

Ericsson's **strategy** in

**15**

minutes



# This is for you!

## **This lift-out has just one purpose: to explain the main features of Ericsson's strategic direction quickly and simply.**

It does not aim to describe every Ericsson strategy or tell you exactly how to realize the company's strategies in your day-to-day work. We hope, however, that it will inspire discussion about how you and your closest colleagues can contribute. Your discussions are vital. Without your commitment we will never achieve our targets.

## **How to understand the strategies/How to use this lift-out**

The strategies are broadly expressed in **three parts**: the wanted position, the strategy temple and the strategic focus areas.

**Our wanted position** shows where we want to be as a company five years from now. As a whole it describes our vision, of leading the development of the communications world of tomorrow, a world that is built on broadband, IP and multimedia. In this world all people have access to communication, and most of the devices that surround us are connected.

The five dimensions in our wanted position lead us to our vision; by having qualified and motivated employees who work efficiently, quickly and flexibly, we deepen the relationship with our customers. This strengthens our products and solutions in the market, and thereby improves our financial position. Good finances give us the possibility to evolve, and this creates a positive spiral. This year we have raised our ambition in all five dimensions.

**The strategy temple** illustrates how we will reach our wanted position. The different building blocks of the temple consist of our vision (the roof), our mission and our brand (in orange), the business units' strategies (three "pillars") and the strategic strengths we have to build on (the foundation). **The strategic focus areas** are group-wide areas in which we must improve. It is the complete strategy that makes us unique, in particular the synergies we get when we combine products and services.

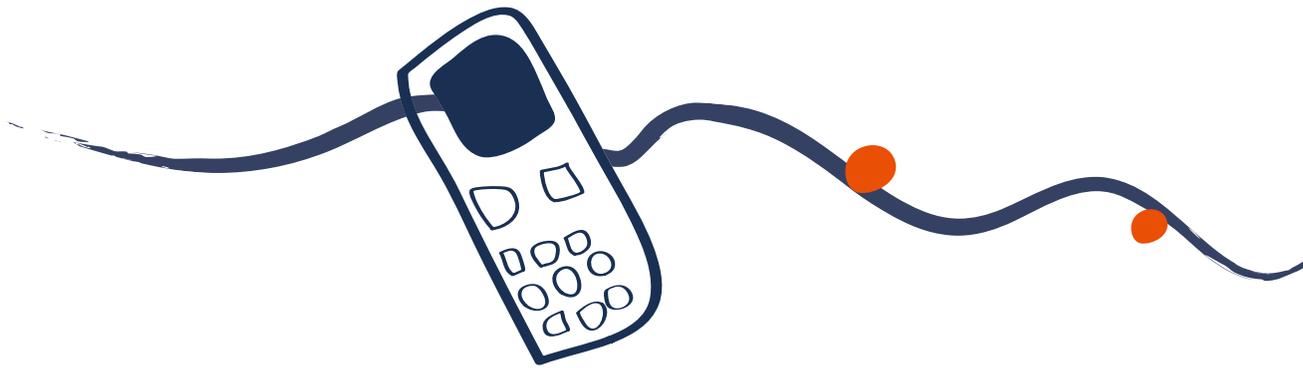
This lift-out follows the larger strategic structure. Here you can see our wanted position and the strategy temple. *On the following pages, we look in more detail at the temple's components and the strategic focus areas.*

## - Strategy temple -



## - Ericsson Wanted Position -





# Vision, mission and strategic strengths

On these pages you can read about some of the components of the strategy temple. We start *at the top with our vision*. Next is *the mission*, which describes what we want our brand to stand for.

Finally, we have the *temple's foundation*, which is about our *strategic strengths*. Curious about the business unit strategies? Turn the page when you have finished reading here.

## Vision

“Being the prime driver in an all-communicating world” is our vision. This is our take on the future, a world where everybody can use voice, broadband and multimedia to share, participate and experience, regardless of where they are.

