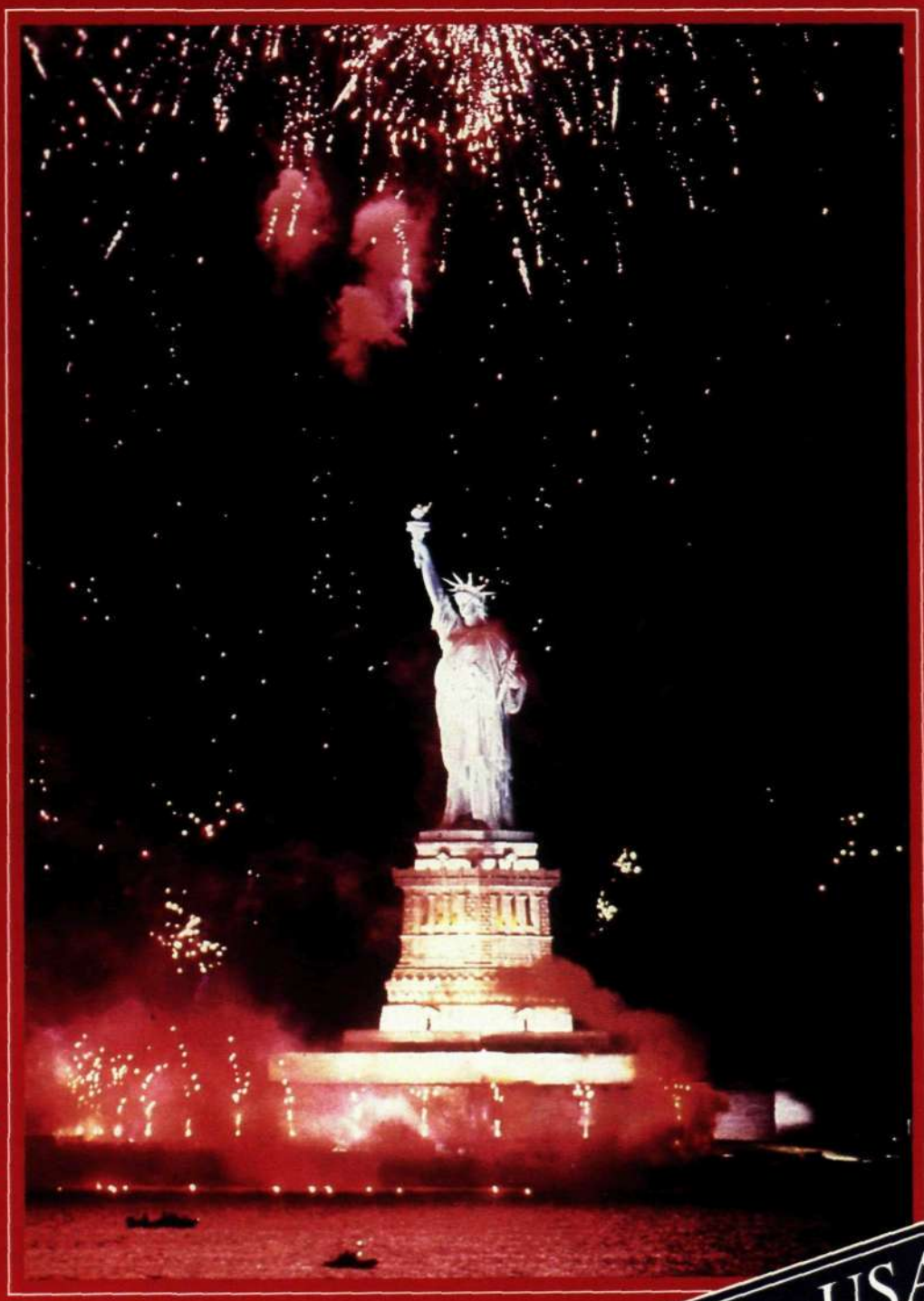
Number 7, 1986 Information for Ericsson's staff. Volume 47

Contact

ERICSSON



Our new partner — Digital:

A fast-growing successful corporation still run by its founder

"Eye of the needle" Bellcore:

AXE and Ericsson X-rayed in tough tests

★Theme: USA★

INSIDE

The USA — wide open market offering major opportunities

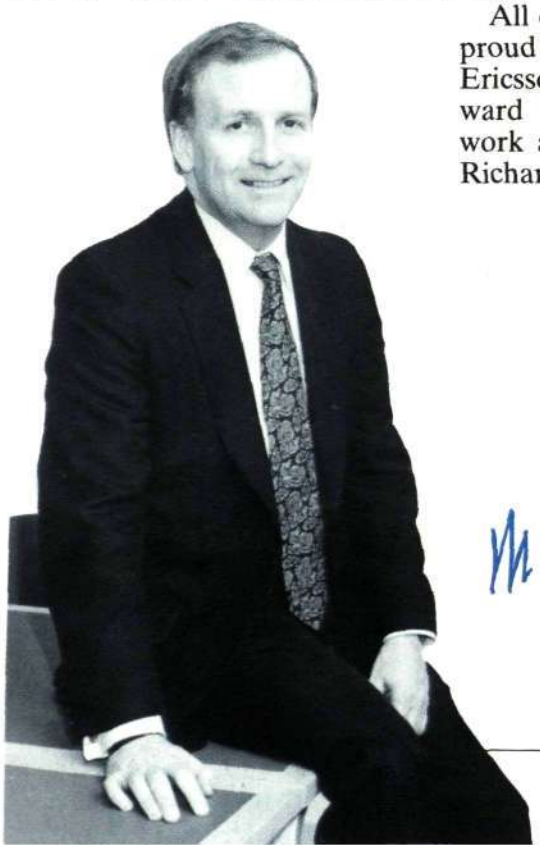
The telecommunications business in the United States has been undergoing tremendous changes since the breakup of the Bell System two years ago. At Ericsson, Inc. we've positioned ourselves to take advantage of the opportunities offered by the new wide open American market.

Over forty per cent of the world's telecommunications market is targeted for the United States. To make sure that we're getting a share of that business, it's crucial that we keep on top of new market trends so we can quickly update our strategy to meet our customers' changing needs.

New products will be responsible for ninety per cent of our income in the future. Close cooperation with our research and development group helps us come up with products that our customers want to buy.

Drawing on the strength and expertise of the Ericsson Group is the key to our success in the United States. On the other hand, our performance also has a profound impact on the state of the whole corporation. I think this reciprocal relationship is one that's closely watched by Ericsson employees not only in America, but all around the world. It's also of great interest to the media, the financial community and our competitors. And it's definitely being observed by our present and potential customers.

Building confidence with our customers is our main goal. We can benefit from our competitors' failure to meet their obligations by making sure that we always come through with first class service. If we are not able to do this, it's not only disastrous for us in Richardson, it's a bad reflection on the corporation as a whole. We can avoid this situation by joining forces and working toward the common goal of customer satisfaction.



All of us at Ericsson, Inc. are proud to be a part of the whole Ericsson Group. We look forward to a future of team work and cooperation between Richardson and Stockholm.

