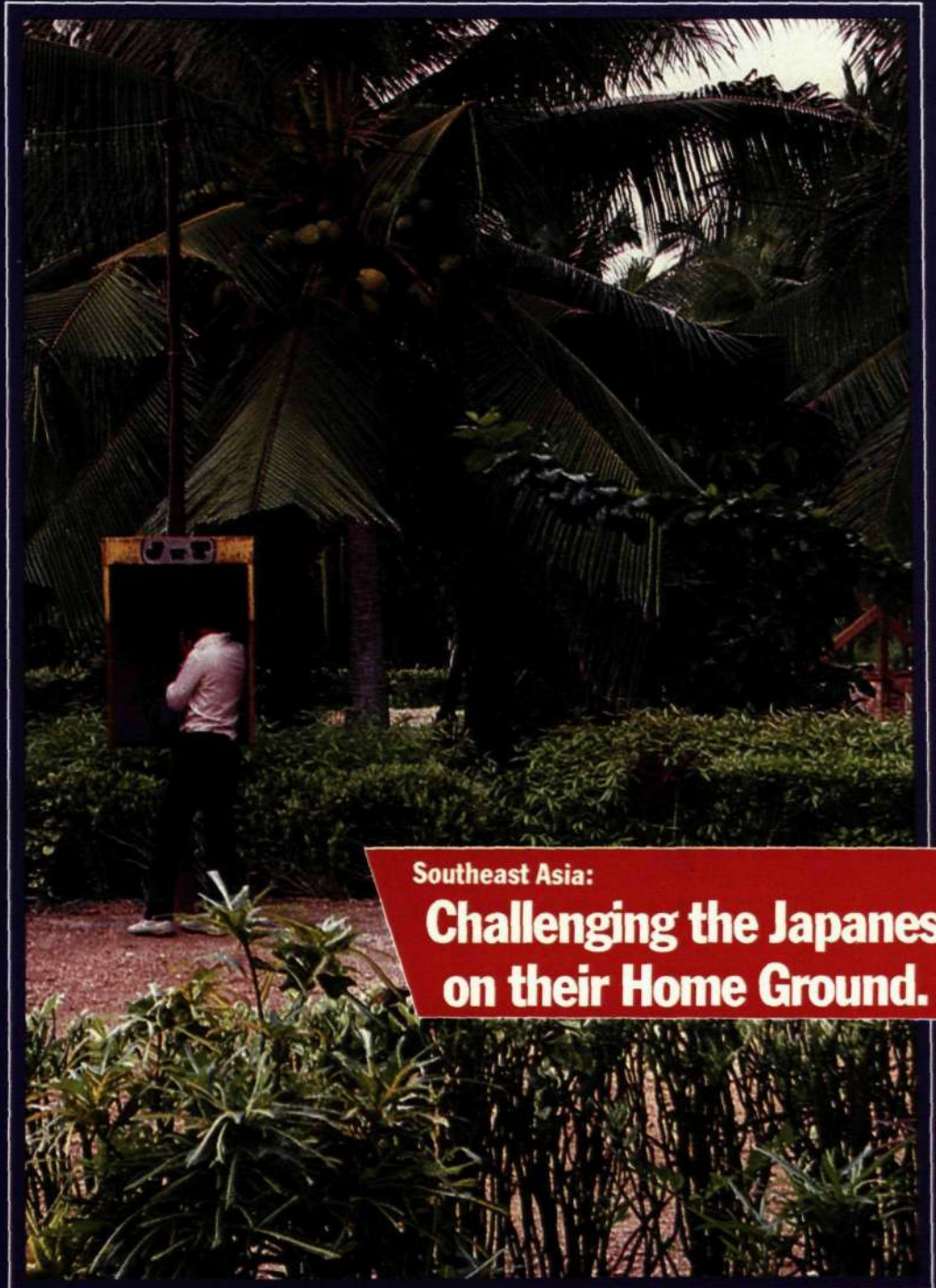


No5. July 1986. Information for Ericsson staff. Issue 47.

Contact

ERICSSON 



Cash Management:

**How to Make
Millions!**

**Investor
Relations
Vitaly
Important!**

Southeast Asia:

**Challenging the Japanese
on their Home Ground.**

Cooperation

T called for

The above heading can be interpreted in two ways.

The fact that chief executive Björn Svedberg made "cooperation between business areas" one of his top priorities for 1986 evidently aroused little surprise throughout the corporation. The general reaction was that this is one of our key means of achieving success. You might also say though, that Björn Svedberg's message created a greater call for cooperation. And this is gratifying because cooperation which is not forced and not strictly regulated is the kind that eventually yields good results, although it's not always possible to directly measure these results.

Meanwhile, there are still areas in which the negative interpretation of the title, cooperation is needed, applies. This requires all concerned to pitch in and help create the necessary spirit of cooperation. With this I'd also like to underscore the fact that cooperation is an issue that affects all levels of this corporation. It is not only within major business projects we are going to cooperate; we also have to strive to achieve more of a spirit of togetherness in our everyday jobs.

Even if I emphasize the importance of spontaneous cooperation above, I am forced to conclude that there are areas of cooperation that are so complex that regulations must be set down to govern them. Two areas that have undergone intensive work in recent months and that will be regulated shortly are:

Trade of goods and services between the business areas for which a policy will be set down before the summer. This should eradicate all internal discussions.

The second area is local country coordination in which an individual will be given responsibility for certain internal and external issues in each respective country. The most vital issue ought to be to create a unified Ericsson image on the marketplace.

Finally I'd like to point out that one of Ericsson's most successful operations at present is based on close cooperation between the Radio Communications and Public Telecommunications business areas both in terms of technology and marketing. You have probably already figured out that I am referring to mobile telephony in which AXE serves as an excellent complement to ERS's radio products in a system which today is number one in the world in its area.

We want to see more similar successes.



Bo Landin
Corporate Market Coordination
Europe and North America and Corporate Planning.

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Annual General Meeting

In his speech to the Annual General Meeting, Ericsson's President Björn Svedberg had the following to say:

It will take time to achieve the results we are aiming at, but I see no reason to change the goals we have set for 1986 and this includes the targets for Information Systems, our activities in the United States and our capital needs.

Björn Svedberg went on to say that the competitive situation within the telecommunications industry has changed a great deal owing partly to deregulation and privatization. Although the business climate is very tough and demanding there are a number of good opportunities open too:

"More companies will fall by the wayside and fewer competitors will be sharing a growing demand.

"But we at Ericsson don't intend simply to maintain and develop our position on markets where we are already strong. What we want is to expand on markets where we can achieve good sales volume and profitability."

Björn Svedberg said that we cannot expect the same profitability over the short term within public telecommunications as we achieved in 1983/84. The venture into high potential future markets like the United States and England costs large sums of money but will eventually produce results:

"We cannot start invoicing for the substantial and highly prestigious contract with British Telecom until late 1986 at the earliest. In the United States the AXE system is undergoing an evaluation which has been in progress for a year, the first stage of which is expected to be completed this summer. We are expecting to be able to deliver our first test facility in 1987 and we are aiming at volume orders for 1988.

"We have already set a high target for our American subsidiary to attain in 1986. We are aiming initially to break even before interest expenses."

In the case of Information Systems, Björn Svedberg said that the market is still tough but the ambitious goal of achieving break even before interest expenses is still a realistic one:

"In 1985 we concentrated primarily on coming to grips with the technical problems we had run into with our main products. We have completed that work but this, together with the withdrawal from the American PC market, has cost substantial sums of money. We are now aiming not only to



Annual General Meeting

The LM Ericsson Telefonaktiebolaget held its annual general meeting in Stockholm on May 15, 1986.

The balance sheets and statements of income were adopted and the board and president discharged from liabilities.

The meeting decided on a dividend of 9 kronor per share. To be entitled to this dividend share holders must have been recorded in the share register as of May 21, 1986. The dividend was sent out by the Vårdepapperscentralen VPC, AB (Swedish Securities Register Center) on 28 May, 1986.

The board was re-elected with the exception of board member Per Lindberg D.Ec and deputy board member Håkan Ledin, both of whom declined re-election. Elected as a new board member was new president of AB Industrivärlden, Kjell Brändström and as the new deputy member, executive vice president of Telefonaktiebolaget LM Ericsson, Carl Wilhelm Ros.

The auditors were re-elected.

establish but to strengthen our position in Europe.

The brightest prospects in 1985 were according to Björn Svedberg in the corporation's other operations:

Earnings up

"The earnings of Radio Communications virtually exploded, climbing from -SEK 32 million to +SEK 253 million. And this improvement is largely due to the fantastic successes in the mobile telephony business.

"Cable is another business area in which we proved how quickly you can turn around developments in our business through the use of firm measures. The extremely rapid expansion of the fiberoptics branch is particularly heartening."

The aim is for Ericsson's expansion in 1986 to be financed by internal funds. Björn Svedberg:

"We are not counting on increasing our borrowing and neither are we planning a new share issue. We will be devoting highly systematic and comprehensive work to reducing our level of tied-up capital and in that way freeing the capital we need.

"Invoicing during the first quarter of this year increased by one per cent over last year to SEK 6 628 million. The rate of orders rose by five per cent to SEK 7 764 million.

"Developments are pretty well following the plans laid for this year. The relatively weak rise in invoicing is due partly to the delayed orders within the public telecommunications area as well as to the divestment of some parts of the operation in 1985.