We have been at the forefront of this development by providing voice services to more than 4 billion people. And in the world to come, we envision about 50 billion connections.

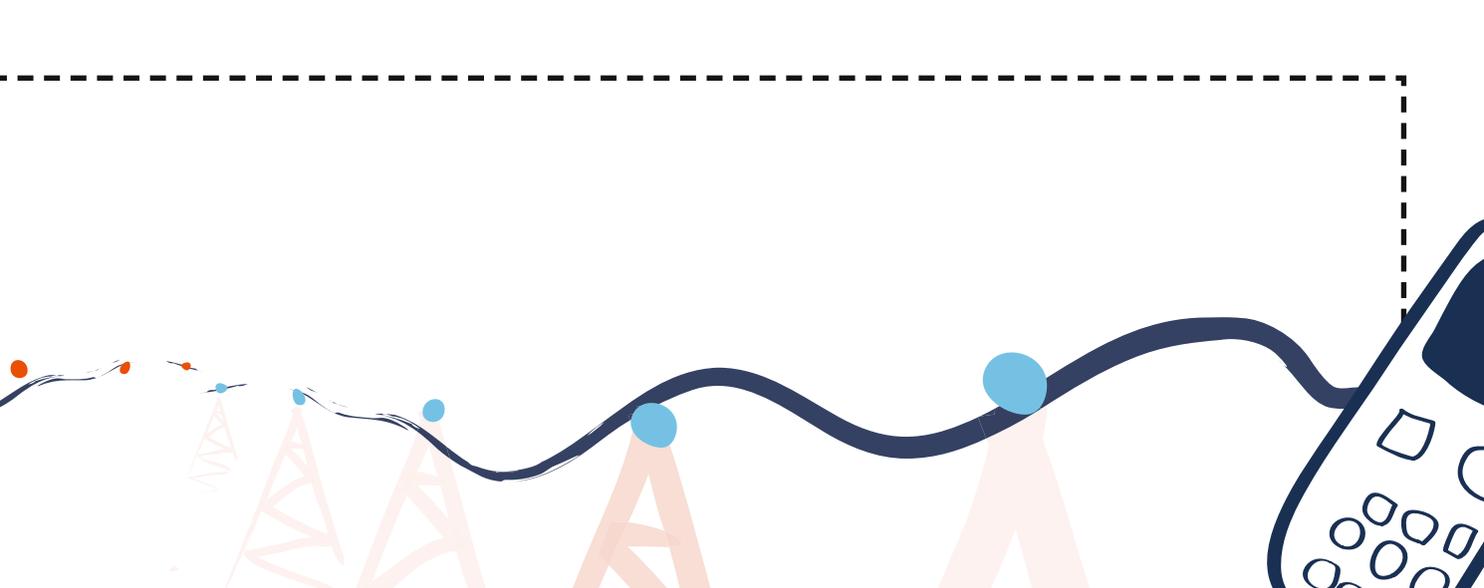
To reach this vision, we have created a new brand strategy – a new “mission.”

## Mission

“Innovating to empower people, business and society” is our new mission and brand strategy. It represents who we are and what we, as a company, stand for. It also expresses how we want to be perceived.

The long-term objective of the brand strategy is best stated through the expression, “Shaping lives. Shaping worlds.” What we do as a company improves our lives, the businesses we work with, and the communities of which we are a part. This view lies at the heart of the brand strategy.

- ▶ We have long said that our ambition is to help our customers succeed at what they do. And we will continue to do so. However:
  - ▶ We will push even harder.
  - ▶ We will, with our vision of how we expect and want the future to unfold, attempt to influence and shape the world around us.
  - ▶ We will, simply, dare to do more.
- The main objectives of the brand strategy are to add value to our core business, to help identify new opportunities, and to create growth as we change and renew our business.



Others will see more clearly that we are acting on our vision. We will demonstrate what we expect from the future and dare to speak out about what we think we should be doing to ensure lasting business in an age when everything that can be connected is connected.

## Strategic strengths

Our strategic strengths describe how we can fortify our competitive advantages and bring our strategies to fruition.

