It is a multi-standard solution that handles GSM, EDGE, WCDMA, HSPA and LTE in the same cabinet,” Ewaldsson says. “It can modernize a network, while also providing the opportunity to move to HSPA or LTE when the customer wants – at a lower cost.”

Mobile broadband and new services in mobile networks also require service delivery platforms, which Ericsson can offer. With these, an operator can integrate new applications into the network. Further opportunities for operators to increase revenue arise as networks evolve with Ericsson offerings, such as charging and billing, and customer care and support.

Claes Ödman, head of Sales & Marketing at Business Unit Multimedia, explains that to be successful in the multimedia marketplace, operators and service providers must act quickly and manage complexity efficiently. Here, one product serves as a good example:



Claes Ödman

“Our Drutt Mobile Service Delivery Platform (MSDP) is a business platform for multimedia service delivery. It provides cross-cutting functionality to help mobile operators and media companies provide cost-effective, attractive and competitive multimedia services.”

Ödman emphasizes that Ericsson's solutions increase average revenue per user (ARPU) by shortening time-to-market and time-to-revenue, while keeping costs – both capex and opex – down and in line with business growth. These, he says, are all key factors for Ericsson's customers.

Another important key to maintaining leadership in mobile infrastructure is to charge for software. With such a business model, the customer will quickly receive all new software while Ericsson gets more money.

The last major foundation stone for maintaining Ericsson's mobile leadership is efficiency, or operational excellence. This applies within R&D, Sourcing and Supply. Business Unit Global Services is looking closely at how Ericsson can deliver services and products in the most efficient way. This is essential in order to cope with the growth expected as new networks are built and existing ones upgraded.

The work includes improvements to processes, methods and tools, planning deliveries better, working more with delivery centers, and sharing knowledge. The aim is to make the delivery organization tighter and fully global.

Fredrik Strand is responsible for Global Services' delivery organization. He gives some examples of efficiency gains so far. The cost base for deliveries has been reduced by 10 percent since 2003. An employee's average time in a project is down by 9 percent. Deliveries from “low-cost sites” have increased by 213 percent. The cost for every supply hour has fallen by 15 percent. The billable-hours ratio has increased by 21 percent.



Fredrik Strand

“Operational excellence is vital in everything we do,” Strand says. “We must have common ways of working and common processes, methods and tools. In such a large organization, these things should be there before the work even begins. Delivery is about having the right person at the right cost at the right time. At a lower level, it's about looking for costs that are unnecessary, even if these are costs for paper, hotels or trips.”

✉ Text: Staffan J Thorsell Illustration: Ebba Berggren



THREE STRATEGIC FOCUS AREAS TYING IT ALL TOGETHER

A new strategic focus area has been born: Commercial leadership. The others are: Secure best-in-class growth, margins and cash flow, and Sell a broader portfolio.

The group-wide strategic focus areas define where Ericsson needs to change in order to be well-positioned for the future. Over the past year, there have been six strategic focus areas. Now there are only three.



Urban Gillström

Urban Gillström is driving the new focus area – Commercial leadership. He explains that it has three components: driving the implementation of the software business practice developed under a previous strategic focus area; creating a global price-setting philosophy; and implementing the updated sales process (see pages 28-29).

Two earlier strategic focus areas – Sell a broader portfolio, and Secure best-in-class growth, margins and cash flow – live on. The former involves increasing sales of the products and solutions Ericsson has gained through its acquisitions in recent years. The latter focuses on how Ericsson can achieve profitable growth with improved margins and cash flow.

All three current strategic focus areas fit together. They are all tied to sales. Together, they address how Ericsson can sell more, in a smarter and more profitable way.

Four strategic focus areas have been wound up, but the work they began goes on. Secure multimedia success across Ericsson, Strengthen R&D competitiveness, and Enable communications in low-ARPU/high-growth markets, are continuing in projects within various business and market units. Establish a software business practice will continue within the Commercial leadership strategic focus area.

PRIORITY 2: Enable Full Service Broadband - IP Network Transformation

The leader in the new era

Ericsson's strategy is crystal clear when it comes to the upcoming transfer to all-IP-based networks: the idea is to be **the operators' partner of choice**, providing the help they need with every part of the transformation.

One of Ericsson's most important priorities in its strategy for the next few years is to make the transfer to IP-based networks possible. The reason for this is the clear trend that exists mainly in mature markets: operators are struggling with ever-greater consumer demands for more and cheaper services, which require higher capacity in the networks. At the same time, operators' costs are increasing and it is harder for them to receive much payment from the consumer.

The operators must therefore be able to offer more new services in cost-effective networks. They must simply reduce the cost per bit, and have therefore begun their journey towards all-IP-based networks, which in time will merge fixed and mobile networks, as well as data and telecom networks.

Mikael Bäck, product and portfolio manager at Business Unit Networks, says: "These plans suit perfectly what we've defined as Full Service Broadband (services that are accessible anywhere, anytime and on any terminal).



Mikael
Bäck

"What is happening in the market now signifies a huge change for us. This change brings with it major challenges, but also places Ericsson at the forefront because we understand and deliver such a big part of the networks. Many of our competitors do not have this breadth."

The trend is creating new opportunities. IP technology in itself is not something new but

completely IP-based networks are new in the mobile world. The networks of tomorrow will be far more advanced than today's mobile networks because they will not only handle voice traffic, but also data and multimedia traffic generated by all the services. IP has been an important part in enterprise and fixed networks, where companies such as Cisco are big. This is one of the reasons that Ericsson has established itself in Silicon Valley to gather its IP competence.

Still, Ericsson's mobile expertise is a trump card; through its customer contacts and mobile knowledge, Ericsson has a natural entry point into the new networks. Without its dominant position here, the opportunities would be far fewer.

So how will Ericsson achieve the same position in IP as in the mobile world? The strategy is to take a holistic approach; Ericsson's technological leadership within both mobile and fixed infrastructure, its experience of managed services and systems integration, together with its global economies of scale will be hard for competitors to match, says Bäck. The overall approach consists of four areas to help operators in their transfer plans: first comes mobile broadband – to further develop High Speed Packet Access (HSPA) and Long-Term Evolution (LTE), and develop PC modules to help operators strengthen the capacity and drive traffic in their mobile networks; second, telephony evolution – using softswitching and IMS to strengthen the core networks by making

the provision of new services possible; third, IPTV – a vital application in the new networks; and fourth, network convergence – the major catalyst for IP networks.

