

# Contact

M A N A G E M E N T

ERICSSON 

PUBLICATION FOR ERICSSON MANAGERS WORLDWIDE

No 3 1989



EDS director Bernt Malmkvist and Bengt Gustafsson, director of ESA — two heads of two Ericsson companies that are making an impact on the Swedish market. Photo: Don Titelman

## EDS and ESA — AN EFFECTIVE PAIR

Behind the abbreviations EDS and ESA are L.M. Ericsson Data Services AB and Ericsson Sverige AB. EDS was founded a couple of years ago but is still somewhat unknown outside Ericsson and, to a great extent, even inside Ericsson. ESA is a few months old and, as such, is relatively unknown. Both companies are mo-

dern offshoots of former Ericsson operations. Both are also oriented to the new tough unregulated Swedish market. They are taking up the battle against all competitors with all of Ericsson behind them and, in great part, hand in hand with each other.

Page 3



### E-P DATA — in the family

E-P DATA is the largest data company in Southeast Sweden. Urban Jansson, director (above) sees a bright future for the small but fast-growing Ericsson company. But it is a future with a shadow for the 700 employees in the background who work with telephone manufacture. Page 6



### Telecom excels

On the back page, we report on ASIA Telecom in Singapore and CeBIT 89 in Hannover. Broad Ericsson participation that produced excellent results. The picture shows the Indian communications minister, Bir Bahdur Singh, at the Ericsson display. Page 8



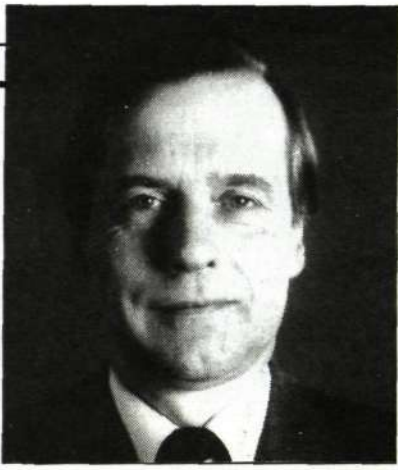
### Let JAS keep flying

Continue with the JAS project! That was the clear view of a majority of Swedes in a SIFO poll. Despite problems with a test flight, responses indicated that the project should be completed. At the same time, Mats Hallvarsson in Outlook notes that the future of the defense industry is heating up in all of Western Europe.

Page 2 and 6

**Ericsson switches in on the bourse • Center**





Elsewhere in this issue of Contact Management, is a report on our operations in Sweden, and I would very much like to comment on this.

Even if our concern is international and we must strive to become even more so, we must not lose sight of the significance of the Swedish market and what we are doing in Sweden.

Sales in Sweden amount to about 20 percent of the group's total sales. That is a lot in terms of money — six billion kronor — but the makeup of our customers is also significant. Our Swedish PTT (Televerket), defense, police, banks, SAS, Waterworks and many other customers have contributed greatly to our operations.

They need top-class telecommunications systems and other products if they are to achieve excellence in their own operations

This means that we have good reference customers in proximity with our large development centers, which is meaningful for our international marketing.

We have had very fruitful discussions and cooperation with these customers on specifications for upcoming systems.

The most widespread contact area has been with Televerket (TVT), with whom we work on development through Ellemtel. We are suppliers to TVT's manufacturing arm, TELI. It is a complex relationship, but our joint cooperation has produced fine results.

Swedish sales will continue to be very important for us, even if this share of the group's total sales should diminish. We must grow, and this growth will inevitably come from outside Sweden.

In the foreseeable future, we will have a dominant technological development in Sweden. Hence, we must build up our resources to a relatively high level with our affiliate companies alongside the big customers in the major markets.

In Sweden we have always been — and will continue to be — one of the most technology oriented companies. This means that we must have outstanding engineers in every area as well as outstanding employees in the workshops. We will also need many other specialists in various fields, for example, economists and lawyers skilled in international law.

We are in a good position today, and we must hold that position by seeing to it that we achieve top results to cope with the increasing competition.

Educational training and good work leadership are keys to success. So that we can have access to good qualified personnel on a continuous basis, the group has embarked on a far-sighted educational project.

I myself am a member of the board of the university administration. There, plans are formulated for university and higher education. I see this as an important aspect. With great interest, I have also given my view on work that centers around the setting up of vocational schools.

But all this planning and the formal courses in technology, sales and leadership will not resolve the issue of being best in a fast-changing market. It is your knowledge that will take you forward, and in so doing take the company forward too. Do not ever be afraid to take up an issue with your supervisor if you see some obstacle in the way!

Björn Svedberg

## Seminar with management guru de Bono

# LATERAL THINKING

At the beginning of February, some 90 managers from ERE and the Ericsson group in general participated in a seminar led by Dr. Edward de Bono, a leading world authority on creative thinking. He is the author of some 25 books on the subject, which have been translated into 19 languages.

Edward de Bono is a world-renowned English doctor who, over a number of years, has been studying creative thinking. As a result, many government and corporate leaders often turn to his methods for developing their strategies. He was the one to launch the concept of "lateral thinking."

Lateral thinking could be described as an effective method for breaking loose from routine patterns and finding new creative solutions for problems.

"Western countries have a diffe-

rent approach to creativity from those in the East," says de Bono. "We find it difficult to invert our thought patterns. Lateral thinking is one way of breaking free from old thought patterns."

De Bono is also convinced that the thought process can be developed and changed with training.

"But lateral thinking does not replace the traditional logical thought pattern; it complements and makes it even more effective," he emphasizes. (Switchen)

## The Swedish people say YES to the JAS-project

An overwhelming majority of the Swedish people believe the JAS project should proceed, despite the mishap of the first prototype. A large majority also feel that the JAS 39 Gripen is the best aircraft choice for the Swedish air force. They also feel that we should continue to develop and manufacture Swedish fighter planes in the future since they contribute new knowledge and products in the civilian areas.

This was clear from a SIFO opinion poll commissioned by the JAS Industry Group. Through a number of questions, SIFO polled public attitudes to development and manufacture of military aircraft in Sweden.

From February 27 up to March 2, SIFO interviewed 1,004 persons from 16 years old and upward within a geographic reach covering all of Sweden.

The results of the poll showed that the public's confidence in the Swedish aircraft industry — and in the JAS 39 — was intact, despite the attention drawn by the mass media to the crash of February 2.

### Build JAS

A clear majority — 77 percent — of the public felt that Sweden should continue the JAS project. Only every tenth person among those polled felt it should be discontinued. According to the poll, mostly men — 86 percent — favored the continuation of the project. The figure for women was 68 percent. Every fifth woman and about every twentieth man appeared doubtful and could not respond to the question.

Eight of ten respondents felt Sweden has a lot to gain by deve-



The remains of the crashed JAS plane.

loping the JAS 39 Gripen as an aircraft that fills its role in Swedish defense.