"We are expecting the corporation as a whole to recover somewhat during the year but it is still too early to make a qualified assessment of 1986. Instead, allow me to elaborate on this in our interim report in August," concludes Björn Svedberg. ■

New on the Board

The new President of Industrivärlden is Kjell Brändström, previously VP of Svenska Cellulosa AB

The new deputy member is Vice President Carl Wilhelm Ros, Telefonaktiebolaget LM Ericsson.



Kjell Brändström



Carl Wilhelm Ros

Växjö situation unusual

Three Ericsson companies on the same street joined only by billboards

Coordination is a key theme at Ericsson this year. Coordination of the various companies that will ultimately boost the strength of the entire corporation. Ericsson has three different units in Växjö. Contact went there to see if they were coordinated — and made the same mistake that many customers do ...

The first sign of trouble came as soon as the phone book was opened. The name Ericsson appeared in four different places on the same page! One of the companies could be eliminated right away — Ericsson City, which is an independent retail dealer. That left three — all of which had their own telephone numbers, but they were on the same street. That didn't make things easier. The morning that Contact's reporter was supposed to visit the three companies, the photographer ended up at Ericsson Information Systems and the reporter at Ericsson Radio Systems, both equally convinced that they had gone to the right place ...

"That happens every now and then," says Magnus Magnusson, plant Manager at Ericsson Radio Systems in



Magnus Magnusson, Ericsson Radio Systems: "Paths of decision will be straighter if the companies are kept separate."

Växjö. "Some people get irritated, but we always make sure that the customers arrive where they are supposed to in the end."

Ericsson is located on Verkstadsgatan in Växjö. Amid car dealerships, bank offices and construction companies.

Ericsson Telemateriel at Verkstadsgatan 12 has 20 employees and the main plant is in southeast Sweden.

Ericsson Information Systems is located at Verkstadsgatan 18 and has a staff of 30 — and that as well is a regional office.

Ericsson Radio Systems has the same address but in another building and employs 10 people.

After straightening out the initial confusion we got together in Information System's sales offices for a discussion about the pros and cons of coordination. Magnus Magnusson from Ericsson Radio Systems, Gillis Petersson, sales manager of Telemateriel and Tommy Larsson, one of the sales staff from Ericsson Information Systems.

All three see definite advantages in representing three different companies. And the problem with the address will soon be resolved they all say. They're in the process of devising a map and once that's finished the customers won't have any problem in finding the right address.

Contact: But if you instead were to operate as a single unit in Växjö, wouldn't these kinds of problems solve themselves?

Gillis Petersson: Yes, but the business would still have to be clearly divided since we're all operating in such different areas. In other words it doesn't make any difference how the company itself is set up. The lines of

decisions would in fact be much simpler with separate companies.

Magnus Magnusson: Yes, and above all the paths of decision will be straighter within the various areas of business if they are kept separate within different companies.

Tommy Larsson: I agree with you there, but naturally some aspects of it, like the telephone switchboard, office and administrative services and typing of quotations could be coordinated between the companies here in Växjö. Although it might be a little complicated to divide up the costs of that.

Contact: But we do have computers!?

Tommy Larsson (laughing): Yes we do, but we have three different finance managers as well who want to keep



Tommy Larsson, Ericsson Information Systems: "Sure, a telephone switchboard and office service could be coordinated."

costs as low as possible — each in his own area.

Gillis Petersson: Seriously though, from my own experience I think it's easier and more fun to collaborate if there is no demand that you have to collaborate. If some form of cooperation springs up on somebody's own initiative then it gains more positive acceptance. If nothing else then you don't have to worry about what goes in the books...

Magnus Magnusson: Cooperation works better without, say, a joint budget. That way a sense of service-mindedness takes over instead. And that means that things like quality become just as important in dealings with other Ericsson companies as in dealings with ordinary customers.

Tommy Larsson: It's basically a matter of the Ericsson spirit existing equally in all companies. And one way it comes out is that we simply tip off each other about customers we have encountered who could be interesting for the other companies.

Magnus Magnusson: And for that very reason Ericsson is only Ericsson to the customer — in other words one and the same company — so it's important that we all concentrate on quality. This is essential to cooperation if we are going to be able to gain benefit from one another.

Contact: So you people at Ericsson Radio already know before you visit a company whether someone from say Telemateriel has already been there?

Magnus Magnusson: No, not usually. But generally that doesn't make any difference because the engineers are dealing in completely different areas. In that kind of a situation we very poli-

tely direct the customer over to the right Ericsson company.

Contact: But you work mostly with smaller and medium-large companies. Don't they wonder why the Ericsson man can't give them the information they have asked for?

Gillis Petersson: Yes, that happens at times. But in that case we can always tell them where to get in touch with the people they want. And besides the service commitment is the same — regardless of whether they buy a pager or a two-way radio.

Magnus Magnusson: And it's that type of contact that sometimes also enables us to sell an entire system to the customer — such as a two-way radio and personal pager.



Gillis Petersson, Ericsson Telemateriel: "It's easier to cooperate if no one says that you have to."

Contact: But the ball is still in the customer's court and not in yours.

Magnus Magnusson: Yes, the initiative is the customer's, but we develop it.

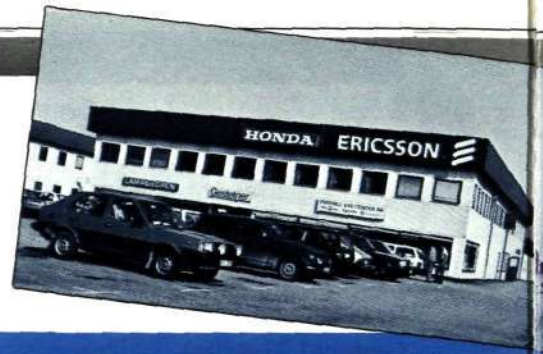
Tommy Larsson: And because most of our customers are smaller and medium-large companies this works as a form of cooperation — even if it's on an informal level.

Gillis Petersson: Over the past two or three years I have the impression that the level of cooperation has risen — maybe because the border between the different product areas is being eroded.

Tommy Larsson: In addition we know — and this is important — that if we pass on customer contacts to each other — whether they be positive or negative — we know that the other company will take care of it. The customer need never come back to me again, because the system works.

And even if the addresses and telephone numbers are different, the three Ericsson firms in Växjö have conducted jointly coordinated schemes on occasions — the jointly-financed billboards at Tjustkulle, the Swedish outdoor ice-rink at Vetlanda, and at Värnsvallen, the football stadium in Växjö. "A joint Ericsson manifestation," say all three.

A joint manifestation inwards may also be in the offing. Contact's simple suggestion about holding a joint Christmas party was accepted with delight. The neighboring companies on Verkstadsgatan in Växjö can look forward to seeing Ericsson staffers streaming back and forth between the companies as Christmas approaches. ■



Ericsson in Southeast Asia:

Beating the Japanese on their home ground

No more than a few years after Mr. Bell invented the telephone, Ericsson opened up operations in Southeast Asia. Before the turn of the century Ericsson had already landed its first order in Thailand. Also, Ericsson has been operating its own company in Indonesia since 1905. And right after the British left Malaysia and it became independent, Ericsson was there. Up until then the British had exclusive telephone operation rights in Malaysia.

“And we’ll do what we can to stay down here a good while yet. There are plenty of activities underway expanding the regular telephone network as well as the mobile telephone system,” says Olof Morander, vice president, Corporate Market Coordination (DMO). Olof is definitely a veteran of Southeast Asia. He hadn’t worked at Ericsson for more than three years before he was sent to Bangkok in Thailand in 1952. At that time it was a city of 500,000 people – today it is a bustling metropolis of six million.

“Ericsson actually made its first deal in Thailand way back before the turn of the century,” says Olof. “And in 1904/1905 Ericsson delivered the first complete telephone station there.”

After having relied on agents in Thailand for many years, Ericsson started up its first company there in 1957. Olof Morander was the man who started the operation in Bangkok. In the beginning the company had a staff of 5 or 6 people – today it has grown to 250.

“We have been involved up to now in the expansion of Thailand’s telephone system,” says Olof. “With the orders we have received over the past year and a half or so, we are going to continue expanding. And we’ll soon begin development of the mobile telephone network. The launch is set for July 1, and so we’ll be presenting plans at a press conference in Bangkok soon.”

Thailand, with a population of more than 50 million and a mere 1.2 telephones per 100 inhabitants presents a challenge. And its economy is in fairly



Olof Morander opened Ericsson’s Thailand office in 1957. Today he works at Corporate Relations.

healthy shape, according to Olof Morander.

“Buy an Ericsson”

Ericsson has operated its own company in Indonesia since 1905. Indeed, at the beginning of this century the company was so well established there that customers didn’t talk about buying a telephone; instead they said they were “buying an Ericsson”, according to Olof.

Ericsson’s operations in Indonesia have been confined to delivering manual and electromechanical systems up to now. In the field of electronics, Siemens of Germany is currently handling the expansion but there is good reason for Ericsson to feel optimistic. The Indonesian government has made it known that they want to bring in other suppliers and the Indonesian company, PT Erindo Utama, with its 111 employees will be competing too.