### Customer intimacy

Strong relationships and an understanding of customer needs are increasingly important.

- ▶ The entire organization, not just the market units, must consider how we can create value for our customers. This mindset must guide all our decisions.
- ▶ We will exploit new business more quickly by discussing opportunities and challenges with our customers early on and by being sensitive to customer needs.
- ▶ We will be better at offering solutions to specific customer requirements.
- ▶ Our customers will benefit more from our competence by meeting the right Ericsson people at the right time.
- ▶ Experts and experienced colleagues will meet with customers more often – these ambassadors create trust and credibility for the company.

### Operational excellence

Operational excellence is about executing what we have stated in the strategy, quickly and efficiently.

- ▶ We will increase our emphasis on innovation.
- ▶ We will be better at reusing knowledge and skills.
- ▶ We will continue to emphasize “personal operational excellence” and opportunities for colleagues to collaborate.
- ▶ We will continually improve our business models, processes, functions and units.

### Technology leadership

Our technology leadership is a competitive advantage that creates credibility with our customers.

- ▶ This leadership is the basis for successful products and services.
- ▶ Strong R&D enables us to retain our leadership role in mobile communications, and will strengthen our leading role in the areas of Full Service Broadband and multimedia solutions. We will also exploit our strength on the mobile side to become the best in converged networks.
- ▶ This leadership guarantees a strong portfolio of patents and helps us influence the market’s choice of technology.

### Speed

There are several aspects to becoming a faster company:

- ▶ We must always try to shorten the time it takes from the moment an idea is conceived to when products, solutions and services are launched.
- ▶ We must respond more quickly to customer requests, needs and queries.
- ▶ We must be able to make decisions more quickly.

### Scale

Scale gives us a competitive advantage and increases the profitability and quality of both products and services.

- ▶ We will apply the “one to many” principle, which includes reusing one solution for many customers and operating several networks from one location, both locally and globally.
- ▶ For services, we will find economies of scale by having large delivery/supply centers.
- ▶ For products, we will find economies of scale by having a limited number of flexible platforms.
- ▶ We must never stop being sensitive to customer-specific requests – it is a matter of finding the right balance.

### Skill

Our people and their skills are our greatest competitive advantage.

- ▶ We must be able to adapt and develop our competence quickly to reflect market changes. We will have the right competence to meet our customers’ needs.
- ▶ Where services are concerned, we will have local competence; we will also establish global competence centers for more specialized services.
- ▶ Ericsson Academy will develop employee skills and strengthen Ericsson’s brand. ■

**What are converging networks?** ▶ Operators' fixed networks and mobile networks are being developed into one single network with different forms of access, all based on IP technology. Users can connect to the network with a variety of devices and can access the same services regardless of the device. The networks of the future will cope with more voice and data traffic with better quality than today. This places demands on all parts of the networks.

# Excel in networks

*The first pillar of the strategy temple is: Excel with a leading portfolio in mobile and converged networks.* This deals primarily with Business Unit Networks' strategy for securing and improving its position as the market's leading network vendor.

## 1. What are the targets?

In summary:

- ▶ We will increase our leadership in mobile infrastructure
- ▶ We will become No.1 in converged networks. No vendor can claim to be the leader today.
- ▶ We will grow faster than the market, with the industry's best profitability.

## 2. Why is this important?

Mobile infrastructure with the accompanying professional services is our biggest income source. The number of subscribers and the traffic in mobile networks continue to grow. We must therefore safeguard our leading position in the mobile market.

Without our strength, we will never be No.1 in converged networks, the networks of the future. Profitable growth is important for our owners and for us to be able to invest where we want.

## 3. What are the major challenges?

The big three go together:

- ▶ Deal with the competition, mainly from Huawei and ZTE. This competition has led to price erosion that we must resist.
- ▶ Maintain our technology leadership and turn it into value for the customer. It is thanks to our leadership here that we are delivering better quality than our competitors, an important aspect in order for us to handle price pressure. Technology leadership therefore

strengthens our profitability.