The most solid argument — 52 percent — for continuing to develop and manufacture the JAS 39 is that the project had come so far that it cannot nor should not be broken off. After this, there was concern for employees in the aircraft industry — 40 percent — and that Sweden would be getting a good military fighter plane, 36 percent.

### Positive

For the majority, all 65 percent, the crash of the first prototype did not alter their opinion about the project. This meant that only every fifth person had become more negative toward the JAS 39 Gripen.

This was reflected mainly among younger women (16 to 29 years old). Among them, five out of ten claimed to be more negative. Three percent claimed to be more positive after the crash and one percent much more positive.

That the crash had a major impact could be seen in that 97 percent had seen or had heard about the mishap in Linköping.

### Swedish plane

The general feeling about developing and manufacturing military aircraft was positive. Seven out of ten feel Sweden should manufacture its own fighter plane.

Only five percent feel that we should buy from abroad and only three percent think we should not buy or manufacture fighter planes in Sweden.

Among the parliamentary parties, there was also a clear majority for domestic production. Most in favor was the Center Party, where 82 percent were in favor of JAS. After the Center Party, there was the Moderate Party, 79 percent; the Liberal Party, 73 percent; the Social Democratic Party, 72 percent; the Moderate Party, 68 percent, and the VPK (Leftist-Communist Party) 53 percent.

It was also noted that eight out of every ten persons polled believed that the development and manufacture of a Swedish fighter plane would provide new knowhow and products in areas other than purely military. Moreover, six out of ten felt that this subsidy would have major significance for the Swedish economy in general.



# SWEDEN - A TURBULENT MARKET

The market that Ericsson Sverige AB will operate in is expected to have a rapid growth in the next few years. Total value is put in the region of some 3 to 4 billion kronor.

At the same time, this communications market in voice and data is expected to encounter a turbulent period. Deregulation means a free range of new competitors. Experience from other deregulated telemarkets, such as the U.S. and Britain, shows that the open door draws interest from the telecommunications as well as the data side and that the competition heats up with both products and prices.

A switching monopoly with more than two hundred connections will disappear on July 1, 1989. At this point, Sweden will become one of the most open telemarkets in the world. Then, there won't be much of a monopoly for Televerket. From August 1 last year, competition was thrown open for line options and switching functions. From October 1, it applied to analog switching with fewer than 25 connections. It also applies to different kinds of communications equipment, hardware and software, as well as service, maintenance and network construction.

## Approval

Monopoly on switches up to 200 connections disappeared as of April 1 this year. Before competition and suppliers could begin seriously, products must be tested and approved by Televerket's Approval unit. That is an impartial body that tests the equipment and gives its seal of approval with a T designation, and an S for tele products. In the autumn, the unit will become an autonomous body known as Statens Telenämnd, STN.

ESA's main market is in the private communications sector for voice and data, where companies and organizations are the customers.

## Tough competition

If we take the deregulated switching market, we are talking 150,000 to 180,000 lines per year, with close to two-thirds for the smaller systems up to 200 connections. In terms of money, the market is estimated at 500 to 600 million kronor per year, just

about equally divided between large exchanges (over 200 connections) and smaller ones.

Experience from abroad shows that the competition would be very stiff among the smaller exchange, with a rapid market growth in the number of 15 percent over the next few years.

Even larger in terms of money is the "peripheral market," all the products and systems solutions that are built up around company exchanges. It is a question of systems for internal communications, for example, rapid phones, as well as telephone apparatus, service, maintenance, training, the entire data communications field, with data switches of the Ericsson Eripax type, cabling systems, network solutions (so-called VANs and LANs),

modem, multiplexers, radio links and the network construction of the system.

## Difficult prognosis

A prognosis is difficult to make, but knowledgeable sources reckon that the peripheral market is worth up to 1.5 billion kronor today and a rapid growth of maybe 20 percent per year over several years to come. The largest segment is cable systems, including local networks (LANs) with a value of about 600 to 800 million kronor.

If we go by experience in the already deregulated markets, we can expect an intensive function and system development in standards in the small niche areas of this market, with keen competition in prices from new and established operations.

Some of them will be success companies, while others will be dependent daily on the market position that they were able to establish earlier.

The market for mobile communications consists of mobile telephones, for example, systems for mobile data communications, people paging systems and systems for land mobile radio.

## Rapid growth

In particular, the mobile telephone market is slated to grow at 25 percent a year, and product development will go very quickly with a simultaneous increase in pricing pressure. It is already a billion kronor market where Ericsson has a good position, with 20 to 25 percent for its HotLine in Televerket's NMT system.

Land mobile radio systems for voice communications have a quieter but steady growth. The main customers are within transport, public administration as well as general industry. Here, Ericsson has 60 to 70 percent of the market. This is important since the post-sales are significant.

A heavy growth is forecast for mobile radio systems for integrated voice and data, which will soon be a half billion kronor market.

## Cordless

The market for people pagers is put at 50 to 60 million kronor. It has an interesting future in the development of company internal systems and so-called HBS or minicall systems parallel with the development of the "cordless telephone."

Finally, we have the service operations of the mobile and stationary communications systems. It is not always that the user will or can utilize the original supplier's service, since many want to compete, including Ericsson. Here is a market that could reach several hundred million kronor per year.

The Swedish market is naturally not large in an international context, but it has advanced and knowledgeable purchasers. Many have been called in as suppliers from internationally established companies such as IBM, Siemens, Alcatel and newly formed agent groups.

Experts in the field reckon with rapid growth and a turbulent period in the first five years, after which they expect the pace to level out and development to enter a quieter phase.



Monopoly development within the telecommunications field in Sweden is moving fast. After July 1, Sweden will become one of the most deregulated markets in the world. Then, the doors will be thrown open to our competitors to take up the battle with us and Televerket for a market, which hardly four years ago was almost completely closed.



# Ericsson switches on at the Amsterdam Bourse

The Amsterdam Stock Exchange is the world's oldest exchange and one of the liveliest.

As of the start of summer, each and every one of the 160 members will have its own telephone system. The result is a mixture of old and new, as well as a jumble of cables.

Today, all trading is effected from a renovated exchange floor with an MD110 Financial Systems, an arbitrage system from Ericsson Business Communications.

The Amsterdam Exchange began its trading with securities at the beginning of the 1600s. The East India Company was one of the first companies in the world to offer shares to the general public. During the 1700s and the 1800s, Dutch investors played a dominant role through investments in



We wanted to increase services to our members by giving them the latest and best equipment there is in telecommunications, says J. Kooij, a member of the board.

automate trading operations with a new computer system, we were already prepared to assemble all business on the exchange floor in a single system. Therefore, we were obliged to move with all private company exchanges. We wanted to increase services to our members and provide them with the latest and best equipment for telecommunications.

world. The development took some time and we planned to introduce the system at the beginning of 1988," says Lars Nordström, product chief for MD110 Financial Systems with Ericsson Business Communications.