“With its 160 million residents and only 0.5 telephones per 100 people, Indonesia is a market with good potential,” continues Olof Morander. “And we know that the country wants to upgrade its telephone system during the 1980s. This is a vital cog in the development of the country’s infrastructure – the basic public services offered.”

Domestic ownership in Malaysia

England pulled out of Malaysia in 1957, granting the country its independence. That left the road wide open for non-British companies to get involved in the expansion of the telephone network in the country. And within the very first year of independence the company that was to become Ericsson Telecommunications was formed. By the mid-1960s Ericsson had landed a seven-year contract there which was duly renegotiated and extended to 1976, on the condition that Ericsson build a factory in Malaysia. This they agreed to, and by 1970 the factory in Kuala Lumpur was completed. Initially, Ericsson was the exclusive supplier of telephone facilities in Malaysia, but Siemens arrived on the scene in the 1970s. And towards the end of the 1970s the Japanese Nippon Electric Company (NEC) appeared after a bidding war in which Ericsson still came out on top. The Japanese only picked up contracts for the smaller stations in rural areas while Ericsson took over the big cities.

Today, there are about one million telephone subscribers in Malaysia but this figure will rise to three million and five hundred thousand by 1991. In 1986 alone the country ordered two

million lines, 800,000 of which went to Ericsson.

In addition, the telephone network is to be enlarged in Malaysia. If it’s not, the country will not develop at the pace they had planned. Ericsson is one of the companies who, together with four domestic suppliers, have been given the job of developing the country’s network. This involved the formation of a new company in the mid-

1980s, ENM (Electrocon Network Engineering). Malaysian investors now own a 30 per cent share of the original company (ECM). And in the third Malaysian company, Perwira Ericsson, the Malaysians have a whopping 60 per cent holding.

“Malaysia is living on its natural resources,” says Olof Morander. “Primarily oil and tin. And as everyone is fully aware the world market prices for

these commodities have taken a steep dive. As a result of course the rate of growth of the Malaysian economy has slowed from 8 to 5 per cent.”

“But this is a situation that can be turned around,” says Olof. “And when it does, Malaysia will have enormous potential.”



Malaysia

Population: 15.6 million
Capital city: Kuala Lumpur
Telephones per capita: 6.3/100 inhabitants

Ericsson Telecommunications (ECM) 311 employees

Perwira Ericsson (PEM) 337 employees

Thailand

Population: 51.5 million
Capital city: Bangkok
Telephones per capita: 1.2/100 inhabitants

Ericsson Telephone Corp. (ETT) 256 employees

Ericsson Thai Networks (ENT) 6 employees

Indonesia

Population: 163.6 million
Capital city: Jakarta
Telephones per capita: 0.5/100 inhabitants

PT Erindo Utama 111 employees

Singapore

Population: 2.5 million
Capital city: Singapore
Telephones per capita: 35/100 inhabitants

LM Ericsson International AB (regional office)

*Singapore —***Southeast Asia's financial capital**

Perched at the far end of the Malacca peninsula, almost squeezed out into the ocean, is Singapore. For the past few years it has been the home of Ericsson's regional office in Southeast Asia. The office used to be in Bangkok, but Singapore is a more central location. And it is also the financial capital of the region — a catalyst for business in the area.

The Singapore office is run by Allan Uvhagen, and he is assisted by a number of experts from Ericsson's various business areas. Their job is to travel around to the different companies and customers in Southeast Asia and provide technical assistance.

"Days can go by with the office completely empty," says Allan on a beautifully clear telephone line from Singapore. "But we don't travel as much today as when we had the office in Bangkok. Then we spent 75 per cent of our working time on the road."

Allan points to three reasons underlying Ericsson's business successes in Southeast Asia. To start off, the company has long been firmly entrenched in the region and has managed to sustain its good reputation down through the years.

"Secondly, we offer quality products," says Allan. "And thirdly, the company has always had good representatives here. There is just no beating personal contacts. It takes time to build up trust."

Although economic progress has slowed down in Southeast Asia Allan doesn't think this will hurt Ericsson at all.

"We are working on long-term contracts that are not greatly affected by temporary downturns in the economy," he continues. "And besides, telephones are so vital that these countries cannot afford not to invest relatively large amounts in expanding the telephone network."

*Mobile telephone systems***Cash cow of the Ericsson family**

Mobile telephony networks are growing at record rates. There are 750 000 mobile telephone subscribers throughout the world today. By 1990 that figure is expected to rise more than tenfold — to eight-nine million.

A forecast from 1979 predicted that by 1986 there would be 20 000 subscribers in Sweden. Today, there are four times that many.

"The curves in Southeast Asia are on a steep upward uninterrupted climb," says Lars Jonsteg — marketing director for the division responsible for mobile telephone systems, Ericsson Radio System. "In Malaysia, for instance, there are 7 000 subscribers and we expect this to increase by five-six thousand a year."

Lars Jonsteg recently returned from the annual CommunicAsian Fair in Singapore.

"And there as well, we received proof that Ericsson is at the leading edge of mobile telephony developments," continues Lars. "We had a chance to deal with fair-goers visiting the display, who numbered up to two-three thousand professional people a day."

"It's essential for us to be there and seen, even if we may not even sell a single telephone right then," says Lars Jonsteg. "But it helps to enhance our reputation."



Lars Jonsteg, marketing manager of mobile telephone systems — one of the world's 750 000 mobile telephone subscribers.

A timely technology

According to Lars, the tremendous progress of the mobile telephony is the result of three things. It is a technology that is very timely, and we in Sweden entered the game at

an early stage thanks to the fact that the telecommunications administrations of Sweden and the other Scandinavian countries moved quickly, coming out with a standardized system, the NMT-system, in which Ericsson also had a stake.

"For Ericsson's part the success is also because we can offer a complete system," says Lars. "We have, for example, a good background in radio and we have a good switch."

Lars also thinks that the atmosphere at Ericsson Radio has helped a great deal. "Many young and skilled people work here and we have taken calculated risks in order to accomplish something major. We have also been supported in this venture by the executive management and by the president, which was necessary for us to have achieved such success."

In the case of expanding the mobile telephone networks in Southeast Asia specifically and also in terms of future developments there Lars points to three factors of importance. "The Southeast Asian countries today have poor telephone networks. It is usually difficult to get a call through at all. And so venturing into the mobile telephone field can be an ideal complement, particularly in sparsely populated areas.

"And besides, they feel that good communications are worth the money. Add to this the fact that the Southeast Asian countries are socially committed to introducing a good telephone system throughout the area.

"In other words, the conditions seem ripe for the development of the NMT-system in Southeast Asia as well. Malaysia, as mentioned, with its 7 000 subscribers today, is first on the list.

Indonesia is next in line, according to Lars, with a thousand subscribers being given access to the mobile telephone service as from May of this year. "Thailand is not far behind and there we'll be launching operations in July. In the case of Singapore we are currently in the midst of negotiations and we are optimistic of receiving orders there as well," concludes Lars Jonsteg.

Opening for new discussions in France

The French Minister of Industry, PTT and Tourisme, Alain Madelin, has issued a statement confirming that there will be a new round of discussions on the question of a second supplier of central office equipment to France.

The Minister notes that there are two important decisions to make in the field of telecommunications: The future of CGCT, and the selection of a second supplier be-

sides Alcatel. So far, the AT&T/Philips alternative has been the most carefully examined, but now the Minister says that "it is necessary to compare this solution with other alternatives, so that the final choice is based on the right grounds". Over the next couple of weeks, heads of other foreign telecommunications companies - including Ericsson - will be invited for new discussions.

Appointments

- Sture Ögren (previously X/QC) is the new head (DTQC) of Ericsson Quality. Starting as a project department Ericsson Quality has now become a department in charge of quality at the corporate level. And it has changed its name to Quality Department.
- C-G Larsson (previously DTQC) has taken over as

head of the system design switching sector (TXX).

- To further strengthen financial controls within Ericsson, Corporate Accounting will be established this autumn. Harry Johansson will head up the new section thus relinquishing responsibility for Corporate Financial Controls.



Sture Ögren C-G Larsson Harry Johansson Lars Christofferson

IMS facility under way

Ericsson's venture into research, development, design and production of an integrated microwave system (IMS) is now under way. On Wednesday May 14, the first sod was turned for the IMS

facility at Ericsson Radio Systems in Mölndal.

The plant, which is scheduled for completion next autumn, will cost more than SEK 140 million and employ around 200 people.

Largest mobile telephone system in USA

Ericsson will supply the entire Los Angeles area with a mobile telephone system worth about SEK 300 million. The equipment represents Ericsson Radio Systems' biggest single order from the United States.

The Los Angeles network will initially serve the needs of 75 000 subscribers. In Sweden it is the plant in Gävle that will benefit the most from the order.

The company's main rival for the order was the American Motorola firm. President Ulf Johansson expresses it thusly:

"In order to clinch the deal, we had to prove that our system was far superior to the American one. The results gave evidence of our excellent quality and high technology which is particularly important for a city the size of Los Angeles."

Today there are about 250 000 mobile telephone subscribers in the United States and about 75 000 of these are served by our system. Of the 650 000 mobile telephone users throughout the world, more than half of them use Ericsson Radio's system.

Facit signs record contract

Facit has concluded a record SEK 400 million deal for matrix printers with the Memorex Corporation of the United States. The printers are to be manufactured at Facit's Åtvidaberg plant.