M. Peter Thomas

CONTENTS

Editorial ..... Page 2

A look at America ..... Pages 3-5

Bellcore assessment key to our future ..... Pages 6-7

Portrait of Ken Olsen, Digital ..... Pages 8-9

Digital contract finalized

Ericsson and the Statue of Liberty ..... Page 11

News desk ..... Pages 12-13

Ericsson in Ireland ..... Pages 14-17

Interim Report. A shock or show of strength? ..... Pages 18-19

EDITORIAL

Box 32073
S-126 11 STOCKHOLM

Editorial staff:
Bengt Plomgren, Editor, 08-719 9868

Bert Ekstrand, 08-719 2048

Contributors to this issue:
Mats Hallvarsson, Kåbe Lidén, Henrik Engberg, Per Ström, Indevo Communication.

Photography:
Bo Binette, Hans G Friberg, Paul Harvey, D Macher, Pressens bild, G Tourte.

Typesetting:
Greenwood Communications/ Graforama

Printed by:
Stellan Ståls Tryckerier Stockholm

Published ten times a year

Ericsson's cable plant in Tarboro

Quality is on everyone's lips here

One day in the first week of May, all the refreshment vending machines were left open in the plant at Tarboro in South Carolina. Wherever you went you saw the blue Ericsson mugs filled with free pop and coffee, a present to staff for setting new manufacturing and delivery records in April.

A celebration in Tarboro is never an extravagant affair. An awareness of the demands of the market and the presence of competition permeates deep down in the company; it wasn't that long ago that the very existence of the plant was in doubt. But celebrating the April record gave a brief respite and boosted confidence.

The Tarboro plant is situated about four miles from the town of Tarboro, a typical American small town with about 7 000 residents.

Tarboro is located in North Carolina, which is about half way between New York and Florida on the American east coast. The traditional industries of the state are tobacco, farming and forestry.

With a total of 280 staff members, Ericsson's copper cable plant in Tarboro has long been one of the major employers in the town. The plant was built 20 years ago by Anaconda, a member of the Arco Group. In the early 1980s, Ericsson and Arco merged their cable companies into Anaconda-Ericsson in order to build up a competitive telecommunications operation in the United States. But conditions changed making it much tougher than expected. Arco eventually decided to focus more on its traditional operations and activities within the oil business. So Ericsson took over full responsibility for the plant this year.

Rumours and concern

This turbulence made its mark in Tarboro and rumours and concern spread throughout the staff members. Copper cable is not a prime area of growth in the telecommunications business which right now is in an intensive period of change, switching over to fiber optics. Add to this the fact that Tarboro is a fairly small plant and cannot boast the world's best efficiency. Staff turnover was fairly high and quality poor with a high rejection rate.

When Ericsson began having troubles in the United States during the winter and spring of 1985, and was forced to sell off a number of its cable plants, many people wondered whether their jobs would survive.

The threat of shutdowns and layoffs is much more tangible in the United States than in Sweden. The government and trade unions do not have the same powers to intervene or provide support as they do in Sweden. Most American families have experienced at one time or other the feeling of the main income-earner suddenly being without work, and having to move to a new area to find a job.

New spirit

Even though new guarantees were issued, the staff at Tarboro had the distinct feeling when Ericsson took over full control of the plant, that this was the time to "pull up their socks". The new plant manager, Stephen McGrath, probably played an important role at this point. He took over about a year ago and by using minor yet human measures he has clearly managed to create a new spirit in the plant.

Fireside chats

Stephen McGrath began by meeting with small groups of employees in his office at what are now called his "fireside chats". Most of the time was spent talking about wages, wage benefits and social protection. But McGrath also tried to continually feed them informa-

Cont'd next page

tion about the market, prices, the competitive situation, customers, orders and the delivery situation. The chats usually involve 15-16 people at a time, and although they are voluntary and during off-work hours, 90% of the staff have attended them.

Everyone agreed that work quality had to be improved. A special quality committee now meets, also on a voluntary basis and during off-work hours, every other month. They try to bring representatives in from the different divisions in a rotating membership scheme running six months. In order to improve safety at work, a safety committee has been formed and it meets once a month.

"We saw results almost right away," says Stephen. "Last year we drove down the rejection rate by 1.5 per centage points. This year we have decided on a goal of two per centage points. And we reward our people with some of the profits. Last year we paid out almost SEK 300 000 cash to the employees."

Everyone talks quality

It's obvious that the commitment to higher quality has really caught on. Everyone talks about it in the plant and no one can avoid being constantly reminded of it – huge signs on the walls blare out how important it is, and progress is displayed on notice boards at entrances and exits.

Another problem was staff turnover. A few years ago the plant had a staff turnover of 15-20% which is almost twice the national average. But the figures weren't totally representative of the situation: "We used to have high turnover because we switched over to seven-day weeks. That was not popular here. The people in North Carolina are devout church-goers and they're used to being off on weekends and attending church on Sundays," says Stephen McGrath.

But now the staff have adapted to shift work which involves working on weekends. They work a three-shift system and have accepted that the competitive situation demands it when the market is in a boom period. Personnel turnover has dropped to 4-5 per cent.

Tarboro among the best

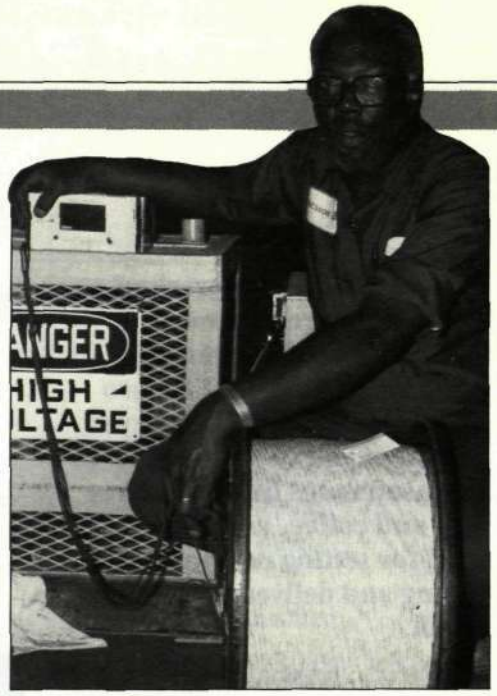
Thanks to the upturn in the economy as well as a "new style", the Tarboro plant has become one of Ericsson's best cable factories in the United States.

In fact the factory has managed to lower costs by almost SEK 6 million.

"But the most important improvements are still the fact that we have achieved much better job satisfaction and brought about an awareness throughout the plant of what is needed to do a good job – and that we know we can do it," concludes Stephen McGrath. ■

George Bridgers:

Better since Ericsson took over



"Oh, I would really hate to leave the plant," says George Bridgers in a voice that makes you believe he really means it.

George is 45, black and has been living in Tarboro for the past 25 years with his wife and three daughters. For 20 years, ever since it opened, he has been working at the cable plant there. He doesn't know too much about Ericsson as yet: "I'd certainly like to find out more. But I think things have improved since Ericsson took over. They care more about the people working here."

George Bridgers is one of the most experienced people working at the plant and his wages of just over SEK 60 an hour are among the highest on

Libby Whitehurst:

Dreams of a trip to Europe

"What we dream about ...," says Libby Whitehurst, gazing at the wall above her typewriter, "Well, it's to watch our children grow up here and to retire while we're still in good health. My husband dreams of taking a trip with me to Europe one day ..."

Libby Whitehurst, 35, is a secretary in the personnel department and has been working at the plant in Tarboro for 15 years. She looks almost apologetic for not coming up with a more original answer to the question of what she expects out of her life here in Tarboro.