## Best system

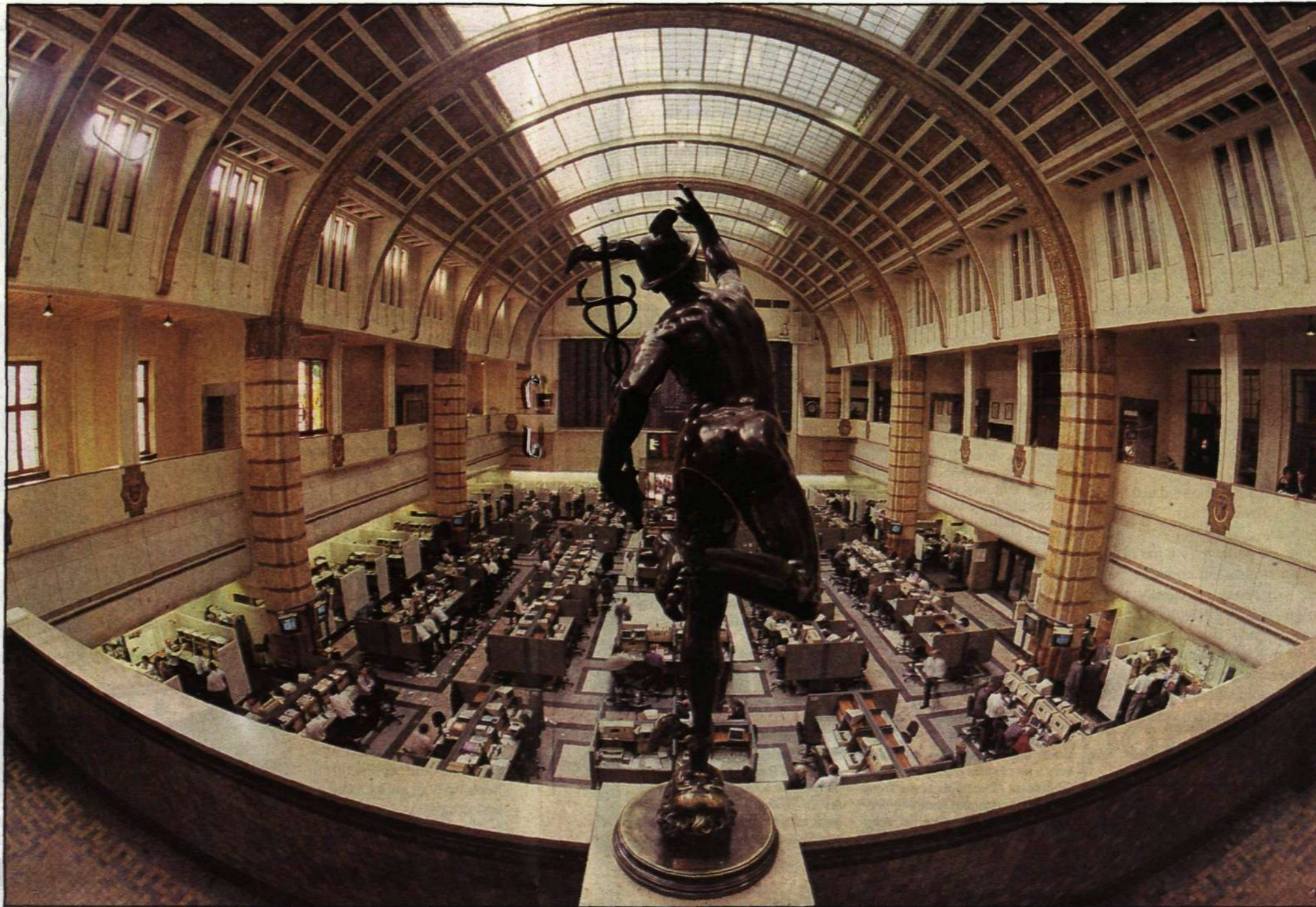
After many long discussions with consultants, hoekman, PTT, exchange leaders and Ericsson Business Communications, it was decided in February 1988 that the system that suited best was Ericsson's MD110 for the exchange administration and an MD110/FS for the trading floor.

The Dutch PTT began with

*"We believe in the advantages of keeping all trading on the floor, where business is transacted face to face."*

cable installation in March and the communications system started installation in May. The first brokerages began using the equipment in July and the entire system was in place by the middle of September.

The timetable was tight, especially in light of the fact that cabling and installation could only be done while the exchange was closed. The exchange administra-



The Amsterdam Exchange. No outsider is allowed to enter the trading floor. There, business is carried out face to face with the help of an MD110 Financial Systems, something that the exchange leadership is proud about.



Business talk. The Amsterdam Exchange believes in the advantages of keeping trading on the floor. Business is transacted face to face.

foreign capital. Today, the Amsterdam Exchange has an important place on the world market.

The exchange is located in the heart of the city near the banks and the Options Exchange. Securities are bought and sold by members of the exchange, which consists of over 100 banks and brokerages as well as some 40 specialist firms (hoekman in Dutch).

## Old facade

The exchange was renovated in 1988. The 75-year-old facade was retained but a Trade Support System and an MD110 Financial Systems were installed. Unlike the London Exchange, which is the leading one in Western Europe, the trading floor was reorganized and modernized instead of shifting share trading to a private brokerage office.

"We believe in the advantages of keeping all trading on the floor where business is transacted face to face and where no one can be evasive. Not by distant offices where one can only communicate through data terminals," says J. Kooij, a member of the board of the exchange. "When we started to

## Cable problem

It was not only the telephones and the 300 different switches that posed a problem. The cable network involved 2,000 central lines through the public system. It was impossible to track the individual cables and there was no possibility of drawing in any.

Since the plans for renovation were drawn up while the telephone monopoly still existed, one turned to the PTT (the Dutch telecommunications authority), which had installed the earlier system. At the same time, the exchange leadership searched around the world for a new solution to its telecommunications problem. It turned to, among others, Alcatel, Northern Telecom, Siemens, Philips, IBM, Telenorma and British Telecom.

"Together with the PTT, which sells our system in the Netherlands, we concluded that the exchange's needs could best be met with an MD110 Financial Systems," says Olle Isaksson, sales director for PBX and data nets with Ericsson Telecommunicate B.V. "We worked with an MD110 Financial Systems, an arbitrage system for the banking and finance

tion, PTT and Ericsson Business Communications had other pressure on them. They had to have the

system operational before the FIBV — Federation International de Bourses Valeurs (a grouping for the world's exchanges) held its annual meeting at the end of September. The Amsterdam Exchange was slated for the 1988 meeting. Installation that normally takes a year had to be done in half the time.

"The only way to get a good recommendation and publicity was for the installation to be ready in time," says Isaksson.

The two systems were placed in different sites. The MD110/FS was divided up into four different system parts for each 6 LIM. The key reason for not setting up the two systems together was the security aspect.

The central leads in the MD110/FS handles all incoming and outgoing traffic from the trading floor. Should all the central leads be occupied, one could revert to the central leads in the MD110.