The order is for printers based on Facit's C5500 model, for use together with IBM mainframe computers.

This is the third major order Facit has landed from Memorex since 1983 and underscores the technological progress Facit has made in

developing new products.

"We've already enjoyed good success with our multi-functional printers, the 2068 and 2114-1 from Facit," says Geoff Seabrook, director of marketing for Memorex International. "The new order will give our customers access to state-of-the-art technology. It also proves that we have retained our position as a supplier of a complete range of peripheral equipment."

Three sales companies sold

Three companies from Information Systems involved in marketing Sharp's products have been sold.

The reason for the move is the rivalry between Sharp's and Ericsson Information's products such as personal computers and calculators.

At the end of January Facit Addo AG in Zurich was sold along with Facit GmbH in Vienna to the Sharp Corporation of Japan and at the end of March Addo Försälj-

nings AB was passed on to Sharp Electronics Svenska AB.

Together the three companies had total sales of about SEK 230 million last year and employed about 200 people.

At the time of the sale Addo Försäljnings AB had just over 70 employees in Sweden working at eight different places, several of them in the southern part of the country.

Ideon Science Park commissioned

Tuesday April 29, was the date of a double event in Lund held in honour of high technology.

It was the day on which both the addition to the technical college and the Ideon Science Park were officially opened.

Ericsson Radio Systems is the dominant enterprise in the science park. Computer designers and radio technicians work side by side in the park helping to develop new technologies including the mobile telephone of the 90s.

The idea behind locating a science park next to the technical college is to enable

them to share each other's resources and technical equipment.

At Ericsson Radio Systems in Ideon, about 125 people are at work today, 45 of them in the B division, mobile telephone technology, while 75 people are busy developing software and data designs in the H division.

Ericsson has provided its support to the tune of SEK 2.5 million for two research posts at the institution where previous head of research at Ericsson Radio Systems, Sven-Olof Öhrvik, has a professorship.

Billion kronor order from Mexico

Our Mexican company, Telexindustria Ericsson SA (TIM), has signed a contract with the Mexican Telecommunications Administration worth more than SEK 1.3 billion.

The main part of the contract is for equipment for the expansion of Mexico's telephone network next year. The equipment includes digital AXE stations of a total of 230 000 lines for local and transit traffic as well as a number of operational and maintenance centres. The contract also includes ana-

logue telephone stations as well as digital and analogue transmission equipment. Almost all of the equipment will be made in Mexico by TIM.

Four digital AXE stations, one of them for international satellite traffic, have been put into operations in this past spring. They were delivered at very short notice from Sweden and financed by a loan from the World Bank as part of the restoration of the telecommunications system following last year's earthquake.

Start moving your capital!

Make good business deals better ones! It's up to you too!

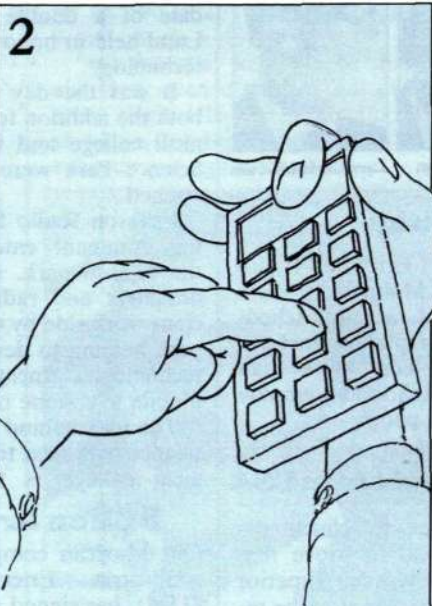
If Ericsson could reduce warehouse times by one day and get paid for goods and services one day sooner, earnings would rise by SEK 40 million. This may seem like an incredible amount of money but it illustrates how important it is for everyone at Ericsson to manage money prudently. We can turn good business deals into better ones — without even actually trying. To put it very simply, we have to bring the money in as quickly as possible and pay it out as slowly as possible.

Cash management is a term that has been heard from Ericsson senior management a great deal over the past year. And cash management is one of the key tasks facing the corporation in 1986.

Basically it means managing our money sensibly and getting it to flow smoothly. But this isn't a task that is solely the lot of our financial experts. We are going to try and describe how important cash management really is and how vital it is that everyone shoulder their share.



An Ericsson salesman paying a call on a customer. He shows him the company's products. The salesman knows what he is doing and he is making a good impression. The customer asks the salesman to get back to him with a quote.



The salesman goes back to his office. He calculates price, checks how many of the items are in the warehouse to determine how quickly they can be delivered. The price is set at SEK 10 million and the money is to be paid within 30 days of delivery.



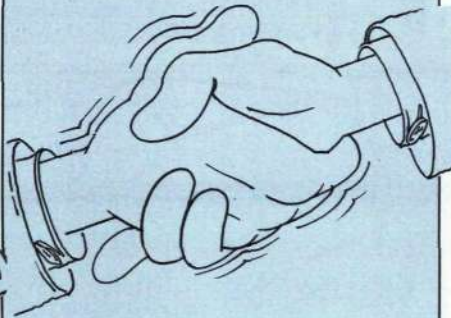
The customer wants the goods but thinks that 30 days is pushing it. He suggests a credit term of 60 days instead.

4



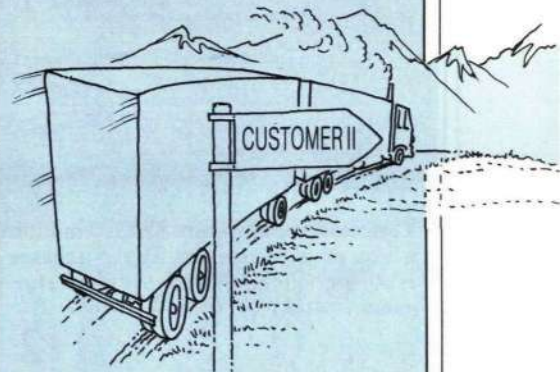
The salesman needs the order to fill his budget. So he goes along with a 60 day credit term without realizing that extending credit by 30 days actually means a loss in profit of SEK 100 000. The deal is already beginning to deteriorate.*

5



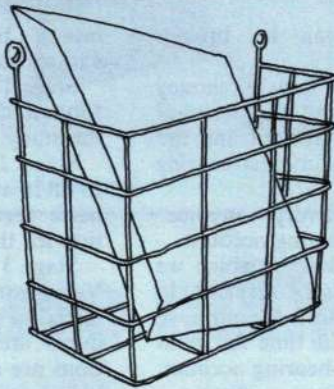
Ericsson gets the order. The salesman is happy and so is his boss. Both of them have done a good job and the company has landed an important order.

6



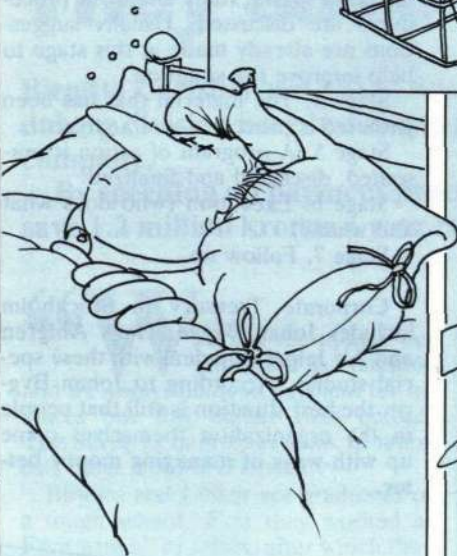
The goods leave the factory by truck for transport to the customer.

7



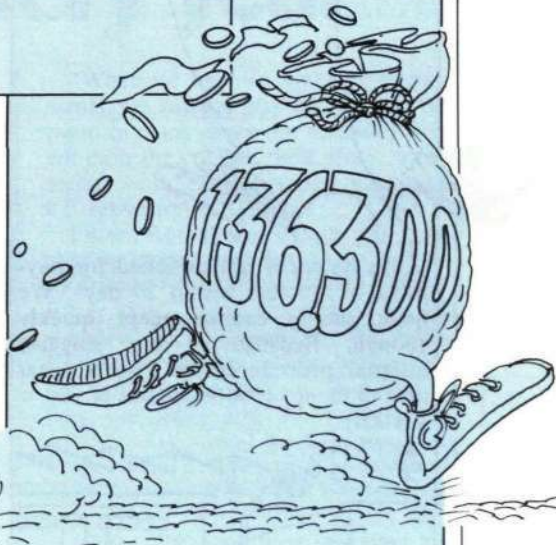
An acknowledgement that the goods have been delivered is sent by internal mail. This takes a day. If somebody had walked over to the invoicing department with the papers we would have saved a whole day and 3 300 kronor.

8

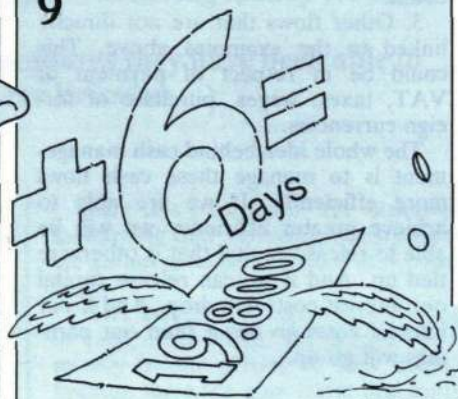


Many of the invoicing staff are home sick with the flu. The invoices are put on a mounting pile. "Our" invoice lays there for 4 days because there are no set routines for departmentwide illnesses. "Loss due to flu" comes to 13 200 kronor.