- ▶ Get operators who want to converge to share our vision that future networks will have considerably more units connected. We can then help our customers better thanks to our strength in mobile.

## 4. What will we do to achieve our targets?

Here are the crucial points:

- ▶ Provide innovative, high-quality and long-lasting products and solutions
- ▶ Continue modernizing existing customers' networks (network transformation).
- ▶ Grow within mature mobile technologies where we are already selling a lot – 2G: grow in mobile technologies where we see major growth – 3G and LTE/SAE.
- ▶ Use our leading position in mobile broadband to lead in technological development, help customers with business models and head cooperation within mobile broadband.
- ▶ Establish ourselves in broadband access and technologies for convergence where we expect major growth – fixed broadband with high-speed, metro and carrier Ethernet and next-generation converged “packet core” and IMS.
- ▶ Reduce transport network costs.
- ▶ Secure our technology leadership and focus on operators' total cost of ownership.
- ▶ Have as few platforms as possible.

- ▶ Provide network-management systems.

- ▶ Continue to make R&D more effective.

## 5. How will we do this?

The market units are starting their own activities to strengthen competence where it is needed.

BU Networks has four strategies: *Flexibility and speed* – Faster decisions, simplified ways of working and more flexibility in discussions with customers are some aspects.

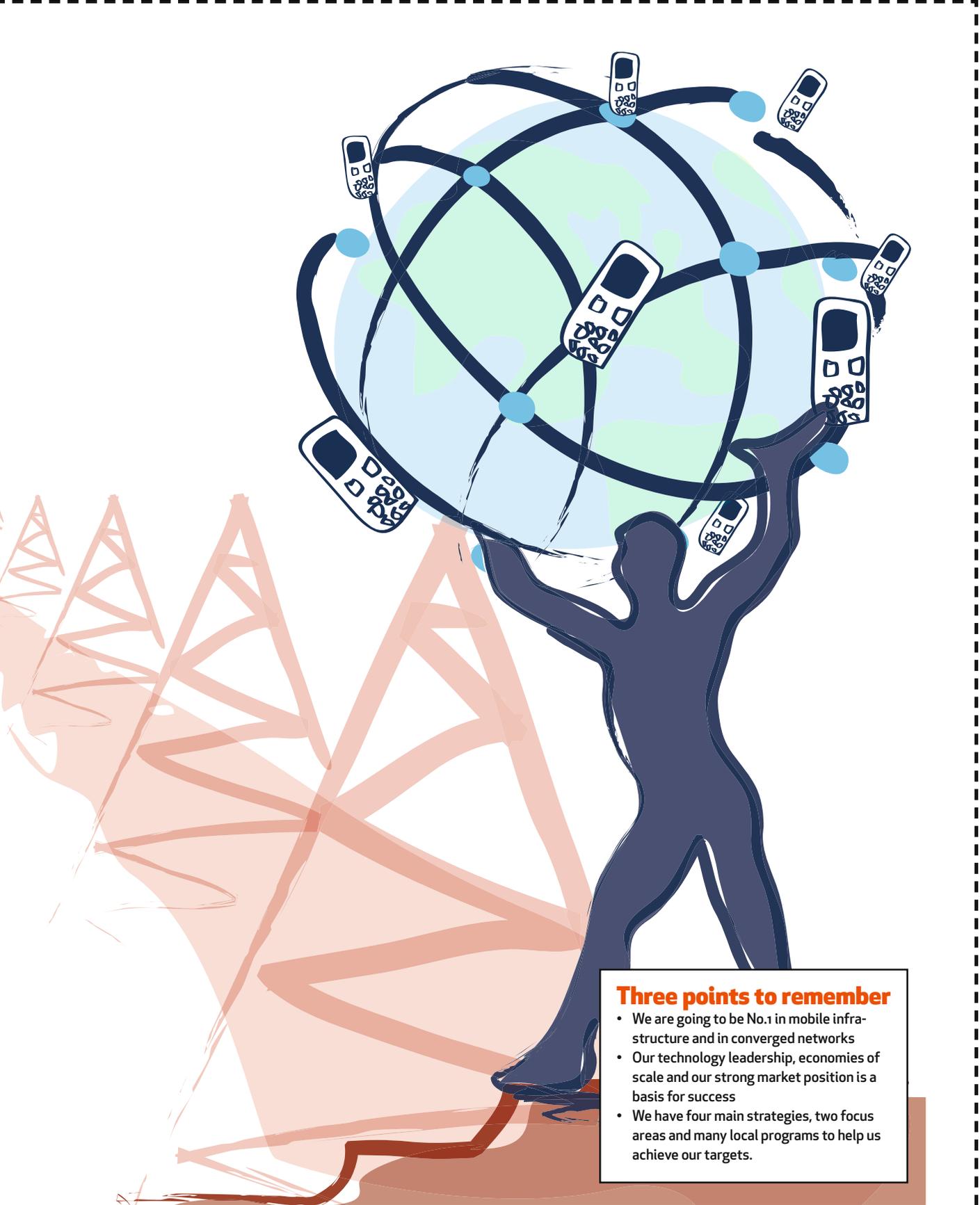
*Quality and scale* – Quality programs for products and more common platforms and components are two parts. Sourcing will halve purchasing costs within five years. Regarding Supply, the customer will get any node in one week, any pick 'n' pack item in one day and any software in one minute.