Before, brokerage firms could have up to 40 central lines; now, six or eight lines would suffice. The number of central lines have been reduced from 2,000 to 1,300. This naturally means a saving for both the exchange and the brokers.

## Quick contact

In general, an MD110/FS has a capacity for 2,000 lines and 100

broker terminals. The system on the Amsterdam Exchange has 350 installed broker terminals. The broker terminals are interesting since they have both a touch sensitive display and a key formation. The touch-sensitive display gives a quick contact with a programmed number and the keys are used as an ordinary telephone. When the exchange closes at 4.30 p.m., the brokers who want to continue trading at their office can transfer the lines there. One of the demands of the brokers was that they be allowed to keep their telephone numbers when the old system was replaced.

The PIT had one hour to learn the broker system. The brokers had no more time. Sometimes, theory and practicality did not mesh. For the brokers, who are rather explosive by nature, it is not unusual to throw the phone when they lose business. And now, that hardly matters.

Text: Lena Öberg  
Photos: Lars-Gunnar Gustafsson

# A tough world filled with money

**Big money and fast decisions. That's the day for Mattijs Grooth, 29, a broker on the Amsterdam Exchange. A deal for 152 million kroner he does in a second. The aim is to win, never to lose.**

Life as a broker can be strenuous. For the uninitiated, the ambience is almost frightening. Stress and pressure. Well-dressed professionals hunt around the trading floor. Lunch is taken standing up, with a telephone lodged between the ears and the shoulder. It is interrupted only when a customer comes to visit.

Visitors observe the exchange from on high. Nothing should interfere with the broker's attention and disturb the quick turn of money on the floor below.

"Spectators on the balcony do not understand exactly what we do. But we are used to stress. It means standing with both feet on the ground and being prepared to lose sometimes. If you cannot do that, then the exchange is a tough world," says Mattijs.

When clients call up Mattijs and ask him to buy, he asks the specialists (hoekman in Dutch) for the real price and how low he can buy. Mattijs determines whether it is expensive or cheap and then calls up his client. When the price is right, he makes a kill.

## A master

He can speak on two phones at a time and be hooked in to several lines. He is a master at sifting information and has eyes and ears everywhere. As fast as a snake, he goes for his prey.

"In the end, it has to do with doing a good deal, and I like to make the right decision," says Mattijs.

"The film 'Wall Street' describes the tough life on the exchange. Reality is something else," says Mattijs.

"The film was altogether too glamorous and superficial. One never sees money changing hands. The film was far from reality."

Mattijs has been a broker for nine years, the last five with Oudhoeffecten NV, where he is one of three partners. The firm was founded in 1928 and has 10 employees today. Not too long ago,

the firm sold 40 percent of its shares to Nederlandsche Bank NV.

Customers are, among others, pension funds, savings banks and large overseas banks.

"On the private side, we are one of the ten largest firms in Holland," Mattijs says.

## High price

Brokers with their own established firms attract the most customers. Word of who is large and good spreads rapidly through the market. If a customer wants a good salesman, he also has to pay. The brokers work by commission.

"The exchange is like an open book. Everyone knows who does large or small business," says Mattijs.

He recalls the crash of '87, in which many brokers got hurt. His firm managed alright although it lost a lot of money. Share values fell to a bottom level. But in Holland, many survived the crash since trading was kept to the floor where market makers got the price going again. Share prices rose sharply but they never regained the level they had before the crash.

"For the moment, the Dutch economy is doing fine. But a large part of the major international exchanges still have not recovered," says Mattijs.

He is properly attired, in dark suit and white shirt. With a gleam in his eyes he points to his red silk tie with Mickey Mouse figures. At the exchange, ties are compulsory. Earlier, Mattijs was long-haired but he had to cut it short. The exchange has rules on dress and appearance. Mattijs gives an impression of sureness and does not take his job home with him. But, at times, share-trading fever grabs him even when he is free.

"I can relax and sleep at night. When I leave the exchange, I cannot influence the decisions I have taken, whether they are good or bad," he says. Mattijs is no

Yuppie, living it up in big-time restaurants. Only when customers drop by. Sometimes, he stops for a glass of Rioja with his colleagues when the working day is done.

"I do not go out with my colleagues every night. I am a married man, with two children, who lives a normal life," he emphasizes. He has not lost his respect for money. "I have to buy gas for my car and shop food like any other, even though I do deals for 152 million kroner per second. One should always have respect for money, otherwise one will never be successful," he says.

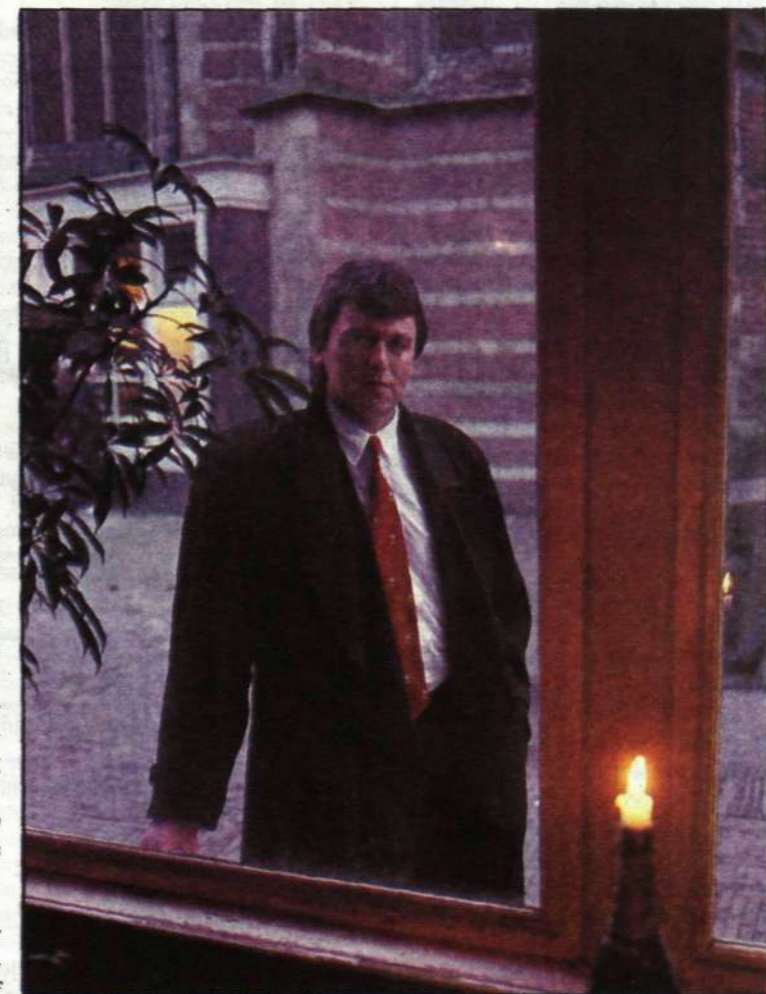
## A matter of money

The best thing about the job is money and freedom. "I see a lot of the world when I go out and meet customers. We have, among



The best thing about the job is money and freedom, says Mattijs Grooth. But he is no Yuppie living the life of luxury.

others, customers in the United States and the Middle East," he says. He will very much like to debunk the myth about brokers who live a life of luxury. But he likes money, too. And he drives a black Porsche Turbo. How long does he think he can continue? "I don't know. It depends on the market. Most people say that one should stop before 50. But I am not sure I want to do that."