"I was born and raised here and I want to continue living here," she says. "My husband spent a lot of sleepless

the shop floor. The lowest paid new staff members receive about SEK 35-40 an hour.

Less pay for secure job

But it's not his pay that he is most concerned about. It's job security, which is much more uncertain in the United States than in Sweden. If he goes without work for 26 weeks, the unemployment insurance scheme will provide him some compensation. But that's where it stops. "Oh, I could consider getting paid a lot less," he says, "if it would help keep the plant going."

The Tarboro plant is a non-union job site, which is common in the United States, particularly in this part of the country. "I don't think the union could help very much. They'd be just a go-between between a person and management. Here we meet management directly and can talk about our problems and complain at any time. Things work better that way."

He starts work at quarter after seven every morning, when he confers with the machine operator from the previous shift. Because of his age and seniority, George Bridgers enjoys some privileges and he can decide himself which shift he works. He finds out from the other man how the machine is running, what the production situation is and whether they are behind or not.

They take lunch when they want, usually about an hour around noon. No one turns off his machine. Most of them go and buy a sandwich or something light, along with a Coke which they eat and drink at the machine. Some have food with them that they can keep in a fridge. Eating hot meals on the job, as people do in Sweden, is a rarity in the United States.

Positive atmosphere

The atmosphere in the plant is positive. To an outsider, the friendly chitchat between company management, work foremen and the workers seems to express a genuine sense of togetherness and equality on the job. The tiny, personal status symbols that are often found at Swedish places of work, are conspicuous by their absence.

George is a politically active person, a democrat, involved in civic affairs. He feels strongly about being involved in different matters at the plant and regularly attends the quality meetings.

"I guess it was the campaign on quality that convinced us that Ericsson really was committed to the plant. As well as management's new open-door attitudes."

Own wage negotiations

George handles his wage negotiations himself and doesn't feel that a union organization could do it better. He finds out general pay levels throughout the rest of the community by talking to neighbours and work colleagues as well as discussing the matter with management. His qualifications, age and experience determine his "pay grade".

"Ericsson pays well, we know that. We have the highest wages in Tarboro. I would be able to handle a foreman's job as things stand today. But I enjoy what I'm doing and that's probably best for me and the company."

He feels that his personal economy is pretty good, with a house that he bought in 1964 almost fully paid off. But you have to save in the United States both for your retirement as well as for your children's education. Retirement plans funded through the company are poor. All education past high school must be paid for by the parents. University or college studies, for instance, can cost between USD 4 000 and 5 000 a year which translates to SEK 28 000 to 35 000.

George Bridgers' life revolves around his work. It follows a rhythm through the years that he has learned to enjoy.

After 10 years with one company you get three weeks' vacation and George takes his in the spring, summer and at Christmas. Usually they just stay home and George goes out fishing or hunting in the neighbouring area. His wife does a lot of sewing and takes care of the kids. That's his life. And he hopes that at Ericsson he will be able to keep it that way. ■

---

nights recently when his company, Black & Decker, began laying off staff and it was rumoured that more people were going to go."

Morale at rock bottom

Working in the personnel department, Libby Whitehurst comes into contact with a good many of the staff: "There was a time when company morale hit rock bottom. But for the past year things have begun improving. Not any dramatic changes mind you. But you notice from people's attitudes that the atmosphere is better."

She starts her day by driving the kids, two girls aged five and ten, to school. They don't start until 8:30 and she has to be at work at 8 o'clock. But the teachers are usually at school early to take care of the kids.

"Of course, there are usually always plenty of things left to do from the day before, so my day gets off to a fast start." She takes her coffee break, like everyone else in the company, at her desk.

Living so close to the plant Libby can go home for lunch. "It's great and I have time to do a few errands on the way. Unfortunately, we don't have flex time. We tried it for a while but most people abused the flex system, so it was stopped."

At the end of the work day, at 5 o'clock, she takes the car to the recreational center where the school bus has dropped the children off after school, which ends at 3 p.m. "It's not cheap having them there, it costs us almost SEK 2 000 a month. On summer vacation, when they have to be there all day, it costs twice as much," she continues. "So I wouldn't mind having a bit more flexible hours."

Fair pay

Otherwise she's not unhappy with her pay. It's fair, as she puts it, going on to explain the special American method of determining a fair rate of pay:

"Our work is reviewed every year and formally graded. A scale of 1 to 5 is used within different categories such as work productivity, personal conduct and so forth, and in that way our work over the past year is assessed. I think it's a great way of evaluating work. It makes you a better employee."

The evaluation is done in a discussion with your immediate superior. Libby explains that you're allowed to say whether you agree with it or not.

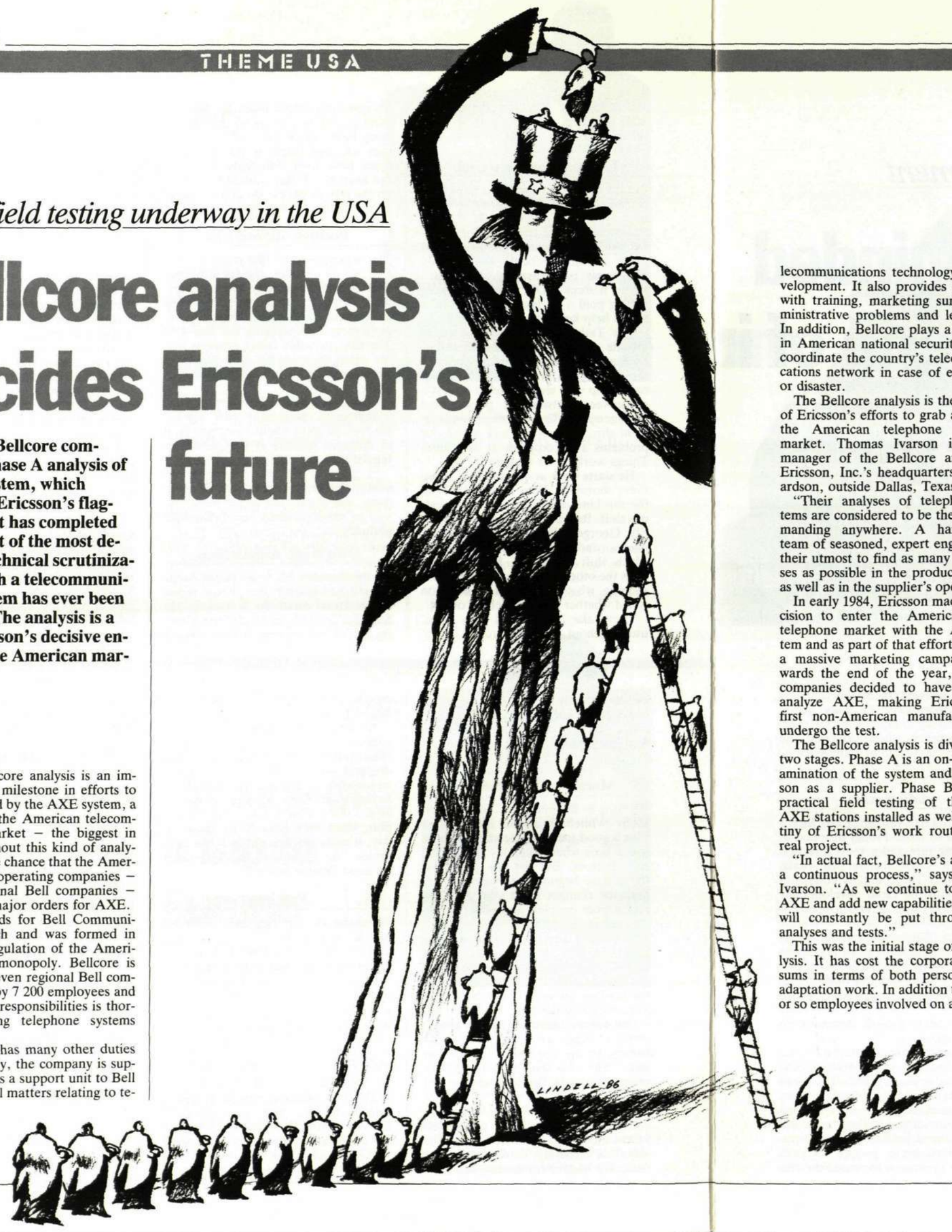
"Obviously, it can be a difficult process if the employee does not get on very well with his or her superior. But it's designed to help people understand how they can improve their work."