*Portfolio excellence* – Fewer platforms, used in more solutions, and a new organizational unit for IP and broadband. *Technology leadership* – Among other things we will be first with LTE/SAE and we will develop the architecture together with customers.

Through its line organization, Networks will drive two focus areas:

Network transformation: to help customers shift to the architecture they want.

Portfolio efficiency: work to create common platforms, components and one architecture where Networks' products fit. ■



### Three points to remember

- We are going to be No.1 in mobile infrastructure and in converged networks
- Our technology leadership, economies of scale and our strong market position is a basis for success
- We have four main strategies, two focus areas and many local programs to help us achieve our targets.

**What are telecom services?** Ericsson talks about services for operators, not for end users. They are divided into: ▶ **Consulting** – advice on how networks are to be built and improved. ▶ **System integration** – we put together all parts of the network into one functional unit. ▶ **Network rollout** – we roll out networks. ▶ **Customer support** – daily help for customers. ▶ **Managed services** – we take over network operations. ▶ **Education** – we educate customers.

# Expand services

*The second pillar of the strategy temple is: Expand services by enabling world-class operations and network evolution. Much of this area deals with Business Unit Global Services' strategy for strengthening its position as the leading service vendor in the industry.*

## 1. What are the targets?

We are going to strengthen our position as No.1 in the world for telecom services for operators. And we will grow more quickly than the market.

## 2. Why is this important?

Services have quickly become a major income source for us. It is also an area that will continue to grow – operators want more help with their networks. If we grow within services, we will earn more money.

Services provide ongoing income, which is good for cash flow. Some services are not particularly sensitive to economic fluctuations either.

This is also an essential area if we are going to be the end-to-end vendor we want to be. We must be able to design, integrate and manage the networks of the future for operators, but also continue to deliver services based on our solutions.

## 3. What are the major challenges?

Besides dealing with the increasing competition we have three central challenges:

- ▶ Improve our service sales capability. Some market units have come a long way, while others have just begun their journey.
- ▶ Make service delivery more efficient

through operational excellence.

- ▶ Improve our profitability by continuously reducing our costs.