After a stressful day at the Bourse, it's nice to enjoy the warmth of one's favorite bar. Sometimes, it's a glass of Rioja and a snack with colleagues.

Brokers, like Mattijs Grooth, in the center, is familiar with stress. It is a lifestyle, much like the atmosphere after a working day is like a wastepaper basket with paper all over the floor.



## Facing the future at E-P DATA

**Personnel at E-P Data in Karlskrona amble over to Ericsson's threatened telephone factory. For some 55 office staffers, the future is clear: but for 700 workers at the factory, the future is overshadowed.**

The letters E and P in E-P Data stand for Ericsson and Programator. E-P Data belongs to the same ownership group as Programatic and Erisoft. The company, which was formed in 1981, is linked to Ericsson in that Ericsson Data Services, EDS, own 50 percent, and is headed by Bernt Malmqvist. P-O Åkerberg, from Ericsson group leadership, is responsible for overseeing that the company does not compete with other affiliates.

In 1981, Urban Jansson took

over as head of E-P Data. "At that time, there was only a handful of employees," says Jansson. "Today, we have grown to be the largest data company in southeast Sweden."

The company, like the Karlskrona wharf with its 1,100 employees, is now threatened. It should also be noted that the wharf is an even larger customer than Ericsson's Karlskrona factory.

"Ericsson is definitely our largest customer," Jansson says. "But we also work for other Ericsson customers. For all intents and purposes, we are a small section of Ericsson Business Communications with responsibility for software development, especially for the MD110."

Besides Business Communications, E-P also inputs for Ericsson Radio, with its Hässleholm unit providing mobile telephone sys-

tem development for operations in Linköping.

"In my unit, there are many who have never done a job for Ericsson," says Anders Karlsson, head of the AU/ADB division. "But, nevertheless, we are naturally conscious of the fact that we are a part of Ericsson, and we have loyalty and linkage with the company."

Karlsson also points out that this loyalty carries over to the customer.

"Our job in the region has been built on established contacts," he says. "We work so closely that sometimes it is difficult to know where we stand. In such cases, it is not always an advantage for the small customer that we are the big Ericsson. Our operations have to face competition from smaller local companies."

## Leadership course

Be a better leader! A five-week internal course for managers within Ericsson proved to be a collective accomplishment for the Ericsson Management Program.

A unique course, Ericsson was the first company in Sweden to organize this type of

management program for its people.

The outcome has been a success, with its combination of highly qualified lecturers and representatives within the group's leadership ranks.

Among the topics covered were industry analysis, deci-

sion-making, production policies and market analysis.

A full week was given to "human resources and organization," that is to say the human side of management, how one develops his leadership qualities, etc. (Our Business)

## SHARE TRADING

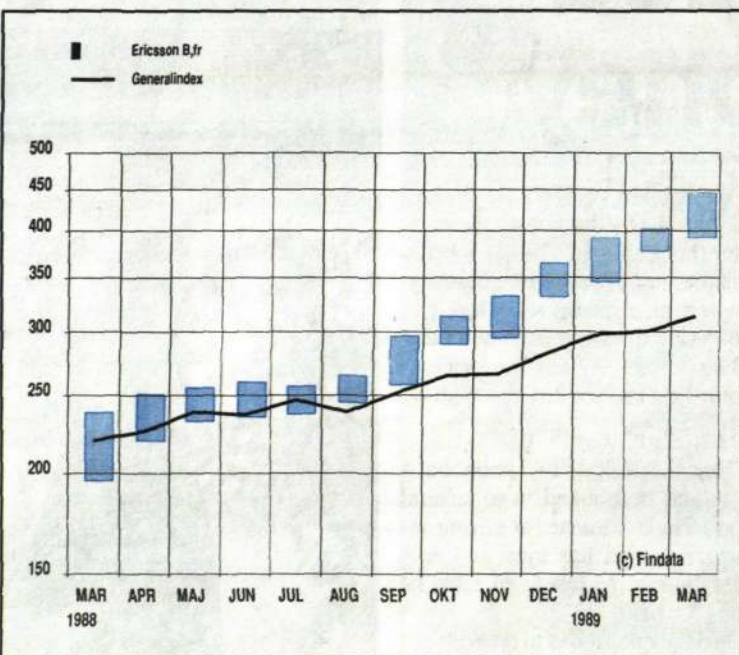
Trading in Ericsson's B-free shares has risen steeply in recent months and they have figured among the ten best, with a 13-percent gain in March. The stock also continues to be one of the Stockholm Exchange's best performer, with daily turnover of ten million kronor and more.

Many Swedish analysts feel that the stock was rightly valued with a worth of 400 kronor after the earnings report a month ago. The latest upturn, it is felt, came with a push from the States, where several optimistic analysts spoke highly of Ericsson.

Above all, they spoke of mobile telephone, whose future has sparked investor interest.

With a value of more than 450 kronor, Ericsson stock is highly priced, compared with the average for the Stockholm Exchange and its industrial companies.

After the fall's fine trading performance, the positive trend continues into 1989. Up to now, the share value in the General Savings Fund has risen by 12 percent and in the savings fund by 18 percent.



### ERICSSON'S SHARES

	General Savings Fund		Share Savings Fund	
	Price (SEK)	Value (SEK million)	Price (SEK)	Value (SEK million)
Dec. 1987	70	27,1	147	31,7
Dec. 1988	135	52,5	343	56,0
Mar. 1989	151	56,3	406	50,9

The lower growth level in the General Savings Fund is linked to convertibles, which accounts for just about half of the assets value. Convertible values change more slowly

than share values. This means the fund has a better spread and higher annual return through convertible interest.

**A major restructuring of the Swedish defense industry is in the making, and Ericsson is a part of it. As such, 1989 is expected to be somewhat of a defense industry year — in all of Western Europe, production branches are in high gear, with mergers and cross-border joint ventures.**

For the most part, the Ericsson group is seen in the context of a telecommunications concern, and its Defense Products business area is often overshadowed, despite the fact it accounts for about ten percent of the group's sales.

But this relatively unknown quantity is about to change. This year, 1989, is expected to be the starting shot not only for a restructuring of the Swedish defense industry but also for that of entire Western Europe. As a result, interest in Ericsson's defense operations is expected to increase in the mass media and among politicians.

The restructuring at home and abroad will affect Ericsson directly — and surely, indirectly — as competitors around the world reinforce their strength through mergers and joint ventures.