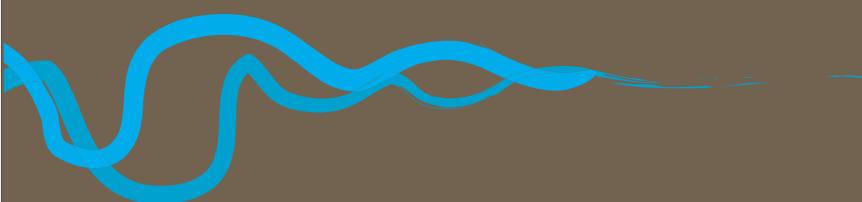
"It may sound general, but our network architecture – what we call our 'target architecture vision' – is clear and so are Business Unit Networks' strategies," Bäck says. "First and foremost, we're going to be better at using solutions and products that are already installed. In this way we can offer effective site solutions and our existing expertise when it comes to operations, administration and management (OAM).

"We also have a clear plan for taking our offerings to the market. To start with we will focus on a limited number of operators who we work closely with commercially and technically when it comes to both infrastructure and services. We then use the competence and solutions globally."

Business Unit Global Services has an important role to play in order for Ericsson to become No. 1 in IP-based networks. These networks are more complex than those of today, which are mainly built for telephony.

One challenge is therefore to explain to the operators the type of architecture they need, how they integrate the IP-based infrastructure into their existing solutions, and especially, how their services will be available to consumers anywhere, anytime and on any terminal. Systems integration is the key to getting IP networks to work with all applications and all payment and traffic-steering systems. ▶





“We’ve increased our expertise in the area of TV and created an identity for ourselves within multimedia”

Jan Wäreby

► Ericsson must demonstrate that it is as good at integrating IP networks as it is at integrating telephone networks.



Jan Frykhammar

Jan Frykhammar, head of Business Unit Global Services, says: “Systems integration is an area that requires much knowledge, and many of the deliveries are made locally. We’re therefore focusing a huge amount on knowledge sharing – those who work within the organization must know where the information is.”

The plan is to heighten Ericsson’s sales competence through knowledge sharing across all borders. This is vital for the market units to be able to sell the new broader portfolio and thereby show operators Ericsson’s offering within Full Service Broadband, and to lead them in the transfer to all-IP-based networks.

“If we share the knowledge that exists in the company, we can redo a project in Norway, for example, that we’ve already carried out in Malaysia,” Frykhammar says. “And there is no other company in the world within our industry with such economies of scale.”

Global Services’ offering for the maintenance of operators’ networks (managed services) is another area likely to increase when the IP networks are in place. With Ericsson taking care of the networks, operators can focus on putting good services in the hands of the consumers.

So if the strategy is for Ericsson to become the first choice as a business partner for operators in their transfer to all-IP-based networks, and to offer the full broadband dimension, what is the final piece of the jigsaw? What will be used to gain a foothold with the operators?

Jan Wäreby, head of Business Unit Multimedia, says: “IPTV will be the real driver in the transfer to IP-based networks. And we’ve in-

creased our expertise in the area of TV and created an identity for ourselves within multimedia.”



Jan Wäreby

Business Unit Multimedia obviously has a role to play in the new IP-based era. The networks are to steer a series of end-user services, and this is where Multimedia comes in with systems that, among other things, deal with revenue management and ensure that the right content is delivered to the right user (service provisioning). Effective service delivery platforms are necessary for the efficient running of IP networks, and many are likely to use IMS.

It is important to view Ericsson’s acquisitions of recent years in the light of this immense network development. Without Marconi’s transport-network knowledge, Redback’s IP routers, TANDBERG’s TV expertise, LHS’s payment solutions, Drutt’s platforms for services and Entrisphere’s fiber-access GPON, Ericsson would have found it hard to establish a credible position.

And there are many competitors in the IP world. The most important of them could very well be Cisco. It knows about IP, is investing in IPTV and has experience in systems integration. Alcatel-Lucent is the second major competitor. Its strategy is similar to Ericsson’s and it has a position within IPTV, but Ericsson comes from the mobile infrastructure side and Alcatel-Lucent from the fixed side. Systems integrators and IT firms such as Accenture, Hewlett-Packard and IBM are also seeing their chance.

One could say that this is a new era for all the players. Ericsson has achieved a prime position through its acquisitions, its dominance in the mobile world and its good relations with the world’s operators. And the goal is set: to be the leading player in the IP world.

✉ Text: Staffan J Thorsell Illustration: Ebba Berggren



MISSION: STRENGTHEN IP COMPETENCE

A key task for Human Resources is to strengthen and spread competence within IP and network architecture.

One prioritized area for the company is leadership in developing, building, selling and integrating the IP networks that the world's operators are moving towards. HR has an important role to play here.



**Marita
Hellberg**

Marita Hellberg, head of Group Function HR & Organization, says many actions have already been taken or begun: HR and Business Unit Networks have started a joint effort to find measures that will strengthen competence within IP and Ericsson's broadened portfolio. Business Unit Global Services has produced product-related training courses. The Learning Portal, which gathers all training material, is in place. And Ericsson's school for salespeople goes hand-in-hand with the new strategic focus area, Commercial Leadership.

HR supports the the strategic focus in other ways, too. The work of attracting employees to high-growth markets continues and a new HR center in Manila has recently opened.

Ericsson will also become faster and more sympathetic to customers' needs, and broaden the knowledge of multimedia and professional services throughout the company. One common theme is that Ericsson will lead the development of the entire IT-communications industry. For that ambition to come true, the company culture must partly change.

"Our leaders are important here," Hellberg says. "We need to have brave leaders who see opportunities, challenges and the overall picture, while they also work for one Ericsson. We stress this in all our leadership training and in managers' planning work."

How will employees notice the change in culture in a few years?

"We'll work differently in many ways, be quicker at making decisions and have even simpler and clearer processes that are probably global. There will be more freedom and creativity in how we develop our solutions and products," Hellberg says.

PRIORITY 3: Support multimedia service providers in building new revenues

New business

Ericsson intends to **establish itself within new areas**. Two of these, multimedia brokering and mobile advertising, involve connecting operators and content providers.

Multimedia is expected to become an increasingly important business domain for Ericsson. Efforts in many areas, such as revenue-management solutions and service delivery platforms, have already begun to bear fruit. IPTV is also due to become big business.