Personal computer a wish

Libby enjoys her work but she wouldn't mind a little more modern equipment. One wish would be a personal computer.

With more than ten years' service behind her Libby is entitled to three weeks' vacation. The most popular vacation weeks are around July 4, the American national holiday, and Christmas. Many Americans can't afford to take a vacation trip anywhere so usually they save their vacation pay, putting it into a special travel fund so that they can eventually take a long trip.

"My husband, we've been married for 14 years now, served with the army in Europe and he dreams of taking me over there and showing me around. It would be wonderful. And interesting to see Sweden, the home of Ericsson." ■



AXE field testing underway in the USA

Bellcore analysis decides Ericsson's future

In August, Bellcore completed its Phase A analysis of the AXE system, which means that Ericsson's flagship product has completed the first part of the most demanding technical scrutinization to which a telecommunications system has ever been subjected. The analysis is a key to Ericsson's decisive entrance on the American market.

The Bellcore analysis is an important milestone in efforts to capture, assisted by the AXE system, a large chunk of the American telecommunications market – the biggest in the world. Without this kind of analysis, there is little chance that the American telephone operating companies – the seven regional Bell companies – will place any major orders for AXE.

Bellcore stands for Bell Communications Research and was formed in 1984 after deregulation of the American telephone monopoly. Bellcore is owned by the seven regional Bell companies, staffed by 7 200 employees and one of its main responsibilities is thoroughly analyzing telephone systems and suppliers.

But Bellcore has many other duties as well. Basically, the company is supposed to serve as a support unit to Bell companies on all matters relating to telecommunications technology and development. It also provides assistance with training, marketing surveys, administrative problems and legislation. In addition, Bellcore plays a vital role in American national security helping coordinate the country's telecommunications network in case of emergency or disaster.

The Bellcore analysis is the true test of Ericsson's efforts to grab a share of the American telephone exchange market. Thomas Ivarson is project manager of the Bellcore analysis at Ericsson, Inc.'s headquarters in Richardson, outside Dallas, Texas:

"Their analyses of telephone systems are considered to be the most demanding anywhere. A hand-picked team of seasoned, expert engineers do their utmost to find as many weaknesses as possible in the product's design as well as in the supplier's operation."

In early 1984, Ericsson made the decision to enter the American public telephone market with the AXE system and as part of that effort launched a massive marketing campaign. Towards the end of the year, the Bell companies decided to have Bellcore analyze AXE, making Ericsson the first non-American manufacturer to undergo the test.

The Bellcore analysis is divided into two stages. Phase A is an on-paper examination of the system and of Ericsson as a supplier. Phase B involves practical field testing of the initial AXE stations installed as well as scrutiny of Ericsson's work routines in a real project.

"In actual fact, Bellcore's analysis is a continuous process," says Thomas Ivarson. "As we continue to develop AXE and add new capabilities to it, we will constantly be put through new analyses and tests."

This was the initial stage of the analysis. It has cost the corporation vast sums in terms of both personnel and adaptation work. In addition to the 100 or so employees involved on a full-time basis in various internal projects launched as a consequence of the Bellcore analysis, roughly 30 staff members in Dallas and another 30 in Stockholm are working full-time throughout all of the analysis or major segments of it. Bellcore has put 40 people on the job.

"It has been the most thorough and demanding review ever done of our product and our operation," continues Thomas. "If AXE was one of the best systems before then it has all the makings of being even better now."

"Their analyses of telephone systems are considered to be the most demanding anywhere. A hand-picked team of seasoned, expert engineers do their utmost to find as many weaknesses as possible in the product's design as well as in the supplier's operation."

The initial stage has involved checking AXE and Ericsson off against the list of requirements that Bellcore feels a full-fledged telephone system, from each respective supplier to a Bell company, should satisfy.

The analyses are theoretical, which means that they do not involve any field testing. But Bellcore does examine, down to the minutest detail, how AXE satisfies all the required technical specifications - not only in terms of functional content but also within areas such as manufacturing technology, quality, reliability and product support.

By now Bellcore engineers have paid countless visits to Ericsson and Ericsson facilities, studied the manufacturing processes, quality control systems, research and development departments and even management quality.

"Bellcore has also assessed the user-friendliness of our customer documentation and the quality of the service offered by Ericsson to the customer. They've visited many of our customers and methodically assembled operating statistics as well as customer opinions of AXE and Ericsson."

Bellcore has asked thousands of questions, which have been recorded in a formal database together with Ericsson's replies. The Bellcore team has met with the Ericsson team at least once a month and kept them constantly updated on the weaknesses they have observed. Ericsson has remedied some of them while the analysis has been in progress and in the case of the other problems has decided on more long-term measures.

The results have been compiled in a report, a catalogue of weaknesses. "This is the way it must be," says Bellcore somewhat apologetically in one of its information folders, "The system could nevertheless still be extremely good."

The initial stage of the Bellcore analysis has taken about one year. Late this August, the final highly confidential report was distributed to the Bell companies and to Ericsson.

"We've been slightly ahead of our schedule," says Thomas. "The Bellcore agreement with the Bell companies stipulates that the report be distributed to the Bell companies before September 30."

Phase B, which is an analysis of how the AXE system operates "in actual conditions", will start during the fall. Ericsson has recently received three orders from the Bell companies for AXE exchanges for field testing and two of these exchanges will be tested by Bellcore.