## 4. What will we do to achieve the targets?

Here are the most important points:

- ▶ Operators are our primary customers. If they like us, the chances of more purchases for services will increase.
- ▶ *Excellence strategy:* We will focus on becoming even better at our existing services, improving quality and being best at reducing customers' costs. Part of the Excellence strategy involves taking advantage of our position as mobile experts, but we are also going to grow within fixed-network services as mobile and fixed networks converge.
- ▶ *Expand strategy:* This builds on the Excellence strategy. As an answer to the market's increasing complexity and focus on cost we are focusing on growing within Consulting, System Integration and Managed Services.
- ▶ We have the opportunity to use our solutions and services for customer groups other than telephone operators. We will pursue these possibilities, but will be careful what we invest in. We are looking at industries with major potential customers, such as

the transport industry, power companies and border control.

- ▶ Service delivery will be made more efficient in several ways. Here are some examples. The service delivery structure of regional Global Services Delivery Centers (GSDCs) will remain in place. GSDCs will be situated in countries where we can do the job cost-effectively. We will use remote delivery when profitable and continue to use common processes, methods and tools, because this makes knowledge-sharing possible. Customer projects will be run and followed up in the same way everywhere, according to CPM@Ericsson methodology.

## 5. How will we do this?

The market units and Business Unit Global Services are implementing a series of measures:

- ▶ Programs for how to sell projects
- ▶ How to manage customer projects
- ▶ How processes can be made more effective
- ▶ How to improve sourcing
- ▶ How to sell services. ■



### **Three points to remember**

- We are going to strengthen our position as No.1 in the world for telecom services.
- We will primarily focus on operator customers. Our Excellence and Expand strategies will help us to succeed with them.
- We have several programs that will help us to reach the targets.

**What are multimedia solutions?** We can break them down into five target areas: ▶ **TV solutions** – offerings to deliver video services via IP, satellite and cable. ▶ **Consumer & Business Applications** – multimedia communication offerings for consumers and enterprises. ▶ **Multimedia Brokering** – offerings that help content and service suppliers quickly reach mobile subscribers globally using, for example, SMS or MMS, as well as payment and positioning services. ▶ **Service Delivery & Provisioning** – offerings that help operators create, present and deliver all kinds of multimedia services. ▶ **Revenue Management** – charging and invoicing solutions, operator data-mining solutions, and pre-paid subscription systems.

# Extend multimedia

*The strategy temple's third pillar says: Extend in multimedia with leading applications and BSS solutions.* This deals primarily with Business Unit Multimedia's strategy for establishing a clear identity in the area of multimedia and for contributing to Ericsson's objective of being an end-to-end supplier.

## 1. What are the targets?

Our strategy for the past several years remains virtually unchanged and can be summarized as follows:

- ▶ We will become the world leader in multimedia solutions.
- ▶ We will grow by more than 20 percent per year.
- ▶ We will have good profitability.

## 2. Why is this important?

We want operators to remain our most important customers, and we want to help them to grow their businesses by earning money. We want to be their first choice when it comes to multimedia. Increased consumer access to broadband gives operators new opportunities to expand their offerings, for example, with IPTV. We will demonstrate that we understand the multimedia market and its business opportunities; we will also help our customers grow, for instance through consumer and enterprise applications, through TV, and by brokering consumer information. We also want to position ourselves as operators' top choice for Business Support Systems (BSS).

## 3. What are our greatest challenges?

The most crucial challenges are:

- ▶ That we become even better at selling multimedia solutions.
- ▶ That we continue to develop and drive the software business.
- ▶ That we help operators grow by collaborating to create new services.
- ▶ That we grow more in Western Europe and with our global customers.
- ▶ That we become a leader in BSS.
- ▶ That we respond more quickly to customer requirements.
- ▶ That we spread the word, internally as well as externally, about what we can do in the area of multimedia.
- ▶ That we keep our costs at a competitive level.

## 4. How will we reach these goals?

We will stay focused on our main areas:

- ▶ Ensure market leadership – This deals with making the most of our market position where Service Delivery Platforms and Revenue Management are concerned. And through ST-Ericsson we will continue to create and benefit from economies of scale.
- ▶ Extend into new areas – This area is about winning new business, by applying the expertise we have gained through company acquisitions, for example, within IPTV, and by reaching new customer segments, such as the media industry.