Ericsson is also in the early stages of outlining even newer business opportunities. As part of Business Unit Multimedia's strategy, Ericsson is therefore investigating how to take a position within mobile advertising and brokering. In both areas Ericsson will work as a kind of broker to ensure that various content and service providers can cooperate with operators.

Jan Wäreby, head of BU Multimedia, says: "These are areas where we need to carefully invest our time and money. We need to focus on specific projects and are not planning to go out and hunt for business on a broad scale."



Jan Wäreby

The brokering opportunity is based on various service providers – such as internet, media and insurance companies – wanting to reach out to end customers via all possible channels, including mobile phones. This requires them to sign separate agreements and create technical interfaces with all operators in a desired market. This is where BU Multimedia (which handles the deals) and BU Global Services (which can integrate and run the services) can

do the job for them by combining forces.

Annikki Schaeferdiek, head of Solution Area (sA) Service Delivery and Provisioning at BU Multimedia, says: "We support both sides. Service providers get space in the operators' networks for their content or services, and the operators get revenues and become a larger part of the internet world. We're seeing many such requests from service providers. For Ericsson, the service providers are the ones who will become the customers; the operators will be our partners."



Annikki Schaeferdiek



Johan Rosendahl

Ericsson already has a similar role within its Internet Payment eXchange (IPX) solution, which handles payments that go via operators' networks. One example of Ericsson's brokering role is the sms campaign it ran with the WWF (World Wide Fund For Nature).

"People were able to send contributions via sms," Johan Rosendahl, head of sA Multimedia Brokering, says. "We handled the payments via all the operators and arranged it so that all those who sent money via their mobiles received a thank you sms with a link to a download of a free background picture or the sound of an endangered animal!"

Ericsson's role is similar for marketing via the mobile phone, but in this case the adverti-

ser is the customer. Advertisers want to reach out to their audience via the mobile phone, and the operators are sitting on a goldmine in the form of the information and location data they have about their subscribers through the mobile networks.

"The mobile advertising market is in its infancy, but there are huge business opportunities," Schaeferdiek says. "We believe we can drive the entire industry forward."

But there are also issues concerning personal privacy: do consumers really want the operators to forward information about them to Ericsson and then on to advertisers?

"One way forward could be to offer consumers lower prices for services in return for allowing advertising," Schaeferdiek says.

Text: Andreas Andersson Illustration: Ebba Berggren

DID YOU KNOW ...

- ▶ ... that in 2012, there will be 800 million people using social networking applications over the mobile phone? Today the figure stands at about 8 million.
- ▶ ... that you can talk with your manager and your colleagues about how Ericsson's strategy affects your workday?





Johan Wibergh, head of Networks:

“We need the

Have you ever wondered what Business Unit Networks plans to do to improve its margins and secure its technology leadership in IP as well? Or what you as an employee can keep in mind when it comes to Networks’ strategy? Here are the answers.

In the box below you can see Business Unit Networks’ strategy in concentrated form. On pages 12-21, Ericsson’s three group-wide priorities have been presented. Contact sat down with the head of Networks, Johan Wibergh, to find out more.

What should individual employees think about when it comes to Networks’ strategy?

They should have our core assets in mind every day; that what they do is in line with driving our technology leadership, that we get the most out of our economies of scale – for example by minimizing overlaps between products and units – and that we push operational excellence in everything we do. It is important that people stay up-to-date with what is happening in their areas and what is important for our customers, and share our experiences with others across the organization. Supply is a good example of how

we work all the time with constant improvements. This tradition is not as widely spread within all units.

Ericsson is the leader in all major mobile technologies. The network of the future will use IP as a carrier. What are you doing to ensure technology leadership in IP as well?

The shift to IP has been going on for some time and includes everything from transport to network architecture and service carriers. We are well placed for this. We have good support for IP in our products, and we have a leading position in IMS. To strengthen the development of IP networks further, we have gathered resources in this area into Product Area Packet Networks, with specialist competence in IP switching and routing. Redback plays an important role.

Product Area Broadband Networks, which is responsible for transport networks and fixed

BUSINESS UNIT NETWORKS’ STRATEGY IN BRIEF

The strategy builds on three assets: maintaining technology leadership, maintaining economies of scale and continuing work on operational excellence.

- ▶ Technology leadership means that Networks must develop and sell the best products and solutions.
- ▶ Economies of scale means that Networks, with its large volumes, can keep costs down, which is essential for good profitability. Volumes also make

it possible to have common platforms, components for both hardware and software, and ways of working.

- ▶ Operational excellence is all about working efficiently.

Networks will grow by:

- ▶ Taking advantage of and protecting its position in GSM, WCDMA, HSPA and LTE.
- ▶ Leading the development of mobile broadband.

best technology”

access, has had Ethernet and IP as fundamental parts of its strategy for several years. That means we have support for it in all our radio and core product lines. Ericsson Research has long had a strong position in IP, contributing with both standardization and patents.

You are continuing to improve the efficiency of R&D operations. What specific measures are you taking?

We will continue to push improvements across all of R&D, from time-to-market to methods and tools. We are increasing our focus on product management’s role in improving efficiency and quality, because product planning has such a large effect on R&D’s results. Our site strategy also plays a role in our efficiency work. Fewer sites, with clearer responsibility, means less duplication of work and fewer handovers between sites, and it gives each site a better defined role. The next stage is identifying more synergies, reducing overlaps in development work, and increasing the amount of software and hardware that can be used in several products from different product areas. We need to identify more common

methods and tools, reduce the number of platforms, decrease the number of sourced components, get better coordination between product lines, and so on.

Better margins are important for the entire company. What is Networks doing to improve its margins?

Improving R&D efficiency is important in itself. We must stop over-engineering our offerings to customers, and adapt our solutions to what customers are requesting. That way, we can offer the best possible price while keeping our own costs at the right level. We need to counteract price pressure by having the best technology and product quality. We can also be clearer about which contracts we want to win. If we see that a deal overall will not be profitable enough, we should not get involved. We also need to have great cost-consciousness in everything we do. Every employee can help. The sourcing organization’s deals are extremely important for our results.

Network transformation is part of Ericsson’s way forward. How does that affect your strategy?

Our strategy remains fundamentally

in place and network transformation does not change that, but rather becomes a part of it. We are getting stronger signals from customers that, as they shift to pure IP networks, they will move towards one common network for fixed and mobile, and that there is room for Ericsson to combine Networks’ and Global Services’ strengths and take a greater role in the transformation process. The basis for an integrated broadband network is an architecture that builds on the best from the fixed and mobile worlds so that cooperation between the different product areas increases. Network transformation will also mean becoming the primary partner for our customers’ transformations.