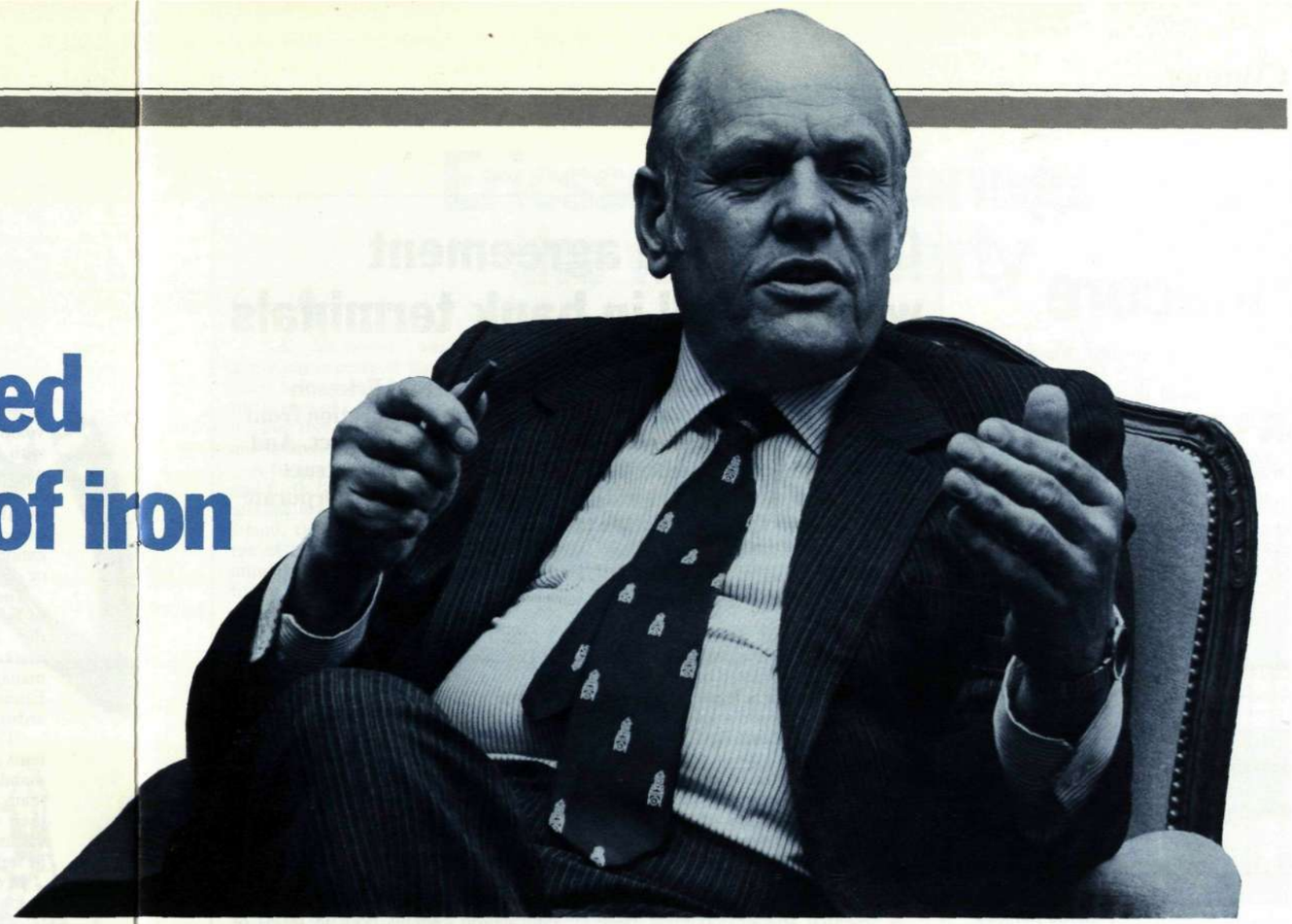
The Phase B analysis includes five different segments, which altogether will take about a year to test. These tests entail series of extremely thorough examinations of how reliable the exchange is, what its capacity is, how it behaves in a variety of circumstances, how it is serviced, maintained and installed and so forth. In addition, Ericsson's design, and manufacturing operations as well as project procedures are scrutinized.

The results of Phase B will also be compiled in a report issued by Bellcore. But in Phase B, the Bell companies have also been closely involved in the testing, enabling them to draw their own conclusions.

Cont'd on page 10.

Ken Olsen, the founder of Digital Equipment

Hard driving, single minded entrepreneur with a grip of iron



The Digital Equipment Corporation, the world's number one maker of interworking computer systems, and Ericsson Information Systems AB have signed a worldwide cooperation agreement. The basic aim of the agreement is to boost both companies' aggregate shares of the fast-growing market for banking systems in Europe and the United States. The contract is a mutual supplier agreement, based on Digital's strength in the distributed data processing field, and Ericsson's position as a leader within the terminal and office equipment sectors.

With this agreement, Ericsson will be working together with one of the United States' most fascinating corporations, run by one of the most prominent and remarkable entrepreneurs since the Second World War.

What the agreement stipulates is that similar products, specially designed to meet the preferences of different customers, will be marketed by both Ericsson and Digital. The products will be launched in Europe as soon as the technical details are finalized.

A research and development complex involved in working on integration between hardware and software will be set up in Sweden.

Digital Equipment is one of the most famous modern-day corporate success stories, and is still being run by its founder, Kenneth H. Olsen who, as is obvious from his name, has Scandinavian roots.

Kenneth Olsen is a trained engineer and allegedly learned the art of running a business by spending many long evenings reading up on it at the local library in Lexington, not far from Boston.

He must have done some thorough reading, for today the 60-year-old Olsen heads up a company with sales of almost SEK 50 billion, net earnings of SEK 3.2 billion and a staff of 91 000.

He founded Digital Equipment in 1957 and in the 30 years that have passed he has turned it into the world's second largest maker of computers after IBM, and the biggest corporation in the United States still being run by its founder. Moreover, it is also the biggest company in the United States since the Ford Motor Company to have grown entirely of its own strength, involving no company acquisitions or takeovers.

"Moreover, it is also the biggest company in the United States since the Ford Motor Company to have grown entirely of its own strength, involving no company acquisitions or takeovers."

In other words, Mr Ken Olsen is an entrepreneur, pure and simple, unlike any other in the world. The way he runs the company borders on the patriarchal with an array of concepts that have amazed observers.

For years Digital Equipment was considered to be a text book example of how an entrepeneurial company should cope with the problems that sooner or later hit successful founder-owned corporations. Digital's highly acclaimed decentralized form of management was even cited in the fantastic bestseller, "In Search of Excellence".

Fading star

In the early 1980s though, Ken Olsen's star began to fade. Profits dropped at an alarming rate and a reorganization undertaken only seemed to make things worse. The company could not keep up with the rapid developments on the market and several top executives jumped ship. Many observers claimed that Digital Equipment would be another example of an entrepreneur who didn't have enough sense to pull out at the right time and hand things over to more professional people, with the abilities to cope with the difficult transition from growth company to corporate giant.

Ken Olsen ignored the critics and came to his own conclusions. Going against the general trend, he began centralizing the firm. He felt too many top management people were moving in too many different directions. He also centralized product development, a step which many people felt was dangerous because it increases the risk that you won't keep up with key product and market developments.

But today, even the most virulent critic has to agree that the steps taken have revitalized the company. With the computer business in a serious crisis in the United States and most computer makers watching their earnings drop, Digital Equipment is reporting rising profits.

The firm continues to maintain its position as the world's second-largest maker of computers, even if the gap to IBM is still fairly large.

Tight grip

Ken Olsen has his company in a tighter grip than ever before. His personal style as a staid, slightly mundane engineer, more technical than market-oriented, sets the tone for the entire company.

He commands his 91 000 employees from an old, refurbished mill west of Boston which has served as company headquarters since its inception. The walls of his office are adorned with outmoded computer components in the same manner that others have paintings and antiques. His collection of extinct models of computers now forms the core of the collection of Boston's computer museum.

Anecdotes about him abound. He can be totally merciless to managers who are not precise in their presentations. More than once he has been known to switch off the overhead projector and dismiss an unfortunate speaker claiming that he was wasting his time.