Ericsson's defense products are sold primarily to the Swedish defense, but the business area also does a lot of sales overseas. About 60 percent of receipts come from outside Sweden and about 40 percent from West Europe, in keen competition with major companies in Britain, France, West Germany and Italy.

There are many reasons for the revamping of the defense industry in Europe:

- The increased tension in the world, not least thanks to the hopes that come with Gorbachov's perestroika and disarmament moves, has already had a limited effect on defense around the world.
- The emergence of the EC's inner market by 1992 is forcing national defense companies to think in "European terms," with the increased competition that this entails. This is a pattern that we already know from, among others, the markets for public and private telecommunications.
- Like so many other branches, the defense industry is up against globalization, and the European companies must expand in order to meet the competition from, in the first place, the United States. American companies are now being pushed beyond their lucrative home market, as defense demands dwindle, to seek new business in Europe and other parts of the world.

The first steps in this development have already been taken. Since a few years ago, many large European auto companies have bought up high-tech companies in the aircraft sector. The thinking is that this advanced technology could influence auto developments in the future.

For example, Mercedes-Benz, the large West German concern, recently launched a bid for Messerschmidt-Bölkow-Blom, which, if it occurs, will be the country's largest defense concern, with almost 50 percent of defense orders.

Already, Daimler had purchased several companies with defense links, among them Dormier, AEG and MTU.

British Rover went a similar route with British Aerospace. In the United States, General Motors bought Hughes Aircraft. Cars and fighter aircraft are being put together, something that Saab-Scania has been doing for a long time now.

Cross-border joint ventures have also been moving ahead in Europe. British Aerospace is developing missiles with Thomson-CSF of France; so are Britain's GEC and Marconi together with France's Electronique Serge Dassault, to name a few.

But the latest restructuring trend, which first took off toward the end of last year, is even closer to Ericsson's traditional defense specialties: radar and other communications.

The West German giant Siemens and Britain's Electric Company made a bid in 1988 for Plessey of Britain, which, besides a large telecommunications side, also sells defense equipment in radar and battle systems for more than 10 billion kronor. The thinking is that Plessey's defense products will merge with Siemens' in a company owned 50 percent each by Siemens and GEC.

Some time ago, a significant proposal came from Ericsson's partner in France, Matra, where, the Wallenberg group, major shareholders in Ericsson, has a share. The head of Matra indicated that he wanted to set up a large European defense industry venture between Matra, Daimler-Benz and GEC.

Daimler and GEC already own five percent each in Matra, but the thinking in the new venture was for the two to increase this share to 20 percent and that Matra, in its turn, would buy 20 percent in the GEC defense affiliate Marconi and a similar share in Deutsche Aerospace, that is the new subsidiary that would be formed in the Daimler group with the eventual purchase of Messerschmidt-Bölkow-Blom.

If this venture really comes to pass, then the restructuring of the European defense industry will have received a real "European" aspect. Alain Gomez, chairman of France's Thomson Group, which, with Thomson-CSF is one of the Continent's largest companies in this branch, often says:

"Europe's national markets are too small today for the development of this branch and the industrial structure does not tie in with the investments in research and development that weapons systems of the future demand."

That the Swedish defense industry or that Ericsson's defense side could come into such a "European structure" is still to be seen. At least, this might not be so for the Swedish-based sectors. Sweden's neutrality policy poses a hindrance.



# Europe's economic three-way split

When the Common Market's single market comes on stream in 1992, the EC, with a total of 325 million consumers, will become the Western world's largest market. From populous West Germany to little Luxembourg, this market represent a purchasing power of 13.4 trillion kronor.

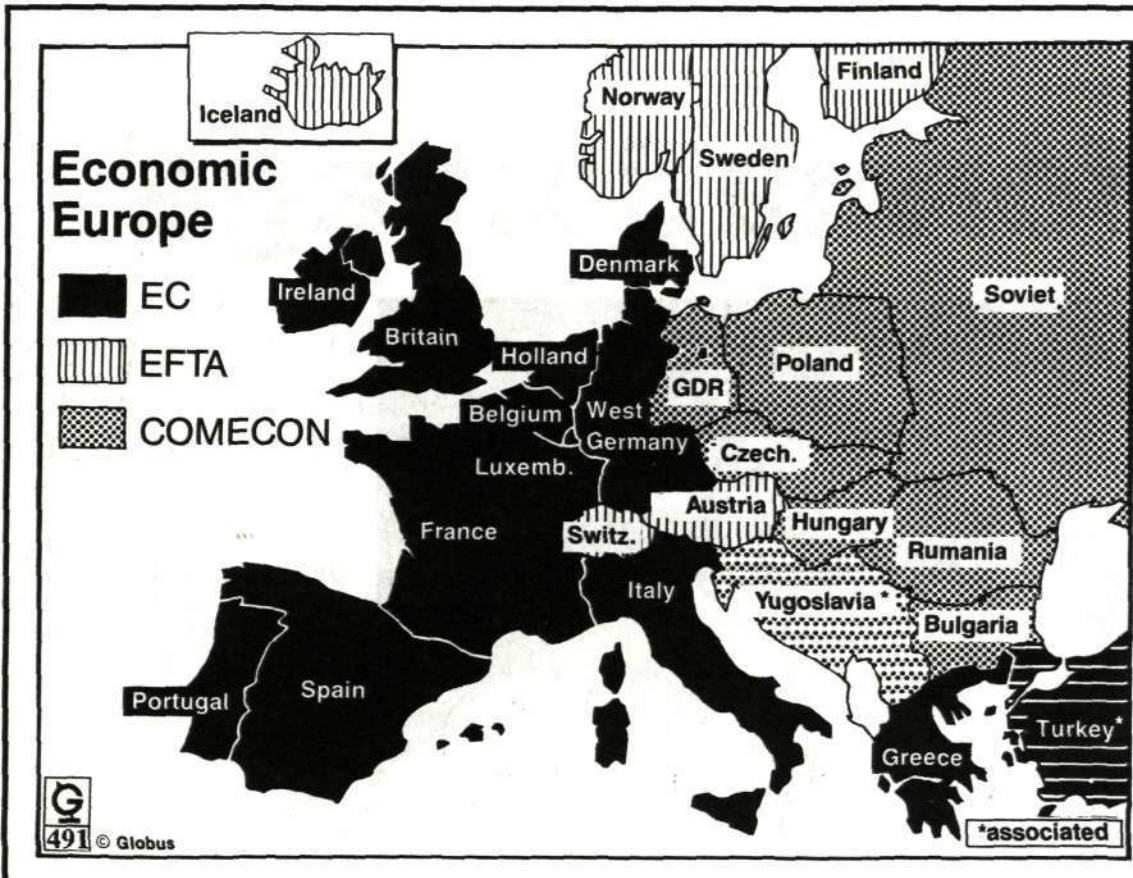
But the EC is not the only joint economic organization in Europe. There are two others that are equally active.