Text: Andreas Andersson Photo: Stefan Borgius

- ▶ Leading the way towards IP networks that combine fixed and mobile – convergence.
- ▶ Exploiting the need to modernize already-delivered networks.
- ▶ Making the most of the opportunities arising from increasing numbers of mobile subscribers, particularly in high-growth markets.

Networks will increase profitability by:

- ▶ Reviewing the product portfolio to ensure there are not different products that

do the same thing – reducing overlap. The same hardware and software components should also be used in several products, if possible.

- ▶ Continue to improve the efficiency of R&D operations.
- ▶ Be more restrictive in price negotiations.
- ▶ Be better at deciding which deals must be won, but also which ones should be avoided because of a lack of profitability.
- ▶ Continue to reduce the number of suppliers and of components in its products.





Jan Wäreby, head of Multimedia:

“All employees

Have you ever wondered what Business Unit Multimedia will and will not do? Ever thought about how Multimedia will reach profitable growth? Or are you wondering if your role is important in delivering on strategy? Here are the answers.

In the box below you can see Business Unit Multimedia’s strategy in concentrated form. On pages 12-21, Ericsson’s three group-wide priorities have been presented. Contact sat down with the head of Multimedia, Jan Wäreby, to find out more.

What should an employee at Ericsson’s Business Unit Multimedia think about in their every-day work?

All employees have an important role to play in ensuring the success of the strategy. We have put a lot of work into setting the strategic direction. The key to implementation is to get the organization aligned. Ultimately the strategy ends with the customer and that is why it is important to work in one direction. I expect everyone to fly in one strategic formation when it comes to executing Multimedia strategy.

According to the goals, BU Multimedia must grow faster than the market. But the unit is not yet profitable. It is often difficult to grow quickly while maintaining profitability. How will you balance that equation?

Multimedia is such a fragmented market with double-figure growth, and it is being driven by the convergence of media, telecoms and the internet. Our global reach, strength within the convergence domain and increased competence within markets where we can drive and sell multimedia have ensured that we are already growing faster than the market, by 23 percent during 2007. We are focusing on our future position through purchases and R&D, but we are already generating profits within more of our businesses today. There are several challenges,

BUSINESS UNIT MULTIMEDIA’S STRATEGY IN BRIEF

The strategy is based on three stages:

Ensure market leadership, Extend into new areas and Embrace the paradigm shift.

- ▶ Ensure market leadership by exploiting the leading market position within service delivery platforms and revenue management. Ericsson Mobile Platforms (EMP) entered into a joint venture with ST-NXP Wireless to achieve scale in semi-conductors and platforms.
- ▶ Extend into new areas by winning business with the help of competence gained through acquisitions.
- ▶ Embrace the paradigm shift by looking at new solutions. Multimedia is going to

link operators and service providers, and move into mobile advertising. The unit will offer customers more consumer and business applications.

Multimedia’s key target areas are:

- ▶ TV Solutions – Offerings for service providers and media companies to manage and distribute media content and provide communication services to consumers in the IPTV space as well as looking into converged TV solutions in the near future. Key priority: to grow as an IPTV prime integrator.
- ▶ Consumer and Business Applications

have an important role”

but the biggest is creating profitable growth. We have come a long way and our somewhat polished strategy, our target areas, fit in with the unit's business focus even better now.

For those who might not be completely sure about what Multimedia does, could you specify what the unit will be doing and who its customers will be in five years?

Maybe it would be easier to first explain what we will not be doing. Ericsson will not become a business-to-consumer company. The entity that Ericsson has invested in to develop the culture, process and leadership needed for this type of business is Sony Ericsson. We will not own or sell content, or manufacture devices. Nor will we invest in portfolios in which we cannot be among the top three players. We will continue to support the devices industry through our joint venture Ericsson Mobile Platforms (EMP) and ST-NXP Wireless as well as through our partners, Sony and Sony Ericsson. We will also continue our work with applications for, for example, enterprises, commu-

nicities and tv. We will also focus on revenue management, service delivery platforms and provisioning. We will continue supporting the other two business units and work even more closely with them. We have chosen to define our customers as service providers within multimedia in order to keep up with the trends that many people pick up on today. But operators will continue to be our most important customers. In short, our customers are mainly mobile, fixed or convergence operators, but also cable and satellite, internet and media companies.

Multimedia is a new area for many Ericsson market units. How will they learn to sell the solutions?

Since establishing the business unit, we now have identified specific managers at each market unit responsible for establishing profitable growth for our business. Besides that, the strategic focus areas (SFAs) have helped us focus on market unit competence during 2008, and we already have more than 100 dedicated sales on the “Multimedia and Systems

Integration Sales” accounts. We have also grouped the market units to facilitate learning and knowledge sharing. We have a change program based on the former SFA Secure multimedia success across Ericsson, and this has done a lot for the organization. We will continue this line of development.

Does multimedia really have a future in high-growth markets?

The mobile network is often the only accessible form of communications in these markets, but even if operators find that subscriber numbers are growing, the average revenue per user (ARPU) is decreasing. If operators want to exploit the possibilities, they need to find cost-effective, profitable ways of reaching these users. And Business Unit Multimedia has solutions within revenue management, service delivery platforms and provisioning, and consumer and business applications that can help operators create new revenues among low ARPU consumer groups.

☒ Text: Staffan J Thorsell Photo: Stefan Borgius

– Offerings for service providers that target consumers and business users' needs for integrated multimedia communication and collaboration services. Key priority: to establish business on the installed base.

- ▶ Multimedia Brokering – Enables content and multimedia service providers to quickly reach mobile phone subscribers via SMS, MMS, location and WAP. It also handles payment for these services or content. Key priority: to develop a Multimedia Brokering Roadmap.
- ▶ Service Delivery and Provisioning – Offerings to multimedia service providers for common

handling of service creation, management and delivery of value added services across all networks. Key priority: to sell Mobile Service Delivery Platform (MSDP) and expand in provisioning.

- ▶ Revenue Management – Solutions for fixed and mobile operators and service providers in the areas of Revenue Management (charging and billing), Mediation, and Customer Information Management (data mining). Key priority: to build leadership in converged charging and billing.
- ▶ EMP – A key priority is to make the joint venture between EMP and ST-NXP Wireless a success.