- ▶ Embrace the paradigm shift – Here we are talking about developing new solutions. We will help bring operators and service providers together; we will also venture into mobile marketing. We will offer more consumer and enterprise applications, mobile advertising solutions, and develop the brokering business.

## 5. How will we do this?

We will reach our targets by:

- ▶ Focusing on growth markets where mobile networks are often the sole available means of communication.
- ▶ Taking advantage of economies of scale and by making the most of our BSS solutions for managing increasingly complex networks for our customers.
- ▶ Ensuring that the business unit and the market units have the staff and expertise they need to establish profitable growth in multimedia.
- ▶ Improve the sales corp's skills through training.
- ▶ Developing new business models.
- ▶ Making certain we get paid for upgrades and support, thereby safeguarding the software business.
- ▶ Continuing to build strong relationships with customer CIOs.
- ▶ Being better at adapting ourselves to individual customer requirements. ■



### Three points to remember

- We will become the world leader in multimedia solutions.
- We will have good profitability.
- We will spread the word, internally as well as externally, about what we can do in the area of multimedia.

# Strategic focus areas (SFA)

## Group-wide areas where we must improve

### Sell a broader portfolio

We have the strategic focus area "Sell a broader portfolio" primarily for one reason: we need to act now in terms of broadband over all-IP and multimedia. One central measure to achieve this has been the establishment of eight regional competence centers that will support our market units. Ericsson's increased presence in Silicon Valley is also an important step.

Four areas are prioritized:

- ▶ **Competence:** Ensuring that people in the key account teams increase their knowledge within IP and multimedia is crucial. We are stepping up cooperation between the regional centers, the MUs and R&D to increase competence further.
- ▶ **Confidence:** Self-confidence throughout the group will grow through increased support and marketing from top management.
- ▶ **Customer intimacy:** Being close to the customer is important because the new portfolio involves new customers and therefore new sales techniques.

- ▶ **Competitive:** We need to be aware of our competitors – and how we are going to beat them.

### Commercial Leadership II

This focus area will allow us to intensify our work to ensure profitable growth with improved margins and strong cash flow. The aim is also to speed up our software business even more.

Within this area there are four priorities:

- ▶ We must become better at price management by, for example, creating global price lists, acting more strategically in contract negotiations and, at an early stage, identifying the most important businesses, where we will focus our efforts in ensuring the best possible total cost of ownership – something that does not always mean low prices.
- ▶ Our software business will to a greater extent drive Ericsson's growth and profitability. Therefore we must be better at understanding the software market and learn to master the con-

ditions and the different business models.

- ▶ We will review our business terms and conditions to improve customer relationships for all parties and improve our long-term financial position.
- ▶ We will introduce new and better tools to increase efficiency. ■

### SFA PRE-STUDIES

...are important areas that have the potential to become strategic focus areas. **Sustainability** (taking advantage of the business possibilities that flow from increased global involvement in environmental and social issues) and **Customer engagement** (meeting customers' demands earlier and using the company's entire accumulated competence in the customer relationship) are the two areas in which we are conducting pre-studies and which may become strategic focus areas during the year.

## FIND OUT MORE!

To read more about Ericsson's strategy, visit the Strategy site on the intranet: [Global](#) › [Company information](#) › [EGMS](#) › [Management and control](#) › [Strategies](#) › [Strategy 2009](#)

The site is constantly updated with new material, including articles, sound files and videos. Here are some of the things you can check out:

- ▶ Video and text interviews with **Carl-Henric Svanberg**, President and CEO of Ericsson, CFO Hans Vestberg and with the heads of the Networks, Global Services and Multimedia business units.
- ▶ The strategy linked to **current examples** from the market units.
- ▶ Presentations given during the Global Management Conference, **GMC**.
- ▶ **Sound files** that summarize the overall strategy.
- ▶ A quiz on Ericsson's strategy with an **exclusive prize** for the winner.



## And don't forget...

...to discuss the consequences of the strategy with your boss and colleagues – why not share your thoughts on EriColl?

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