"More than once he has been known to switch off the overhead projector and dismiss an unfortunate speaker claiming that he was wasting his time. On the other hand, he can suddenly appear along the assembly line and discuss at length technical details in production."

On the other hand, he can suddenly appear along the assembly line and discuss at length technical details in production with his production people. Many times he has also personally participated in the engineering and design of Digital's computer products.

His unconventional ideas also show up in Digital's somewhat unusual marketing philosophy. In the United States, computers are sold in roughly the same manner as detergent, through ads and TV commercials. Digital ignores these marketing vehicles opting instead for big, thick highly technical product manuals chock-full of details.

No fobbing off

In addition, Digital's sales people do not receive bonuses, being paid only a regular salary. Ken Olsen doesn't want his sales staff attempting to fob off products on customers who don't want them ...

The centralization of the company has focused developments on products and markets where Digital is competitive. Digital is strong in the minicomputer field offering exceptionally fast machines. Together with Ericsson's documented expertise with workplace terminals, this could develop into a very profitable partnership. ■

Cont'd from page 7

Bellcore

When that is finished, some time in late 1987, the AXE exchange will either have lived up to the high expectations or failed. In other words, Ericsson, both in the United States and in Sweden, must continue to face the Bellcore challenge. Because not only is it the key to the success of Ericsson in

Thomas Ivarson in the special Bellcore library at Ericsson's Richardson, Texas headquarters.

the United States, but also probably to the corporation's future as a world leading maker of telecommunications equipment. ■

Nigerian order to Ericsson and Skanska

Ericsson Network and the Skanska construction company have received a major order valued at SEK 600 million to supply a private telecommunications network to the state-owned oil company, Nigerian National Petroleum Company (NNPC), based in Lagos, Nigeria. The network will be installed along a 900-kilometer-long pipeline running from Lagos to Benin and from Warri up to Kaduna. Ericsson Network will be responsible for supplying and installing all fiber optic cable, radio relays, telephone exchanges and transmission equipment. Construction work is scheduled to begin in the autumn of 1986. The entire project is expected to be finished by September 1988.

Cooperation agreement with Digital in bank terminals

The rumour has been in the air for some time that Ericsson Information Systems and Digital Equipment Corporation from the United States are planning a mutual cooperation pact. And on Wednesday, September 17, it was confirmed. A contract was announced in Cannes at DECville 86, the biggest corporate symposium in the information technology field in Europe.

The contract applies strictly to bank terminal systems but a study is being conducted of other areas where cooperation is feasible.

Digital is the world's leading maker of computer systems and peripheral equipment as well as of systems integration including networks, communications and program products. The company has revenues of about SEK 30 billion and upwards of 75 000 employees. In Sweden, roughly 800 people work for Digital generating sales of around SEK one billion.

A research and development complex will be set up, probably in Linköping, for developing better coordination between hardware and software.

John J. Shields, senior vice president of Digital:

"Our aim is to furnish high-quality information systems, products and services all over the world. We regard Ericsson as a powerful international corporation, strong on products which complement our own products in the banking sector."

EIS president Stig Larsson adds:

"Our goal is to strengthen our position as a leading maker and supplier of information systems both in terms of products and services. This contract with Digital will allow us to expand and upgrade our offerings to the banking market." ■

The contract between Digital and Ericsson Information Systems was announced at DECville 86, the largest corporate information technology symposium in Europe. Digital Senior Vice President John J. Shields and Ericsson Information Systems President Stig Larsson take a look at each other's equipment after signing the deal.

Ericsson cable brings the world a party

When it's Independence Day in the USA, July 4th, and the 100th birthday of the Statue of Liberty, then the party you throw had better be the biggest in the world. Nothing else will do. It definitely was. And with newly-laid fiber-optic cable from Ericsson running out to the venerable old lady on Liberty Island, the communications throughout this entire gigantic celebration were perfect and the festivities were watched by hundreds of millions of television viewers the world over.

"A celebration is communication," said one of the many participants in the July 4th festivities held on the 100th anniversary of the Statue of Liberty. There's no denying that there was plenty of celebration and communication.

A flotilla of 40 000 boats sailed back and forth the entire day in the waters around lower Manhattan and Liberty Island, the island from which the Statue of Liberty has greeted millions of immigrants from Europe with her torch.

And that torch was rekindled on July 4th after the tarnished lady had received a badly-needed face lift. Speeches were delivered by President Reagan and President Mitterand of France, the country that originally donated the statue. The world's greatest assembly of sailing vessels paraded past, the world's largest fireworks show filled the skies, people cheered, boat horns sounded and along the shores of Manhattan Island millions of people crowded to watch the festivities, people who couldn't afford to pay the hundreds of dollars a boat ticket cost that day.

It was the biggest party New York had ever seen, said long-time New Yorkers.

And the communications worked. In early May, a cable-laying ship, the Cable Queen, laid down a fiber cable supplied by Ericsson Cable, Ericsson's American subsidiary. Two cables were run from Manhattan to Ellis Island and another one out to Liberty Island where the Statue of Liberty stands.

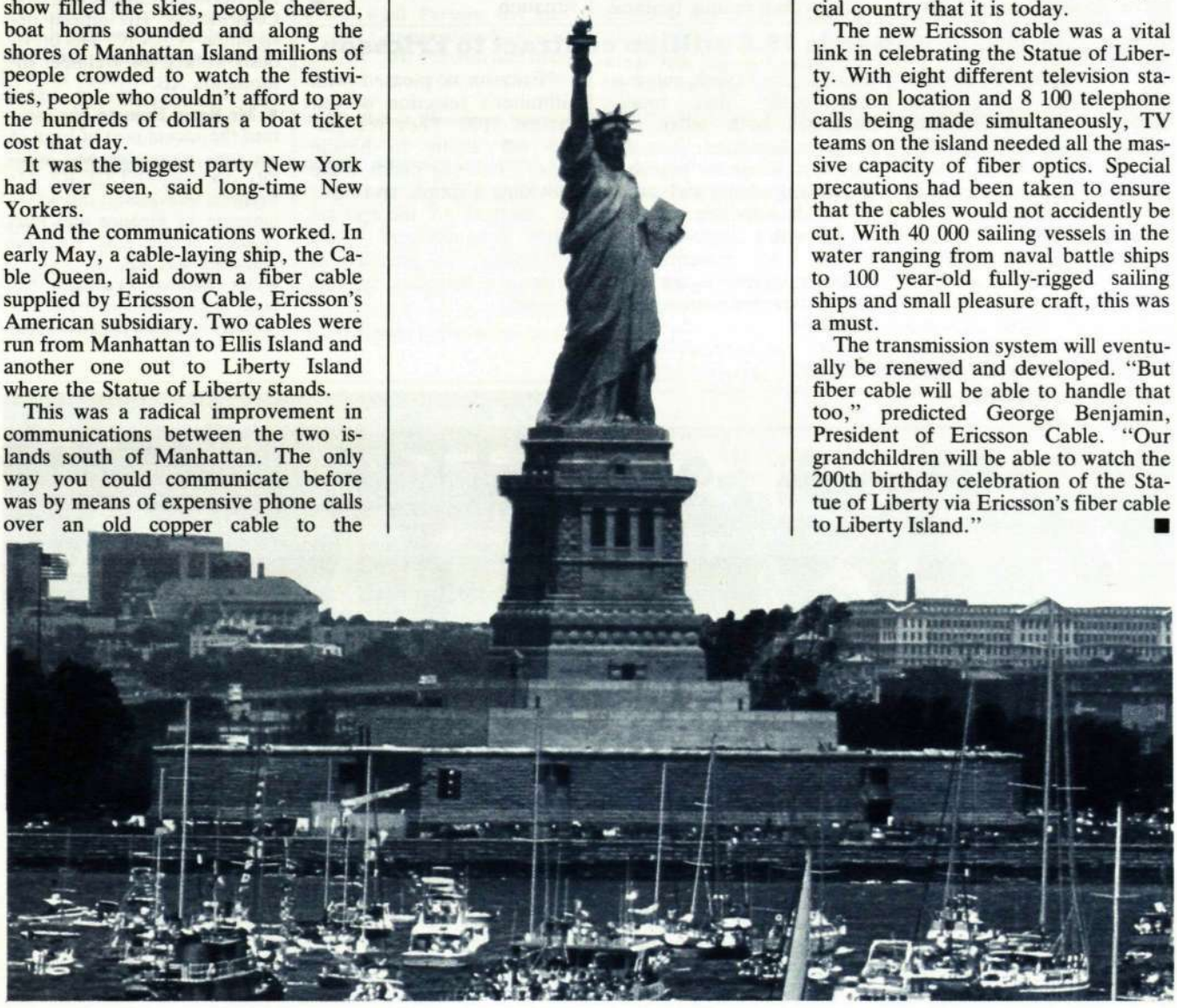
This was a radical improvement in communications between the two islands south of Manhattan. The only way you could communicate before was by means of expensive phone calls over an old copper cable to the mainland. Thanks to the cable from Ericsson, the four permanent residents of Liberty Island watched their monthly phone bills drop from 33 dollars to just over 7 dollars.