Jan Frykhammar, head of Global Services:

“Our workforce

Have you ever wondered what Business Unit Global Services will do to continue growing? Or if it is possible to get all employees to always keep the strategy in mind? Here are the answers.

In the box below you can see Business Unit Global Services’ strategy in concentrated form. On pages 12-21, Ericsson’s three group-wide priorities have been presented. Contact sat down with the head of Global Services, Jan Frykhammar, to find out more.

What should individual employees within Global Services always bear in mind?

To always look for new ways to work smarter, to question activities that feel unnecessary and to share your experiences. It is about constantly driving different types of initiatives to find opportunities for savings, all the while giving the customer good, efficient solutions. We also need to have a common way of working – that’s the only way when you are running a company as big as Ericsson. If we put together a project group com-

prising people from different countries it is absolutely essential that everyone in the group knows our processes, methods and tools in detail. Last, but not least, everyone has to be customer-focused and work so the customer sees us as its first choice and best partner.

You have a lot of people in your unit. Is it possible to get them all following a common strategy?

We have successfully delivered on our strategy goals from 2003. The strategy is becoming well established, and we doubled our turnover while retaining our profitability. But we are never done. We are continuing now to strengthen our strategy by reinforcing the cooperation between the market units and the business units, by holding executive growth workshops. And we are not changing our message. It takes time for processes

BUSINESS UNIT GLOBAL SERVICES’ STRATEGY IN BRIEF

The strategy is built on three complementary assets: a delivery organization that is both local and global, economies of scale, and skill.

► Because Ericsson has a presence around the world, and has so many customers, there is a lot of skill, experience, good examples and expertise to share between Global Services staff.

► When all this skill is shared, economies of scale are achieved. This avoids doubling up, which in turn reduces costs. The use of standardi-

zed processes, methods and tools, which everyone knows, is essential for achieving economies of scale.

The global market for professional services is judged to have good growth potential. Business Unit Global Services aims to grow more than the market.

► The Systems Integration, Managed Services and Consulting areas are expected to grow most in the coming years. But other service areas – such as Network Rollout, Customer

has made us the leader”

to take root in such a large company. We have 29,500 employees within Global Services and our aim is for them all to live and breathe our strategy. But I have to say that it is our fantastic workforce that has made us the leader.

There is talk about expanding with existing customers and extended contracts. What will you actually do so that Global Services grows in these areas?

In terms of the operators, we will grow by focusing on quality and reducing costs, and we will do that through our work on operational excellence. We have been working globally for some time on our processes, methods and tools so that we can create efficient and consistent service delivery globally. With the changes happening in, for example, Web 2.0, and our increased knowledge sharing, we will be able to improve our experience from our projects, regardless of where they happen. This will make our customers even more satisfied. And that means more business. We will also develop our

role in managed services and as a prime integrator by demonstrating even more clearly that we have the service competence, that we are innovative and that we are here to help our customers develop their services. But we also have to be more selective by expanding our business in areas where we are already present, such as national security and public safety.

Ericsson is a leader in managed services and systems integration, but how will the company succeed in staying a step ahead of the other companies that are making rapid progress?

We are working on building capacity in project sales, we are investing in increasing competence among our new colleagues from our acquisitions, we have a strong focus on recurring business, such as managed services and support, and we will continue to push for more efficient deliveries and shorter lead times.

And what do you see in the future?

We have to continue to be innovative – together with the other business units, Networks

and Multimedia, we will produce the leading solutions while we also identify areas where we can reduce cost. The complete offering from our three business areas is one of our strengths. That is why it is so important that we work closely together to produce attractive and profitable offerings for our customers. We want to maintain a leading position by becoming better at complete solutions – today, Global Services’ strength means services that are directly connected to our own products. That will continue. But we also see an increased need to help customers identify their own needs and define solutions that fit in a specific customer’s existing environment. Then we also must help that customer migrate to a new environment or functionality. This means a much greater undertaking than pure product installations.

☒ Text: Staffan J Thorsell Photo: Stefan Borgius

Support and Education – are also expected to grow. This applies equally to the global market and Ericsson.

► Global Services is also expected to grow across the whole world – growth in percentage terms is expected to be relatively even between different regions. Global Services will grow mostly with existing customers but also with fixed and mobile operators with whom the unit is not working today. It will deliver product-related services and support business units Networks’ and Multimedia’s expansion into customer segments such as enterprises, public authorities and media companies. Yet the unit

will also be restrictive in its search for its own individual deals in these segments.

Global Services will increase profitability by:

- Investing in operational excellence in the delivery of services.
- Working for better margins in contracts that are renewed and renegotiated.

Global Services will also educate those market units that today have limited services competence, so they have the ability to sell services more effectively.



Leadership as a sales strategy



An **improved sales process** will help Ericsson address price pressure and falling margins. Having an early influence on the market is another focus area.

Ericsson's sales and marketing strategy builds on two key terms: Commercial leadership and Business leadership. Torbjörn Possne, head of Group Function Sales & Marketing, explains the difference:

"Commercial leadership is what we do with today's customers and today's portfolio. It is primarily the sales process – how we best do business. Business leadership is everything we do with tomorrow's customers and products. You can say that Business leadership is long-term selling. Put simply, it is marketing, communication and business development together."



Torbjörn Possne

One new aspect within Commercial leadership is an updated sales process. Sales Process 4.0 has several tangible issues. One involves the directives that the management gives to the business units and market units. These are clearer than previous ones and include specific "contracts" between each business unit and the market units, to simplify day-to-day work.

The directives also state which types of business each market unit has a mandate to carry out on its own and which require consultation with the business units, for example deals of strategic nature.

One clear difference in the new sales directives is that a decision on whether to pursue a deal or not, and how it should be done, will be taken much earlier in the process. In concrete

terms, this means two things. The first is that key decisions will be taken right from Sales Decision Point 1 (SDP1), rather than at SDP2 (when it is time to deliver a tender). The second is that only a few people with stated decision-making powers are involved in SDP1. The SDP1 decisions also mean that target levels for tenders are set, which SDP2 then will verify.

Business leadership is important because the industry is changing. Media, internet, IT and the telecom industries are converging, and new users of communications solutions are being added, mostly in high-growth markets. This places demands on Ericsson to show the way to new business and markets.