10



9



But the customer is well aware of how important cash management is. The accounting manager there has implied that he wouldn't mind if they dragged their heels a little in making payment. The customer doesn't pay after 60 days, he pays after 66. Ericsson won't charge penalty interest anyway. This costs another 19 800 kronor.

The money finally arrives to an interest-bearing account. It was a good deal, everyone agrees with that. But it could have been even better. The term of credit, the internal mail service, the flu and missing penalty interest comes to a total of 136 300 kronor – money that we could have earned without even trying very hard.

How to succeed in business without really trying...



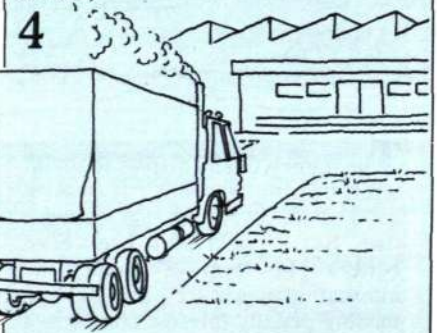
1
Ericsson needs to buy SEK 10 million worth of components. The purchaser asks for quotes from possible suppliers.



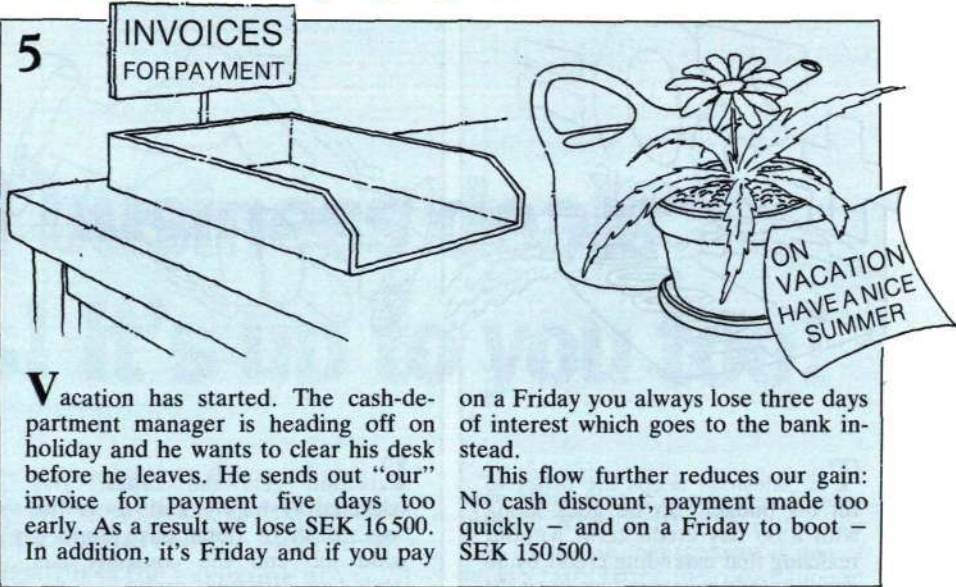
2
The purchaser is in negotiation with a supplier. He manages to negotiate a cash discount. If Ericsson pays within 10 days the price will be reduced by two per cent. Otherwise the regular term of payment applies - 30 days.



3
The system is not designed for payment of invoices within 10 days. We quite simply cannot adapt quickly enough. Because of our sluggish internal procedures we lose a great deal of money (200 000 minus 66 000 = 134 000)**



4
The goods arrive at our production plant. Production can start as planned.



5
Vacation has started. The cash-department manager is heading off on holiday and he wants to clear his desk before he leaves. He sends out "our" invoice for payment five days too early. As a result we lose SEK 16 500. In addition, it's Friday and if you pay

on a Friday you always lose three days of interest which goes to the bank instead.

This flow further reduces our gain: No cash discount, payment made too quickly - and on a Friday to boot - SEK 150 500.

Cash Management - a definition

Cash management can be broken down into three parts:

1. Speeding up the flow of money from the time we submit a quote until the time we receive payment and the money ends up in an interest-bearing account.

Quote - order - delivery - invoice - payment - interest-bearing account.

2. Corresponding flow in which we at Ericsson buy goods or services. In this case the flow is from the time we place the order until the time the money leaves our interest-bearing account. Quote - order - delivery - invoice - payment - withdrawal from our account.

3. Other flows that are not directly linked to the examples above. This could be in respect of payment of VAT, taxes, wages, purchase of foreign currencies...

The whole idea behind cash management is to manage these cash flows more efficiently. If we are able to achieve greater efficiency we will be able to release capital that is otherwise tied up. And if we can release capital our interest costs will drop. And if our interest costs go down then our earnings will go up.

month's time. The studies are done in various stages:

Stage 1. The people involved are informed of the purpose and objective of the study.

Stage 2. People involved are asked to fill in a questionnaire. The questionnaire serves as background information for the next stage.

Stage 3. Individuals are interviewed. Various transactions and flows are subjected to special study and work procedures are discussed. Usually suggestions are already made at this stage to help improve the situation.

Stage 4. The material that has been gathered is processed and analyzed.

Stage 5. A program of action is presented, discussed and finalized.

Stage 6. Execution (who does what and when?)

Stage 7. Follow up.

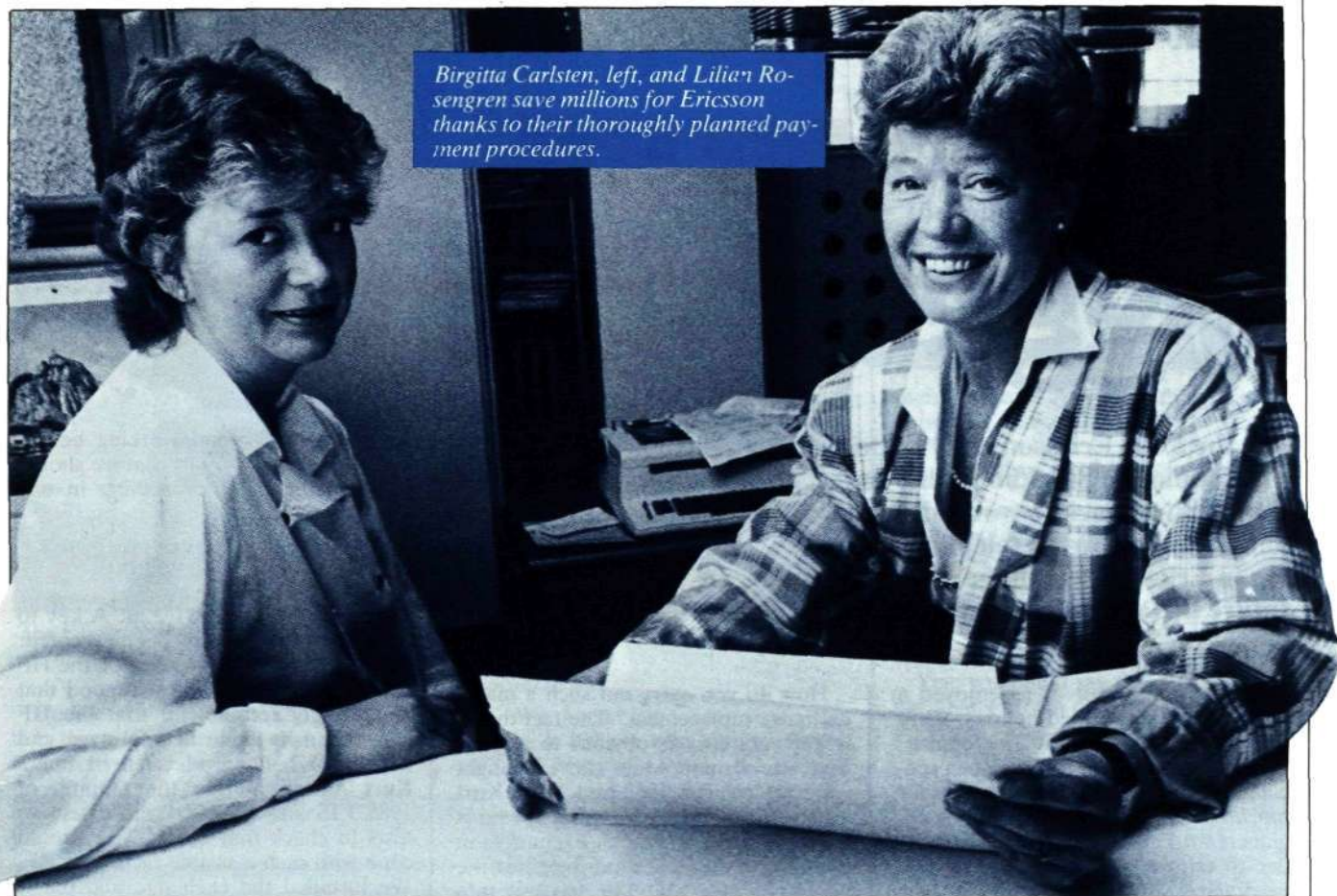
Corporate Treasury in Stockholm includes Johan Bygge, Hans Ahlgren and Alf Jelger who deal with these special studies. According to Johan Bygge, the best situation is still that people in the organization themselves come up with ways of managing money better.