Communication on Ellis Island has an intensely dramatic and heartrending history. During the heaviest immigration years in the early part of this century, immigrants first arrived at Ellis Island for delousing, medical inspection and a check of their papers. For millions upon millions of European immigrants, Ellis Island was the first place they had to try and make themselves understood in their new homeland, to try to communicate for themselves and their families.

It was these memories that had such an important impact on the festivities on July 4th, which unfolded into a tribute to all the ethnic groups that have made the United States the very special country that it is today.

The new Ericsson cable was a vital link in celebrating the Statue of Liberty. With eight different television stations on location and 8 100 telephone calls being made simultaneously, TV teams on the island needed all the massive capacity of fiber optics. Special precautions had been taken to ensure that the cables would not accidently be cut. With 40 000 sailing vessels in the water ranging from naval battle ships to 100 year-old fully-rigged sailing ships and small pleasure craft, this was a must.

The transmission system will eventually be renewed and developed. "But fiber cable will be able to handle that too," predicted George Benjamin, President of Ericsson Cable. "Our grandchildren will be able to watch the 200th birthday celebration of the Statue of Liberty via Ericsson's fiber cable to Liberty Island." ■



NEWSDESK

Southwestern Bell Telephone signs with Ericsson for ISDN marketing project

Ericsson, Inc. has signed a contract with Southwestern Bell Telephone Company to supply an AXE digital switching system for an Integrated Services Digital Network (ISDN) marketing project. The project was launched in September, 1986.

SWBT will conduct a marketing project using two Ericsson AXE remote switches connected to a digital AXE host in Ericsson's Richardson, Texas headquarters. The remote switches will initially be located at SWBT locations in Dallas and Houston. ISDN demonstrations will begin as soon as installation and training are completed.

The first unit will be set up in a permanent Dallas customer demonstration site and will run a minimum of twelve months. A second unit will initially be located in Houston and is designed to be moved around to a number of other major markets in SWBT territory.

Among ISDN features to be studied are high-speed telefax, synchronous data communication, videotex and local network interworking.

"Ericsson's ability to provide quick access to a working ISDN switch was a major factor in their selection," said John Atterbury, SWBT's marketing vice president. "This will yield valuable marketing data and will allow us to tailor future ISDN services to meet customer requirements." Atterbury emphasized that negotiations with other major switch manufacturers were under way and could continue.

A "hands-on" approach to the demonstrations will be offered in which customers will be able to evaluate various features and applications and match certain combinations to their unique business situations.

Ericsson's senior management is enthusiastic over the role the company is playing in the project. "We are committed to boosting our AXE system into a prominent position on the Bell companies' market," says President of Ericsson, Inc. Mr Peter Thomas.

"By relying on our experience from earlier pioneering ISDN operations in Europe, we believe we can gain greater understanding of how ISDN technology can be employed in order to provide customers with valuable benefits and general profits for the telephone companies," adds Mr Thomas.

A "hands-on" approach to the demonstrations will be offered in which customers will be able to evaluate various features and applications and match certain combinations to their unique business situation. ■

Gibraltar savings awards $5.5 million contract to Ericsson

Gibraltar Savings of Beverly Hills, California, one of the largest savings and loan institutions in the United States, has awarded Ericsson, Inc. a contract to automate each of its 94 branch offices with the Ericsson System 2100. The contract is initially valued at SEK 40 million (USD 5.5 million).

Ericsson's System 2100 is a leading-edge branch automation outfit that totally integrates both teller and platform functions. It is designed to adapt to branches of varying sizes and automates all activities within a branch with a single software system. At present, the Ericsson system is the only one that provides such flexibility.

"Ericsson is pleased with Gibralter's selection of our System 2100. They recognized our ability to handle today's banking needs while providing a simple and flexible method to incorporate future enhancements," said Bill Sparks, vice president of Ericsson's financial systems division.

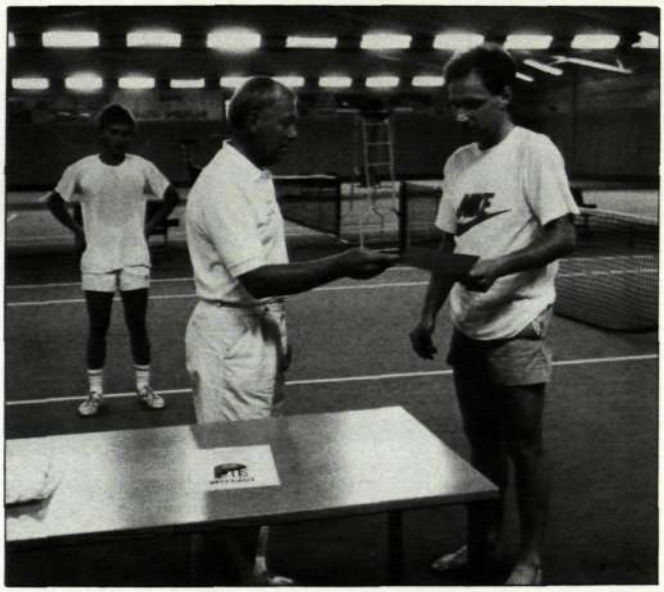
Appointments

- **Mr Lars Wahlberg** is the new president of Töckfors Verkstads AB, now a wholly-owned subsidiary of Ericsson Cables AB. He moves over from Ericsson Information Systems AB where he was manager of the subscriber exchange plant in Vedeby.
- **Mr Roland Sjöö** has been appointed administrative director and information manager of Ericsson Cables AB in Sundbyberg. Mr Sjöö was previously administrative director of the Power Cables division in Falun.
- **Mr Gunnar Andersson** has now assumed the post of Financial Director of Ericsson Cables AB and simultaneously becomes Financial Director of the Telecommunications Cable Division in Hudiksvall. Mr Andersson previously worked for AB Iggesunds Bruk.
- **Mr Allan Almegård** is director of information and head of internal and external relations for Network Engineering and Construction. His official designation is BN/IC. He previously worked for Welinder Information AB.
- **Mr Bengt Franzén** has assumed the vacant post of head of accounts receivable and liquidity planning (ETX/E/R). Mr Franzén previously served as manager of Finance and Purchasing within LM Ericsson Data Services AB.
- **Mr Thomas Fredholm** has been appointed Personnel Director for the corporate execu-

1986 Ericsson champions

The Ericsson football championships became a clean sweep by the organizers, Ericsson Information Systems in Linköping. The 11 members of the women's team plus team manager Inge Gustavsson pose above for the picture.