This involves several steps. First, there needs to be an understanding of users' needs and the conditions must be created for a future business opportunity. Then, it is essential to create interest for this among customers, through demos, pilot projects, development of business cases and, obviously, through communication. Finally there is a need for a close dialog with the customers, helping them create their business case and increase their interest in investing. Business development close to the customers, based on understanding of consumers, is a decisive factor for success.

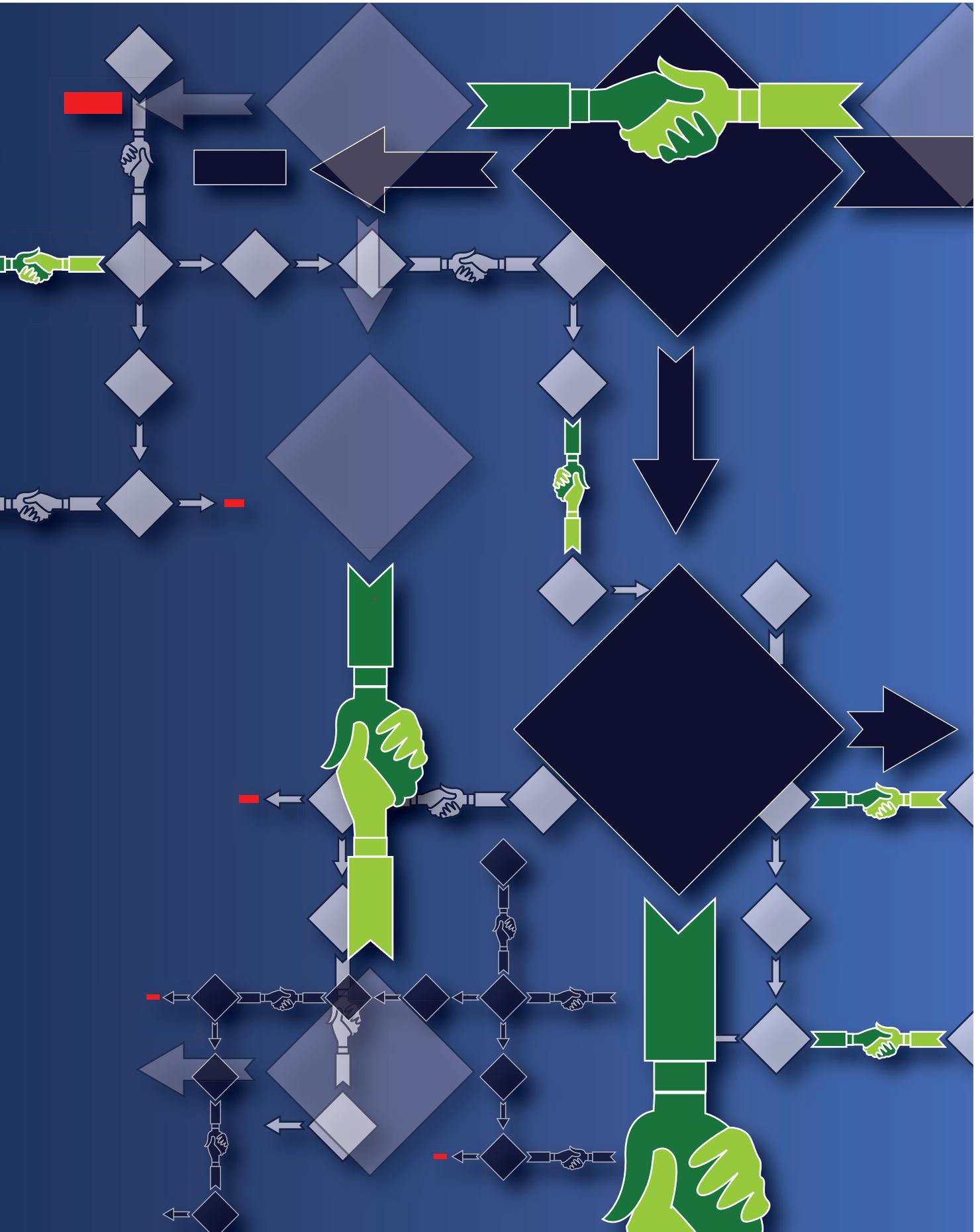
"Mobile broadband is a good example of when we have shown business leadership," Possne says. "We had a slow 3G market, and WiMAX to struggle with. We talked with the operators about the opportunities that mobile broadband could bring, and created an

open ecosystem that included putting mobile broadband into laptops and PCs. We see today that we, the operators and the entire industry are all benefiting from these developments," Possne says.

Text: Andreas Andersson Illustration: Ebba Berggren

DID YOU KNOW...

- ▶ ... that Ericsson's brand is more than just a logotype? The brand includes everything that communicates – from advertisements and trade-fair presence to everything that employees say or do to customers or anyone else interested in Ericsson. Group Function Communications' ongoing Brand Refresh Project aims to strengthen Ericsson's brand and invest it with values such as the ability to see future business opportunities, operational excellence, leadership and competence in areas including mobile networks, IP networks and multimedia.
- ▶ ... that development of Ericsson's strategy continues all year in 12-month-long cycles, involving the group functions, business units and market units? The strategy is finalized at the annual Global Management Conference.



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- ▶ Mail your answers to: contact.comments@ericsson.com before **October 2, 2008**. Use your work mail address. Give the question numbers and chosen answers in your mail: for example, 1 C, 2 B and so on.
- ▶ You can also compete on the global intranet. Go to internal.ericsson.com and answer the questions there.
- ▶ The winner will be announced in the next issue of Contact.
- ▶ **Hint!** Do you find the questions difficult? Read the Contact strategy special.

1 What is not included in Ericsson's wanted position?

- (A) Customers shall perceive Ericsson as the most innovative and responsive business partner supporting their business objectives.
- (B) Ericsson aims to be the number one mobile phone manufacturer.
- (C) Ericsson is going to have a leading position in embedded PC modules.

2 Ericsson has reduced its six strategic focus areas (SFAs) to three. Which of the following is not an SFA?

- (A) SFA Commercial Leadership.
- (B) SFA Defeat the competition.
- (C) SFA Sell a broader portfolio.

3 In which of the following areas is Ericsson's position strongest today?

- (A) Mobile networks.
- (B) Multimedia solutions.
- (C) Fixed networks.

4 According to predictions, which of Ericsson's business unit is likely to have the most employees in five years?

- (A) Multimedia.
- (B) Networks.
- (C) Global Services.