Special studies

A special section has been operating within the Corporate Treasury since this past March and it's their job to look into how we manage our money. They conduct special studies charting individual business transactions within the company and divisions in order to eventually come up with a complete picture of the various flow patterns. Studies that they have done until now have paid for themselves in less than a

*In this series we have based our calculations on an interest rate of 12 per cent. 12 per cent of 10 million is 3 300 kronor a day.

**200 000 kronor is the lost cash discount. 66 000 kronor is 20 days x 3 300 kronor which is the interest we would lose if we made use of the cash discount.



Birgitta Carlsten, left, and Lilian Rosengren save millions for Ericsson thanks to their thoroughly planned payment procedures.

They save millions every year

Birgitta Carlsten and Lilian Rosengren who work at the Åtvidaberg division have become experts at saving money for their company.

By speeding up payment procedures they have been able to save 1.2 million kronor a year for Ericsson.

“We pay the money out as late as possible and we always demand payment for invoices one day earlier than before. This saves us enormous sums in interest,” says Birgitta Carlsten.

Birgitta and Lilian are graduates of a tough school. First they worked at Facit with all its crises, after which they worked for Electrolux when they really learned the meaning of scrimping and saving, and now they're at Ericsson which must learn to save.

“I'll gladly spend my day-off at work making sure that customer receivables arrive at the right bank account with high interest,” admits Birgitta.

Birgitta speeds up routines by not letting cheques languish in the cash box over the weekend, depositing them in an interest-bearing account before 11 o'clock on Friday morning.

Since this past April, the ordering, forwarding and invoicing departments are gathered under one roof at Åtvidaberg.

“The fact that we are almost sitting in each other's laps has helped enormously in our striving to save money because the work goes faster and more smoothly,” says Lilian Rosengren, who is in charge of order-taking at the export department.

Ericsson in Åtvidaberg invoices 27 000 foreign and 66 000 Swedish customers every year and demands payment at the latest within 10 days which is the usual practice in this business.

“When we are doing the purchasing, on the other hand, once the quote has been made, we usually demand long credit terms and not many companies balk, at least not the ones in other countries,” claims Lilian.

“When we have to make large payments we usually pay by cheque because in many cases the recipient does not cash the cheque right away, which means we don't have to pay interest on it,” says Birgitta Carlsten.

Lilian Rosengren spends the days chasing money and freight documents associated with foreign business deals. Every day, every hour that can be speeded up is money in the bank. Freight documents from throughout the world must adhere to the Åtvidaberg timetable and when the documentation arrives at the right place, invoices from Åtvidaberg also arrive almost automatically. This is where the expression “time is money” truly fits.

“Since 1981 we have engaged the services of consultants and courier companies in other countries in order that our timetables in the chain: order, forwarding and invoicing are maintained, and that everyone within the company is well aware of how important this is,” says Lilian.

They even have a set schedule for the company's bank which describes in detail what they are supposed to do with the money as quickly as possible when it arrives. All of this to save money... ■

Life after Easter 1986

HF new exchange a hit

Biggest MD ever

For the 5 000 Ericsson staff working at HF, the main plant at Telefonplan in Stockholm, life hasn't quite been the same since they arrived back to work after the Easter holidays. Something had happened to the telephones! A new chapter had been written in Ericsson telephone history — maybe in some far distant future this will be referred to as Before and After Easter 1986?

While most of us enjoyed a long relaxed holiday, there was plenty of activity at Telefonplan. The staff canteen, which was open specially during Easter, had 74 guests for lunch on Good Friday. They were engineers working around the clock in order to switch from HF's old electro-mechanical AKD exchange to a new MD 110, EIS's state-of-the art electronic PABX.

What makes this so special? Well, because this changeover marks the completion of the biggest stage in a project that's been in progress since 1983, called LMCOM. The LMCOM project is basically the installation of an internal telecommunications network in Stockholm for Ericsson, based on the MD 110 — our own telecommunications network if you like, enabling anyone in the corporation to call anyone else internally.

Conny Larsson, Ericsson Information System's project manager for LMCOM:

"It started with a study that was done in the late 1970s." The ultimate aim was to build up an Ericsson-owned communications network that encompassed all units in the Stockholm area. Each unit would have its own identity with its own call number, but it would also have the telephone system's capability of carrying voice and data between the various sites. And naturally the whole thing would be based on Ericsson's own products, with EIS's PABX, the MD 110 as the hub.

HF's MD 110 is the biggest PABX ever made. The previous was our MD 110 in Tabuk in Saudi Arabia. It has a capacity of 6 400 extensions while the HF exchange will be able to cope with 10 000 extensions. In all, the Stockholm network will embrace roughly 25 000 subscribers!

How do you carry out such a major exchange replacement? The fact that it is not very easy is obvious to anyone that was around when the exchanges were replaced in 1962 and 1972. Kurt Åberg, Ericsson Data Services, who is responsible for Ericsson's exchanges in the Stockholm area, describes how the world's largest MD 110 was put into operation:

"12 November, 1985, 10:14 a.m. The start at Kungens Kurva went without a hitch. We are set to link together the stages 'ST ÄL' with the 'big HF stage' to an 'even bigger HF stage' with operational start scheduled for March 28, 1986 (Easter)."

Excerpt from MEMO from Kurt Åberg, EDS, to Olle Ljungfeldt, EIS:
"12 November, 1985, 10:14 a.m. The start at Kungens Kurva went without a hitch. We are set to link together the stages 'ST ÄL' with the 'big HF stage' to an 'even bigger HF stage' with operational start scheduled for March 28, 1986 (Easter)."

Kurt Åberg: "We had originally intended to divide the introduction up into stages — Marievik, Kungens Kurva and then HF broken down into two steps. Until we discovered that dividing up HF together with joint traffic between the old AKD and the new MD would present some pretty thorny problems! This, as well as the fact that

Kista's PABX began working better, ultimately convinced us that we should instead implement everything in one go."

Excerpt from Kurt Åberg's progress report to the steering group:

November 27, 1985, 11 a.m. A key to the start of HF has now been executed. The results of the tests done on the HF exchange last week were so good that we strongly recommend that the HF conversion be done in one stage and not two!

Kurt Åberg: During the autumn of 1985 EIS and ETX/R/I ran extensive tests to check that the MD 110 could cope with such a sizable facility as HF. We installed the exchange and put it through installation testing. Then, aided by the traffic generators, we tested it by loading it with around 80 000 calls an hour (the previous AKD exchange coped with 10 000 calls an hour). We also fed in signal traffic to put the load in the processor in the most heavily loaded unit up to an equivalent of 300 000 calls an hour.

The MD 110 passed all the tests even if there were some problems that EIS and Ellemtel sorted out. We were convinced that it was technically capable of coping with HF's traffic load. And we were also able to go back to the old exchange during the first week after Easter, should anything unexpected occur.

Excerpt from Kurt Åberg's progress report during the change-over:

"March 28, 1986, 11:10 a.m. Incoming traffic to 719 0000 has been working since 9:00 a.m. Outgoing traffic is not working at 100% yet."

Kurt Åberg: On Good Friday morning we were all there at 8:00 a.m. During the night EIS and we had been there, hooking up the switchboard. In the morning the Swedish Telecommunications Administration, who have been fantastically helpful, switched over the lines. After that we were going to pull the plug from the new exchange's cross-connection and then it would be in operation! Everything went extremely smoothly — we were probably the only ones who really believed it would go this smoothly.



The Easter weekend saw the completion of the toughest phase in installing the world's largest MD 110.

“March 28, 1986, 11:10 a.m. Incoming traffic to 719 00 00 has been working since 9:00 a.m. Outgoing traffic is not working at 100% yet.”

their minds: “Anything that can go wrong ...”

Teething problems cured

But last year there was a lot of talk about the teething problems of the MD 110. Have these been cured now to the extent that we can trust this new exchange?

Olle Ljungfeldt, previously in charge of the MD 110 at EIS, replies:

Yes, you could say that the MD 110 has finally grown out of all its teething problems and become strong and

But despite all the careful preparation there is no denying that we were still pretty tense during the Easter holi-

day. We know from experience that nothing is 100 per cent certain. Everyone had Murphy's law in the back of

Back in 1962

The PABX field has always been highly competitive. PABX suppliers are not only striving to develop more reliable and compact exchanges but they also endeavour to equip each newly-developed exchange with new switching functions to enhance efficiency for the buyer.

In order to be able to get their new designs out onto the market as fast as possible they have to be able

to test the products under authentic operating conditions. And what could be a more ideal setting for LM Ericsson to test its new exchange than the HF facility with all its technical experts?

But sometimes you can't always be prepared for the worst. In 1962 they hooked up a new electromechanical code switch, an AKD type instead of the step-by-step driven X-Y exchange used earlier.

It didn't work at all. And a telephone company whose telephones don't work was fair game in the minds of some reporters who took the opportunity to fire away at the company's image attempting to best each other at coming up with clever headlines.

Tisdagen den 6 november 1962 ★ EXPRESSEN

14

LM Ericsson prövade världsnö telefonväxel OCH DÅ KLAPPADE ALLT IHOP!