The oldest, the Council for Mutual Economic Assistance, COMECON, was founded in 1949. Its members are the Soviet Union, the East European states, Cuba, Mongolia and Vietnam. Yugoslavia is associated with COMECON, but Albania left the group and ever since it is the only European country that does not belong to an economic alliance.

Today's European Common Market stems from the European Economic Community (established in 1957), the European Coal and Steel Union, the Montan Union (set up in 1951) and the European atomic energy commission, Euratom (founded in 1958).

The European Free Trade Association, EFTA established in 1960, aimed to bring about free trade in industrial goods and to contribute to the liberalization and expansion of world trade. At its height in 1970, there were nine members, with Finland as an associate member. Today, Finland is a full-fledged member of the organization.

Three founder members subsequently left EFTA and joined the EC — Denmark and Britain in 1973, and Portugal in 1986. The current members, besides Finland, are Austria, Iceland, Norway, Sweden and Switzerland.



# Business with China - proximity is important

China — a fast growing market for Ericsson. In this year's first issue of Contact Management, we published a report from our correspondent Claes Thorson about Ericsson's success in China. In conjunction with his trip to the Middle Kingdom, Thorson conducted an interview with Ericsson's China coordinator, P.O. Björk, on the problems that companies face in doing business with China.

The meeting with P.O. Björk took place in Noble Tower — a modern skyscraper in central downtown Beijing, where Ericsson has its local office. The meeting was not infrequently interrupted by Ericsson colleagues who had to have ready answers from Björk about business negotiations.

"This is the way it has been ever since I first came here — constant negotiations. My wife and I are still living in a hotel, and we have not seen much of China beyond the negotiating locales, says Björk, who has been conducting Ericsson's China business since 1984.

The following are excerpts from his interview with Thorson:

### What demands does China make in determining a good business partner?

"A good partner should demonstrate that he is in China to make long-term investments. He should be serious in his pursuits. He can prove that he is trustworthy by coming up with solutions to problems. And there are often problems — delivery, installation, on-site functioning, etc.

"There is very rapid development taking place just now in China. A significant indication of this is the amount of construction going on. One has only to look around Beijing and notice the cranes and building sites. New houses go up daily. This is the way it is in many areas of Chinese so-

ciety. A telecommunications project is dependent on other developments. With the rapid changes taking place here in every area, it would appear almost impossible to proceed with a project according to plan.

"We demonstrate our foresightedness through service and market investments. We help set up training and operational centers and right now we are discussing a software center here. We are going into this project with financing and expert help. In this way, we are laying the groundwork for future cooperation and business here in China."

### Is it relatively more costly to do business with China than with other more developed countries?

"There is always a heavy basic investment here in China. But this is acceptable since we foresee a large market in the development stage. It is costly to establish oneself here. Housing and staffing are expensive when one has to be where business is happening in this huge country.

### Why is China so important for Ericsson?

"China is one of the largest markets if you consider size and population. It is one of the most expansive markets both in industry production and gross national product. The country 'is growing' fast; this means that the need for telecommunications is also growing rapidly. The market is growing by a total of between 1 and 2 million lines a year. Present plans call for up to 33.6 million telephones by the year 2000. Today, there are about 7 to 8 million phones, which also includes company exchanges. If one goes by individual subscribers only, we are talking about a net addition of 15-20 million lines between now and 2000. Or, more than a million lines per year. At the same time, one has to change existing old lines."

### Are there means for payment for this huge telecommunications business that Ericsson is getting into? Will Ericsson really be paid, and how?

"We have previously — and to a large extent — been paid in cash. The Chinese have paid directly out of the

national budget. In recent years, China has begun to borrow considerably from overseas for basic investments. Today, a lot of business is conducted through 'soft loans.' A lot of countries provide these soft loans, including Sweden.

"When it comes to one of the recent larger deals, the mobile telephone system for Shanghai, this was financed with Japanese soft loans."

### How do the soft loans from Sweden function?

"The Swedish government gives the loan to China through Svensk Exportkredit. The Chinese use the borrowed money to pay Ericsson.

"If it is a so-called soft loan, the Swedish BITS (the Swedish Agency for International Technical and Economic Cooperation) picks up the interest payments.

"This is an important aspect for the Chinese. It would be impossible for them to build up an infrastructure if they could not borrow money. And China must build up an infrastructure before it can generate capital. When revenues begin to come in later, then the country can repay its loans."

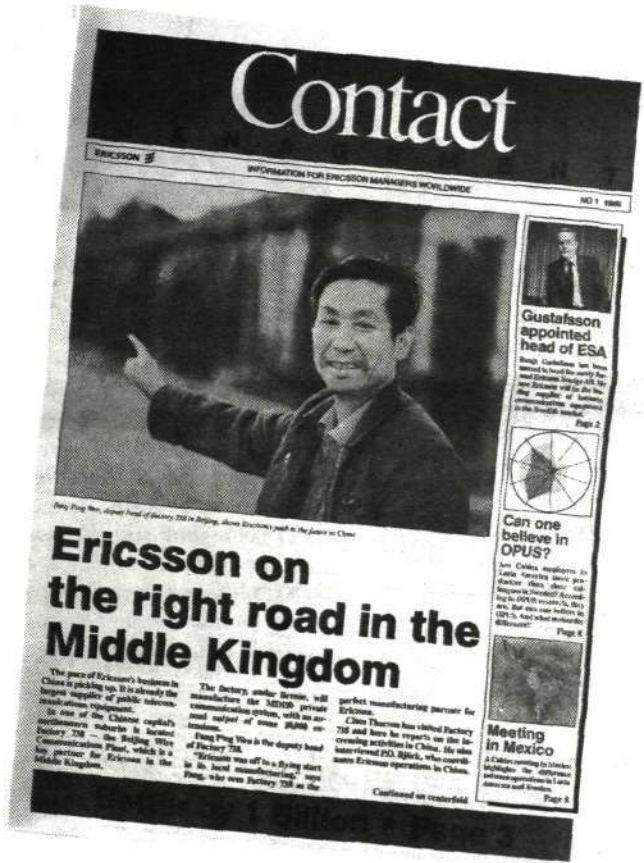
### What is it like doing business with the Chinese?

"It is impossible to give a quick answer to what it is like doing business in China. It is as impossible as answering what the weather is like in China. It can be minus 20 degrees in northern China, while at the same time it could be plus 20 in the south.

"There is no business pattern. Remember that China is huge. There are differences between doing business in the north and in the south — differences in culture, people and language.

"Negotiations are carried out on different levels with a number of different organizations in Chinese society. In general, we discuss with the client how telecommunications solutions can be put into effect. It is really very rare that the original specifications from the customer go with our system. We are dealing now more and more with cities and areas that have the possibility of making their own decisions. Even if the purchase in the end has to be approved higher up.