5 Which of the following is Ericsson's most pressing challenge?

- (A) To improve margins and cash flow.
- (B) To hire 2000 IP and network architecture experts.
- (C) To help operators identify new revenues.

6 Ericsson will maintain its leading position within the mobile infrastructure domain. How will it do so?

- (A) By continuing with business as usual. Ericsson is already accomplished in this area.
- (B) By continuing to work on delivery efficiency, charging for software, protecting economies of scale, maintaining its technology leadership and expanding GSM, among other things.
- (C) By buying mobile operators to force them to purchase Ericsson equipment.

7 Which application is considered to be very important in order for Ericsson to succeed with its goal to lead development towards IP-based networks?

- (A) SMS.
- (B) IPTV/Personalized TV.
- (C) Facebook.

8 Ericsson is investigating some new business areas. One of these is "multimedia brokering." What is this?

- (A) It means Ericsson functioning as a middleman – a bro-

ker – helping content and service providers to deliver services through operators' networks.

- (B) It involves Ericsson helping individual users to deliver content to each other through operators' networks.
- (C) Ericsson does not want to become broke, and one way of making money is through multimedia, hence the name.

9 There are two central concepts within the sales and marketing strategy. What are they?

- (A) Deal and No deal.
- (B) Commercial innovation and Business orientation.
- (C) Commercial leadership and Business leadership.

10 Within which areas is Business Unit Global Services expected to grow most percentage-wise during the coming years?

- (A) Managed services and Systems integration.
- (B) Customer support and Systems integration.
- (C) Managed services and Customer support.

Sony Ericsson in the race of its life

The mobile-phone sector has never been so active. All manufacturers want to **launch the best feature-rich mobile** and the iPhone is moving into the 3G world. The race is also on for growth markets. Sony Ericsson has never faced more challenging times.

Since Sony Ericsson was created nearly seven years ago, things have only gone well. But the telecoms industry has hit difficult times, particularly in Europe. Sony Ericsson was affected in the first half of the year, when the company, for the first time in its history, issued two interim financial reports that stated sales and profit would be affected by the challenging market.

There is a battle between Motorola, LG and Sony Ericsson for third place in volume terms after market giant Nokia and fast-growing Samsung. A recent group of challengers, including Apple, 华为 and ZTE, is also trying to gain a share of the market.

"This industry is fiercely competitive and dramatic changes are taking place," says Dick Komiyama, CEO of Sony Ericsson.

One of the most significant changes has to do with regional markets. Sony Ericsson has traditionally been strong in mid to high-end mobile phones, especially in Western Europe. But recently, sales of mobile phones in this part of the world have slowed. At the same time, volumes in growth markets such as India are increasing, and that is where basic, lower-priced mobiles are important. Sony Ericsson isn't particularly strong in this segment yet. Overall, the average selling price (ASP) in the industry is dropping and the market has lost pace, if you view growth in dollars and cents. However, Sony Ericsson has managed to maintain one of the highest ASPs in the industry.



Dick Komiyama

"Under these circumstances, I believe we need a new direction for Sony Ericsson. That is an important task for me," Komiyama says.

The company's strategy going forward is built around the following: further strengthen Sony Ericsson in the high-end segment (the new Xperia sub-brand is a good example); focus on the end-user experience by providing products with innovative features and applications; after the success of music mobiles in the Walkman series and camera mobiles in the Cybershot series, gaming phones will be the next big thing; content services such as music store PlayNow will be developed further. Altogether, Sony Ericsson will have launched 30 new mobiles when 2008 comes to an end.

More creative products and a broadened product portfolio that includes a good mix of ►



“One trend we’re seeing is mobiles that have the best of everything”

Anders Runevad

▶ advanced mobiles, basic mobiles and everything in between can be expected from Sony Ericsson. The quantity of phones in the market is not what is most important for Sony Ericsson, but rather having the right products with the right features and at the right price points. With its broadened portfolio, it has the means to reduce its reliance on the Western Europe market. Internally, its organization will become simpler, with clearer responsibilities and faster decisions.

How will you become stronger in growth countries?

“We’re still in a build-up phase in countries such as China and India,” Komiyama says. “In India, we have in the last six months built our own sales organization and distribution chain, and done more marketing. We’ve also recently appointed the first Sony Ericsson India president. From 2009 onwards, we see major opportunities in growth countries.”

Nokia is becoming more of an internet company that launches its own services and content. In this respect, Nokia is challenging Google and even the operators. Can Sony Ericsson go the same way?

“My personal opinion is that it isn’t very likely. We and Nokia are in different phases. They dominate the market and have a strong distribution apparatus, many products and are strong at marketing and production. We don’t have the same position, and we should therefore go our own way. Hopefully, we can catch up with certain areas of Nokia’s business, but it will take some time,” Komiyama says with a laugh.

Anders Runevad, executive vice president and head of Sales and Marketing at Sony Ericsson, and the former head of Ericsson in Brazil, knows what is happening in the world of mobile phones. Some trends include bigger memory and cameras with increased megapixel capacity. Positioning, music and video are also growing stronger and

in the long term HD quality will be common.

“One trend we’re seeing is mobiles that have the best of everything” Runevad says. “In the past you sometimes had to sacrifice camera quality if you wanted a lot of memory, but that’s no longer true.”

In terms of design, he thinks that screens will get bigger, slide models will become more common and mobiles designs will be more important. But the consumers are refusing to compromise on some things.

“Going forward, mobiles will be thin, light and quick to charge,” Runevad says. “People don’t think that extra functionality is worth enough for the battery to run down during the day.”

Two major topics of conversation in the mobile-phone industry over the past year have been the iPhone and the rumor of a Gphone – a Google telephone. The iPhone was more of a niche product at first with meager sales, though it had a huge media impact.

Since the news broke in June that the iPhone would be released as a 3G handset and sold via at least one operator in every country where it is released, the situation has changed.

“They will be more dangerous now,” Runevad says. “Apple now has a business model where operators can subsidize the phones. They’re going from focusing on a group of special users to trying to sell bigger volumes.”

The iPhone has succeeded with two things in particular: driving up internet traffic and creating an interface that people see as easy to use.

“I think the iPhone places the emphasis on the importance of understanding what consumers want,” Komiyama says. “We can learn things from them. The entire industry is looking at their user interfaces.”

There has not been a Google telephone. Instead Google revealed plans in November for an open operating system called Android, which means anyone can develop applications for mobiles using Android. The trend towards open operating systems is clear and Android is attracting interest from the world’s manufacturers.