Svensk succé väntas när sk

Swedish Phone Manufacturer's Face Is Red

STOCKHOLM, Sweden (AP) — One of the world's biggest manufacturers of telephones, the Ericsson Telephone Co., admitted with embarrassment today that it had contact with the outside world.

A company engineer explained that the board is a new model and all the small screws were a fraction of an inch too large. A team of mechanics is still replacing the screws.

The company is convinced the new model will ultimately succeed on the international market. The firm said it had contact with the outside world.

Telephone Producer's Main Switchboard Out Of Order For A Week

STOCKHOLM, Sweden (AP) — One of the world's biggest manufacturers of telephones, the Ericsson Telephone Co., admitted with embarrassment today that it hadn't had contact with the outside world.

A company engineer explained that the board is a new model and all the small screws were a fraction of an inch too large. A team of mechanics is still replacing the screws.

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Phone Firm Cut Off

Hello, Anyone There

STOCKHOLM, Sweden (AP) — One of the world's biggest manufacturers of telephones, the Ericsson Telephone Co., admitted today that it hadn't had contact with the outside world.

Nykonstruerad telefonväxel ställde till trassel på LME

healthy! All the software problems we had in the beginning have now been eliminated and all the exchanges we had already delivered have been upgraded. Ourselves as well as our customers have enormous faith in the product.

The problem-free installation and the experiences we have had so far with the HF exchange are examples of this. The MD 110 has been introduced in about 30 different countries and is moving towards a leading position on many markets. The key markets are Scandinavia, England, Holland, Italy, Spain and Germany in Europe as well as the United States, Australia, Mexico and Saudi Arabia. Today we have delivered more than 500 000 lines and in 1986 we will be putting another 350 000 lines into operation.

Swedish Telecommunications sent flowers

The Swedish Telecommunications Administration have had their doubts as to whether the MD 110 could cope with such a major operation and they promised to send a bouquet of flowers if it worked – and now they have acknowledged that it does work by sending a bouquet to Olle.

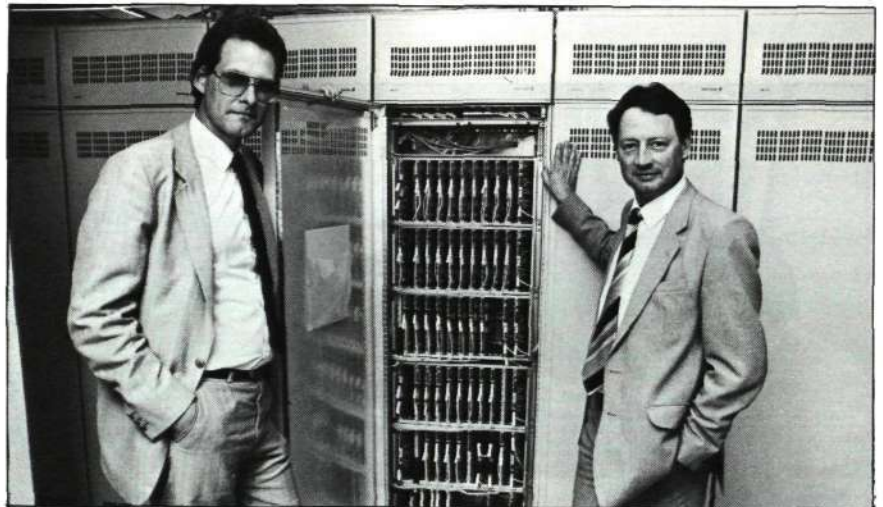
There were many complaints before about how long it took to get an answer through the switchboard a year ago. Has that problem been resolved now?

Kurt Åberg: Now we are being called the fastest switchboard in Stockholm! The fact of the matter is that even before we had replaced the exchange, we had managed to lower the reply time considerably. Partly by telling people about the problem and by adding more people at the switchboard but primarily by focusing our entire organization on the importance of lowering reply times – giving people a mental brushup – and by August 1985 we managed to have achieved acceptable reply times of 6-10 seconds. After the new exchange was installed, these times have been brought down even more and right now are about 2 seconds. The new exchange has had an unavailability rate of 0.02 per thousand!

New Services

According to statistics something like 1.3 million phone calls to Ericsson go unanswered every year. But after April 1986 we are going to drastically alter this situation with the aid of the new services offered by the MD 110 such as call transfer, temporary transfer, call pick-up and so on.

And last but not least we have now got an invaluable reference facility for our own products and services. ■



Conny Carlzon and Olle Ljungfeldt demonstrate the "Brain" in HF's new MD 110.

WHAT IS AN MD 110?

Conny Carlzon: The MD 110 is EIS's digital PABX, capable of handling more than 10 000 000 extensions. The exchange consists of two main components, LIM (line module) and a GS (group selector).

The LIM is a totally autonomous module incorporating its own processor. Connecting up more than two LIMs is done via the group selector. In order to enable a company's geographically dispersed units (such as Ericsson's) to communicate, the LIMs can be positioned to suit the needs of the customer. This enables excellent flexibility, meaning that you no longer have to route jungles of cables between the various buildings and areas. In addition, the MD 110 can be equipped with standard telephones or digital system units.

These digital system units can be used to replace the earlier multi-line telephones, intercom systems and monitoring systems.

There are about 15 LIMs at the main plant as well as one doubled group selector (eight GSM). An LIM is an independent module with a capacity of about 250 extensions. The remaining 35 LIMs are what are known as remote units located outdoors next to the HF area. All our LIMs are linked up with 30/32 channel PCM connections. There are 18 switchboard operator stations. Communication with external lines is handled via 972 central lines, 510 of which are digital. The switchboard is equipped with 10 122 analogue subscribers and 1 368 digital and about 8 500 of these are in operation at one time.



Birgitta Breitholtz, Kurt Åberg, Lars Nyman, Hans Olander and Lars Olander of the project group taking a breather after a job well done.



These are the words of Ericsson's Chairman *Hans Werthén* and they are extracted from a speech he delivered in the main auditorium at HF to hundreds of Ericsson managers on June 17, 1983. The theme that day was quality and the speakers included an American expert on the subject, *J.M. Juran*, also known as "The Father of the quality philosophy".

On April 1 of this year *Carl Göran Larsson* assumed the post of sector manager for development of telephone exchanges. His job as project leader for Ericsson Quality was taken over by *Sture Ögren*. In addition to his regular duties as quality manager at X division - now known as Ericsson Telecom - Sture Ögren has also been heavily involved in the project ever since its inception. He has worked as an instructor at various courses and he has been responsible for the international side of the operation.

Contact posed a few questions to the departing "quality general" and to his successor. Here are the main points of the interview.

Plenty of work

What is your opinion, Sture, of the future? There aren't too many months left for the project as such which is not exactly the best way to start a new job.

The fact that the project is ending doesn't mean that the quality work is. According to the three-year plan requested and received by the chief executive, a quality executive committee will have a vital role to play in the future as well. Quality reporting by business area, continual quality reviews and, most importantly, the implementation of a quality system at a corporate level are a few of the key points of that plan. In other words there is going to be plenty of work to do and just as Carl Göran I regard my new job as both fascinating and an exciting challenge.

How will the quality be organized at the corporate level after this?

Well, above all we are going to have a quality executive committee at the corporate level. In addition, the quality council will continue working as it has up to now. Also, an Ericsson quality board was recently established to act like a central board for overall quality activities, headed up by *Björn Svedberg*.

Naturally it's important that we continue to display an active interest in the improvement schemes going on throughout the corporation. And this is something we can do, for example, by following up and reporting and in various ways supporting the operation. For instance, we can provide information on what is happening on both at the national and international levels.



Sture Ögren (left) getting good luck handshake from his predecessor as quality general, Carl Göran Larsson.

New "quality general" leads EQ down the home stretch

"The main goal of the quality drive we have ahead of us is to boost quality awareness throughout the entire corporation. If we management people don't give quality the right priority then we can't expect people throughout the rest of the company to do it either."

Carl Göran: The fact that the main project will be winding down shortly does not mean that special projects can't be conducted when they are needed in the organization. With the basic training and the material available, I think most of the corporation's units are well equipped to carry on the quality work with the dedication needed for us to accomplish our goal.

Better equipped

Looking back on the EQ work done so far, do you feel things have developed pretty well as you wanted to and would you go so far as to say - and be believed - that Ericsson quality overall is better today than before the EQ project came along?

Carl Göran: OK, I can't claim that everything has gone the way I'd hoped but we have accomplished a good deal anyway. We are still having problems with quality in different areas but I can't see that these problems are increasing or at any rate getting any worse. Since I can also pick out many examples of places where quality has improved, I think that I can say that

quality overall has risen. And be believed.

Sture: Things have progressed partly as I had hoped but not completely. But development has still been positive. We have made improvements in the quality system and we are using the quality techniques more consistently than we did before. We have been able to achieve definite improvements in many smaller areas and within the larger ones, the more complex areas, which for obvious reasons take longer to improve - we have measures in progress that will eventually lead to higher quality.

Changed attitudes

Without a doubt there has been a good deal accomplished under the auspices of the EQ project these past three years. Can you name three things that you are most satisfied with and tell us why!

Sture: Our training package and our education and training activities in general are the first things I'd like to mention. Nearly 10 000 Ericsson employees in Sweden and overseas have received some form of EQ training and this figure is steadily growing.