"We have, moreover, excellent sup-



Front page of Contact Management 1/89 — a report on Ericsson's success in China.

port from the Swedish embassy here, which has provided important input in a number of business dealings — maybe not in direct negotiations but in the peripheral work. From the Chinese side, Ericsson and Sweden often go hand in hand. China has by tradition many links to Sweden."

### How can Ericsson position itself to maintain this successful breakthrough in China?

"We must be established in the market. Proximity is important — to be near the customers in this immense land. This means that we have to be in many places in China. Ericsson has an office in Beijing and is planning to open one in Shanghai. Besides, we have a company in Hong Kong. We must work aggressively. We have to be at the forefront, especially when it comes to the question of establishing ourselves. We should not come after our competitors. It is hard to catch up. We must live up to the expectations of Ericsson quality — especially now when we are one of the largest suppliers, right now the largest actually."

### What could threaten Ericsson's continuing to do business in China?

"A key factor for business is that we be able to find ready forms of financing — credit from Sweden and/or other countries. Another threat could be a risk of import restrictions. But we are not afraid of the politico-economic situation becoming unstable to the point that it threatens our future. The open door policy is so well established now and telecommunications has such a high priority that I do not see any underlying threats here. As such, we should be prepared for any political shifts that could affect our investments or our projects.

"Right now, Chinese leaders are trying to contain inflation by putting a brake on industrial output and restricting certain imports. This applied above all to many big construction projects that had to be halted. Concern about hard currency has made it so that concentration is being put on the priority areas — and right now telecommunications is at the top of the list!"



# 'Into the information age'

"Moving Into the Information Age" was the theme of the ASIA Telecom exhibition held 20-25 February at the Raffles City Convention Center in Singapore, located in the same complex that houses the world's largest hotel, the Stamford.

Dr. Yeo Ning Hong, Singapore's communications and information minister, inaugurated ASIA Telecom, of which the most important sector was a conference on "Who's Who in Telecommunications."

Seventy-five leading world figures within the field of telecommunications participated, including Björn Svedberg, who gave a remarkable speech on the theme of "Intelligent Networks."

## Visions

In his speech, Mr. Svedberg envisioned how digitalization, fiber optics and a solidly increased "intelligence" in a system could provide new possibilities in the future for telenetworks.

"ASIA Telecom is one of the most important image-promoting events in the telecommunications field," says G.O. Douglas, project leader for Ericsson's displays, which included products and services from all of Ericsson's business areas.

## Wide interest

"Representatives from administration, direction and purchasing units within large companies and organizations meet here to take part in the col-



India's communications minister, Bir Bahdur Singh, right, in a discussion with Björn Svedberg, was among the prominent guests at the Ericsson display.

lective opportunities offered by the world's leading concerns in the telecommunications field," says Douglas.

Six-hundred paying delegates had registered, 839 came, he pointed out, noting that 21,000 visitors at the exhibition confirmed the tremendous interest generated by ASIA Telecom.

For some time now, Ericsson has been one of the major players on the scene in Asia and Oceania, where the market for telecommunications is growing by a dramatic 10 percent per

year. Considering that this part of the world accounts for 55 percent of the global population but only 17 percent of its telephones, there is an enormous market potential.

## On the scene since 1886

The imbalance in the number of telephones relative to the population in this area is explained by the fact that some of the most populous countries in the world are here, such as China and Indonesia.

Ericsson has been on the scene here since 1886 and today it has some 3,200 employees in this part of the world. Manufacture in subsidiaries and joint ventures are carried out in Australia, India, Malaysia, New Zealand and South Korea. Recently, it was also decided to manufacture the MD110 in China.

AXE switches are used in tele networks and mobile communications in Australia, China, Fiji, Hong Kong, Indonesia, Macao, Malaysia, New

Zealand, Pakistan, Papua New Guinea, South Korea, Thailand and Tonga. The MD110 has had huge success in these countries too.

As for network construction, a large project is under way just now in Malaysia, Thailand and the Philippines.

## Heavy competition

On the question of whether we can beat the competition in Asia, Björn Svedberg replies:

"We have heavy competition here, but the area is not a conclusive factor in our future. It is important to be here and we have a stable platform from which to operate. We are not the largest, but in general we strive to be the best."

On the future of telephony, the Ericsson CEO notes:

"Today we have ONE telephone with ONE number in our house. If we are at the neighbors, no one can reach us. In recent years, we have achieved a certain flexibility with mobile telephones."

## Decisive question

"In the future, we will have one telephone number, which will make it possible for us to go to any telephone whatsoever and call. We will be paying with an ID or credit card. We will have a mobility that until now has been unknown," says Svedberg.

"Large areas of the globe, however, still do not have a telephone. That is the most important step to take first — to provide the developing countries with enough telephones. For huge areas of Asia, this is a decisive issue."

Text and photo: Thord Andersson

# A perfect setting

Ericsson's participation in the huge international telecommunications fair in Hannover, CeBIT '89, was an overwhelming success. On this, everyone responsible for the showing agrees.

Ericsson Business Communications (EBC) business area was at the forefront from the very beginning and projected a display of almost 500 square meters in area. Of this, 400 square meters of "social" space was allocated for customers and personnel.

To make the Ericsson display as far-reaching as possible, EBC linked up with other business areas. ERA was the first to accept. GSM launching in Europe and especially in Germany made this forum unusually interesting.

## CeBIT oriented

Another of ERA's products, Mobitex, is also in the launching phase.

Paging products (people beepers), which have always been at CeBIT, were still very much here this time.

Public Telecommunications (ETX) also indicated interest in the fair at an early stage.

Business Area Cables presented its fiber optics cable, which has generated considerable interest on the European market.

In the preparatory stages, Components already decided that it would participate.

Put together, all of this gave Ericsson an ideal opportunity to show what the group has to offer in the form of communications systems.

## Close to ideal

Ericsson's display was at its best in the Telecom hall. According to the project leader, Svenåke Bjärkemark, the positioning of the display was as close to ideal as possible: Between the meeting point and the restaurant. "There is only one place better," says Bjärkemark, "and that's between the bar and the gents."

A tight but nevertheless open display design made it so that visitors streamed in to Ericsson so that they could more closely study what was meant by the fair's theme "Ericsson — because business is communications."

An opportunity for "coffee chats" in a pleasant atmosphere was offered upstairs. For those who preferred to discuss in more depth, there were conference rooms of varying sizes.

## Million order

The ambience in the Ericsson display was inviting — and this carried across significantly into the activities.

EBC (EBC's German affiliate) won contracts worth several million kronor. ERA's paging group got a million kronor order. EBC took home a letter of Intent for the MD110, Eripax and transmission equipment in an eight-figure order.

Other facts: Some 14,000 visitors registered at the display.

"A very satisfying result," says Bjärkemark, who was concerned



Ericsson's display at CeBIT '89 had just about a perfect setting, says project leader Svenåke Bjärkemark.

that customers might not be able to locate Ericsson in the new setting.

A press conference on March 10

was attended by some 40 journalists, the bulk of whom represented the German media.