Runevad says: “We’re studying Android to see if they can give us more than Symbian and Windows Mobile. We’ll see what we come up with.”



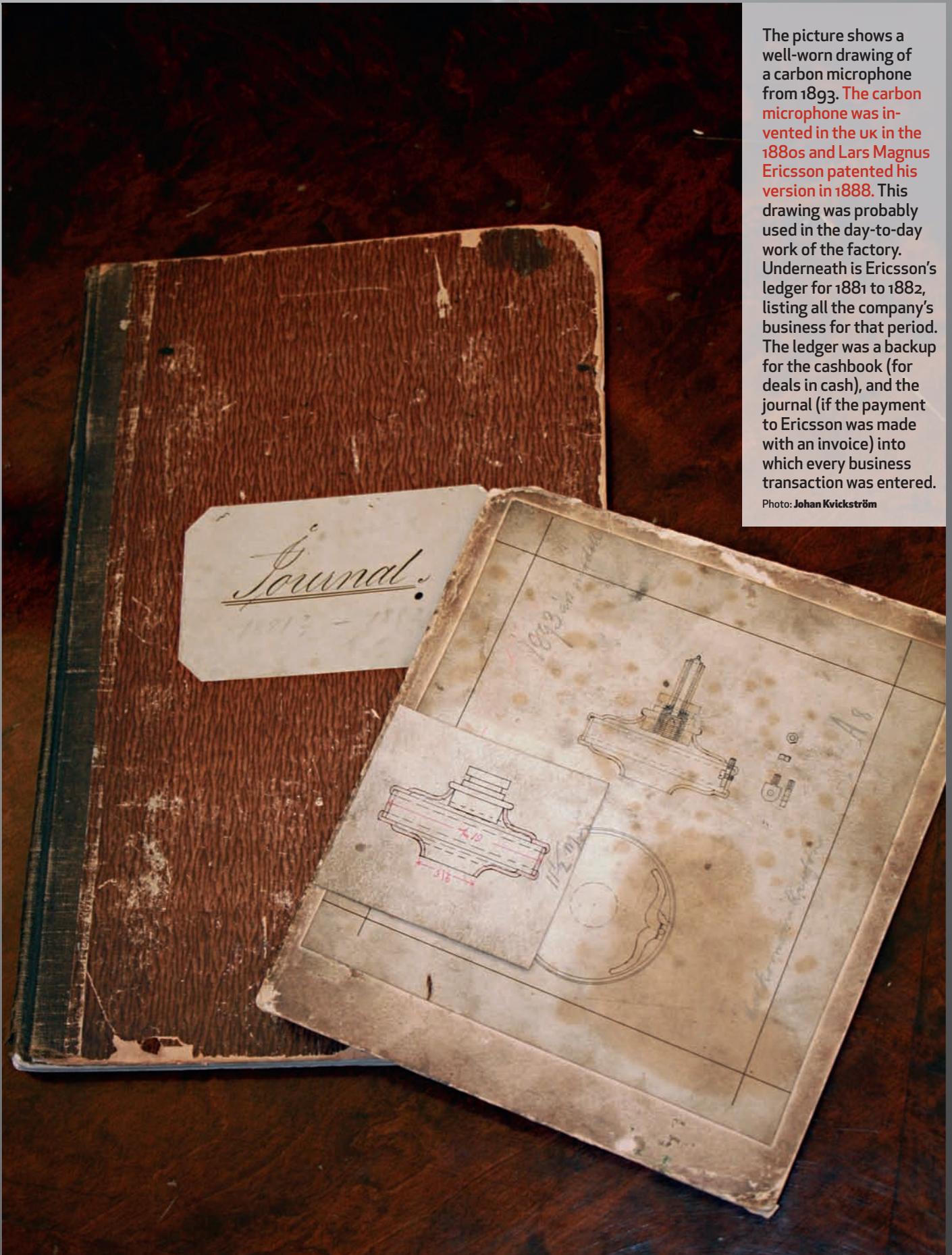
Anders Runevad

Text: Jonas Blomqvist Illustration: iStockphoto

Sweden, late 19th century

The picture shows a well-worn drawing of a carbon microphone from 1893. The carbon microphone was invented in the UK in the 1880s and Lars Magnus Ericsson patented his version in 1888. This drawing was probably used in the day-to-day work of the factory. Underneath is Ericsson's ledger for 1881 to 1882, listing all the company's business for that period. The ledger was a backup for the cashbook (for deals in cash), and the journal (if the payment to Ericsson was made with an invoice) into which every business transaction was entered.

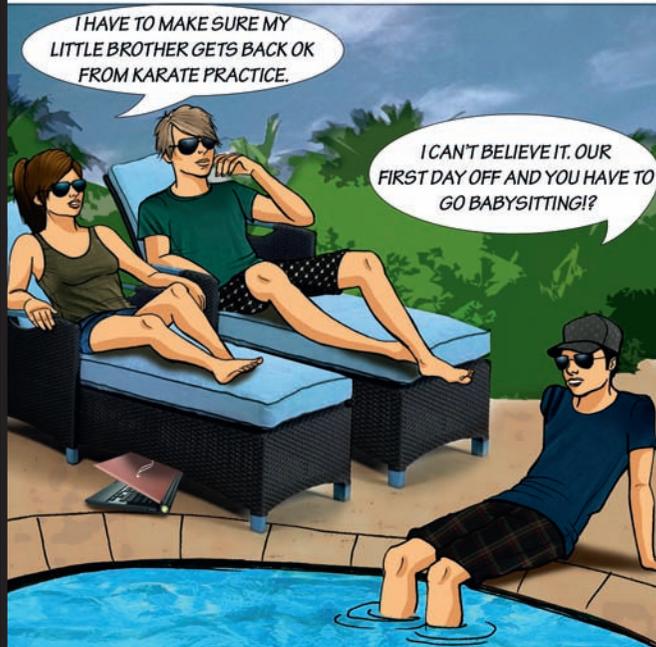
Photo: Johan Kvikström



Mobile Adventures

by Jola Cederschiöld

ERIC@ AND SONY ARE ENJOYING THE FIRST DAY OF SUMMER BREAK FROM UNIVERSITY AND MOBY HAS TAKEN THE DAY OFF FROM HIS JOB AS A MEDIA SALES TRAINEE...



MEANWHILE, ON THE CORNER OF ABBEY ROAD AND SULLIVAN STREET...