Carl Göran: The fact that we have succeeded in communicating our four fundamental ideas so well. These are the zero defect philosophy, in other words the importance of doing things right from the outset, that you always start with yourself, the customer philosophy and the internal customer philosophy and last but not least, the importance of setting targets. These four messages form the basis for all quality work and so it feels good to know that they seem to have been so readily accepted and understood.

Not enough time

The goal of the EQ project has been popularly described as being that Ericsson before the end of 1986 will be the "World champions in quality", in other words they are going to have the best quality system in the telecommunications business. Do you think we can achieve this goal in time?

Sture: Before we launched the EQ project, we travelled around and studied how other companies dealt with quality and everyone we spoke to emphasized how vital quality work is and also that it has to be given time. The truly fundamental changes will take 10-15 years to bring about. We were probably a little too optimistic thinking we could do it so much faster than what, for instance, the quality leaders today, the Japanese and the Americans have managed. But we will definitely reach our target! ■

This is the reason that the term IR – investor relations – has grown to such eminence among our corporate relations people. Ericsson has staff working in both Stockholm and New York handling investor relations matters. The entire operation is coordinated from Stockholm and it is from here the contacts with Swedish and West European investors are handled via the London and Stockholm stock exchanges. New York is the centre for information to North American investors. Ericsson has opened a special office, the Ericsson Information Office, to handle contacts with investors and the media.

The USA is a key country because about 35 per cent of Ericsson's shares are owned by Americans. Of the remainder, 55 per cent are in Sweden and 10 per cent are spread throughout Western Europe. However, the majority of foreign shares are weak voting shares, B shares. Virtually all the A shares are held by Swedes, so control of Ericsson is almost exclusively Swedish. You could roughly say that one Swedish share is worth 1000 foreign ones. But let no one think that this in any way belittles the importance of Ericsson's foreign owners – especially not those in the USA.

Minutes equal millions

The American investors are handicapped in comparison to the Swedish investors. It is not easy for them to keep up with the steady flow of information related to Ericsson in the Swedish media, they don't understand the language, they run into problems with the Swedish accounting rules, they cannot as easily get in touch with the Ericsson management and they suffer from a troublesome time difference. When the New York Stock Exchange opens Swedes are getting ready to head home from work and delays of only a few minutes in deciding to buy or sell Ericsson shares can cost millions.

Ericsson is one of Sweden's most international corporations. And with investments of more than two billion kronor every year in research and development and new products and almost equally as much spent on repair work, new construction of buildings and machines it is also one of the most capital absorbing enterprises.

With such enormous capital needs, Ericsson must constantly be assured that they can borrow funds quickly, at low rates. The company must remain highly visible and respected in other countries among lenders and investors. Add to this the massive commitment to enter the American telecommunications market with AXE and other products. Ericsson must quite simply



Minutes mean millions in tough competition

The first time they make a mistake it is allowed to pass. The second time they can get fired. And a misjudgement can cost their clients millions. They are a tiny yet powerful force – the investors and security analysts in the USA who keep watch on all companies listed on the stock exchange. And they also follow Ericsson's fortunes with eagle eyes. Their assessment of the firm not only affects the price of Ericsson shares – if they sour on us it could hurt our borrowing credit and our opportunities for sales throughout the world.

become a well-known name in the United States.

The biggest step was taken in 1983 when Ericsson issued new shares in the United States to a value of 250 million dollars. It was the biggest Swedish share issue in another country and the biggest foreign share issue in the United States ever. The shares were bought by a number of major American funds and trustees. Suddenly Americans had gained almost as large a shareholding in Ericsson as Swedes.

The situation in the United States is the same as it is in Sweden – the biggest buyers and sellers of shares are the institutions. The biggest institutions have their own securities analysts who follow the fortunes of a company and decide whether to buy or sell.

Acting as intermediaries between buyers of shares and Ericsson are New

York's large financial houses which provide a host of services. They can assist companies in obtaining large loans, and in purchasing or selling other companies as well as offering a number of other services.

They also keep portfolios of shares, in other words they guarantee that shares will be available to investors. In addition they buy and sell shares on a private basis.

The major financial houses have their own staffs of skilled stock analysts, many of them specialists in individual branches of business. Among Wall Street's financial houses there are no fewer than 25 specialists whose only job is to keep track of developments in the telecommunications industry.

"When Ericsson's shares were first listed on the New York Exchange in 1982, the management in Sweden

probably didn't fully comprehend how vital it is to supply information to analysts and investors in the United States," says an American stock analyst with whom Contact spoke.

"If there is anything we don't like it's surprises, regardless of whether they are positive or negative. A company who handles its investor relations properly avoids surprises ..."

"The most important aspect of my work is to have the analysts' absolute trust in the accuracy of the information that I feed to them. They have to know that I am plugged into Ericsson's Swedish management and that the information I have is up to date and accurate," says Peter Bergenbag, in charge of corporate investor relations.

Murderous competition

"For me it's important to understand the conditions under which an analyst works - that I understand their situation," says John Meurling who has been handling investor relations in the USA for the past couple of years. John will be leaving his job to take on other duties in Stockholm. He will be succeeded by Lars Christofferson, presently stationed in Indonesia.

Analysts in the United States often work in murderously tough competition. George Kelly is probably the leading analyst in the United States of the telecommunications industry:

"I start working every morning at 6:30. I don't usually get home before eight in the evening. My vacations and weekends are usually shot because I can't even go to the beach without telling the office where I am. The office phones me constantly to get my opinion of things. And my opinion can be worth millions of kronor every day."

George Kelly tells of a few occasions recently when his advice, in the space of a few hours, enabled his company to make killings on shares to the tune of 500 000 dollars.

He and his colleagues have a basic salary that "you can barely live on". In addition to this they earn bonuses that can make them millionaires in the space of a few years. But to do that they can't make any mistakes. The first bad assessment may be accepted without backlash - the second could get them the sack.

"We are roughly regarded as the shares themselves," laughs George Kelly. "We are appraised every day according to how much money the company can earn from our advice. If your ability to assess the situation quits working, you're out on your ear and someone else is sitting in your place."

Grading

A large American financial journal grades analysts every year giving their names and all other information. The

magazine prints tables listing the best and the worst. This kind of assessment could kill a person's career overnight.

This is the kind of background against which IR representatives have to work. The information they supply can have enormous financial and personal consequences.

"My job is not to give more information here in the United States than what we provide in Sweden," says John Meurling. "Stock market regulations and other rules are unbending on that point. What I try to do is provide more in-depth information about Ericsson."

The situation in the United States is slightly different. People work much more in the short-term. Some companies, both Swedish and American, conduct hard marketing of their shares in order to get a given type of owner and to drive up the price of the shares by boosting demands. Ericsson has chosen not to take that route.

No "promotion"

"For us, the key aspect is to provide accurate information - not to promote Ericsson shares. We want to achieve stable ownership and you can't do that by using short-range measures," says Peter Bergenbag.

It is also important to know everything said and written about Ericsson. Media has a major impact on the picture and expectations investors and analysts have of the company. You have to make sure not to build up the wrong expectations. Meanwhile, the way the shares develop naturally greatly influences what is written about Ericsson. If we at Ericsson do not

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supply them with accurate information then these people will seek information elsewhere and then there's a risk that the expectations of the market will be based on the wrong information.

Investors and analysts in other countries are provided with accurate information through what we call our "road shows". This is when Ericsson senior management goes on tour to meet key individuals. In the same manner, foreign and Swedish guests are

often invited to Stockholm where they have a chance to meet important members of Ericsson's key people. The personal contacts between Ericsson management and industrial analysts is crucial and provides greater understanding for and a more multi-faceted view of Ericsson's operation.

"Making sure people truly understand the company and its activities is vital for avoiding build up of the wrong expectations, speculation and rumours," says Peter Bergenbag.

Many people think that Ericsson is a company that would benefit if the price of the shares were high, but such is not the case. A share is a part of Ericsson that is sold at a pre-determined price.

"For us, the key aspect is to provide accurate information - not to promote Ericsson shares. We want to achieve stable ownership and you can't do that by using short-range measures," says Peter Bergenbag."

Ericsson does not earn a single öre if the price of its shares rises by 10 kronor on the stock market. When the share is issued, it is the various parties on the share market that gain or lose money. Ericsson has already earned its money.

True rate

On the other hand it may in the long run be important to find a "true" rate for Ericsson shares.

"Our goal is to ensure that the price of our shares is a reflection of the market's expectations of our company," says Peter Bergenbag.

"If we make quality products that the market wants, it will boost our earnings and it will also increase the expectations of the share market. If the share market believes in us then the price of the shares goes up. And a high share price is healthy provided it truly reflects reality. If investors have confidence in Ericsson, then we can borrow money at reasonable rates but it also means that we can go out on the share market in order to obtain the money that we need for our future operations. The way Ericsson is perceived by the financial world also greatly affects our image, which in turn has an impact on our chances of successfully marketing our products. This is why it is so important to be on good relations with investors."

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Contact with the rest of the world

With a population of more than 160 million, Indonesia has a mere 0.5 telephones per 100 inhabitants. The situation is much the same in Thailand and Malaysia. Southeast Asia is a

market with enormous potential for Ericsson. And Ericsson is in a good position to benefit from this having been established in Southeast Asia since before the turn of the century.