Top row from left: Ingela Hjertén, Marie Wideslätt, Eva Hedberg, Annika Ivarsson, Inger Johansson and Marie Silverhem. Bottom row from left: Elisabeth Johansson, Anita Johansson, Britt-Marie Jonsson, Elisabeth Viman and Carina Radefjäll.



Per Johansson from ELLEMTEL in Älvsjö won the Ericsson tennis championships and is seen receiving his diploma from Sven Malmström of the organizing club, Ericsson Radio Systems. Per's opponent in the finals, Peter Puranen, LME/HF, looks on.


Lars Wahlberg


Roland Sjöö


Gunnar Andersson


Allan Almegård


Bengt Franzén


Thomas Fredholm


Bo Danielsson


Gunnar Bjurel


Kjell Persson


Bengt Plomgren


Göran Sjöblom


Nils Ingvar Lundin


Åke Stavling


Bernt Ericson


Anders Tysander


Anders Åberg


Kjell Sörme


Bernt Ullersten


Lars Svensson


Tommy Svensson


Harry Johansson


Henrik Johansson


Lars Edvardsson


Hans Giertz

tive. His designation: DKK. He previously worked within Ericsson's Telecom's personnel department, mainly dealing with management development matters.

• **Mr Bo Danielsson,** who comes from Metric AB, is marketing communications manager for Ericsson Information Systems Sverige AB.

• **Mr Gunnar Bjurel** has been appointed head of the newly-formed Subscriber Network Products department (TX/T). Mr Bjurel formerly worked as manager of the Systems Coordination and Systems Design department – AXE base system (TX/U).

• **Mr Kjell Persson** has succeeded **Gunnar Bjurel** as head of TX/U. Mr Persson had been assistant manager of the department.

• **Mr Bengt Plomgren** has assumed the position within Corporate Relations as head of internal information. This includes acting as chief editor of Ericsson's staff magazine, Contact. Mr Plomgren was previously director of information for the production division within Ericsson Telecom.

• **Mr Göran Sjöblom** has been appointed director of Ericsson Radio Systems AB. He is responsible for ADP, administration and finance.

• **Mr Nils Ingvar Lundin** and **Mr Åke Stavling** have been appointed directors of Ericsson. Mr Lundin has been head of Corporate Relations since September 1 while Mr Stavling assumed the post of Corporate controller and head of Corporate Financial Control on October 1.

• **Mr Bernt Ericson, Mr Anders Tysander** and **Mr Anders Åberg,** all from LME/ETX, have all received the title of chief engineer. Mr Ericson is head of system technology, switching, within the System and Technology development department. Mr Tysander is manager of supply and production control while Mr Åberg is head of the department for Corporate Standards.

• **Mr Kjell Sörme** has been named manager of the newly-formed area for product planning within ETX Marketing Division. Mr Sörme previously served with Ericsson, Inc. in the United States.

• **Mr Bernt Ullersten** is now production manager of Ericsson Fiber Optics. He worked previously at Ericsson's Production Division, the foreign production department.

• **Mr Lars Svensson** has been appointed manager of the Power Cable Division within Ericsson Cables. Up to then he had been head of marketing at the same division, which is located in Falun.

Ericsson's first-ever handicap events were held this year. The top three finishers in both the 100 and 400 meter wheelchair races were: Jens Kask, RIFA in Kista, Sven Thörn and Willy Johansson, both from EIS in Svängsta. The winning times were 27.86 in the 100 meters and 1 minute 58.31 seconds in the 400. In the shotput, Willy triumphed with a toss of 5.15 meters with Jens coming second and Jonas Broman from EIS Svängsta third.


Lars Fossum


David Lindström

• **Mr Tommy Svensson** is head of the new Line Circuits department (TX/Z). He comes from ELLEMTEL Utvecklings AB.

• **Mr Harry Johansson** has assumed the position of director of Corporate Auditing. Mr Johansson was previously Corporate Controller and head of Corporate Financial Control.

• **Mr Henrik Johansson** (ETX/M) has succeeded **Mr Gerald Vallancey** as head of (TKEC) the technical office in Egypt.

• **Mr Lars Edvardsson** is manager of the new China and Cable & Wireless department (MR/K). He had been XC at PEM in Malaysia.

• **Mr Hans Giertz,** who was formerly engineering attaché in Bonn, assumed the post on October 1 of head of the Systems and Engineering Development department (T/S).

• **Mr Lars Fossum** and **Mr David Lindström** have been appointed vice presidents of Information Systems responsible for product coordination and production cordination respectively.

Ericsson in Ireland

A move that no one regrets

Ericsson installed its very first telephone exchange in Ireland in 1957. More precisely in Limerick, which apart from lending its name to humorous, five-lined verse, is also a fine old town perched on the banks of the River Shannon. In 1964, the company about which this article primarily will deal, LM Ericsson Ltd (LMI), was formed.

During the first 10 years of its existence it was purely a sales company but in 1974 it got its own manufacturing plant in Athlone, to which the head office was moved from Dublin one year later.

Today, LMI is the largest employer in Athlone and in a country with an unemployment rate of 17 per cent, plays an extremely important role in the economy of the region.

For LMI is not only the largest employer in the area but also one of the most well liked, with a reputation among both Irish government agencies and job applicants alike as being safe, reliable and personnel-oriented. People who come to work at LMI stay with the company, as borne out by the extremely low level of staff turnover – a mere 10-15 people a year out of a workforce of 600. The reason the average age is still so amazingly low at LMI is simply a reflection of the general age distribution of the population. The Irish are a very young people with no less than a quarter of the population under the age of 25.

Ministerial pledge

One of the key reasons that we set up our own manufacturing unit in Ireland was a visit to Sweden in the late 1960s by Mr. Erskine Childers, who was then Ireland's Minister of Post and Telegraph. At that time he toured LM Ericsson and pledged 50 per cent of the Irish PTT market for five years if we, in return, would start up a plant for the making of telephone exchanges (code switch stations) in his country. This we did and his pledge was kept.

Erskine Childers was eventually appointed Minister of Health, thereafter rising to president and prime minister in 1973. Tradgedy struck soon after, though. While delivering a talk on stress to 400 physicians at a medical congress in Dublin he suffered a heart attack and died in the speaker's chair.

But that, as they say, is another story ...

Well founded decision

The decision to launch production in Ireland was naturally preceded by thorough studies on the feasibility of the project. One of the people involved at the time was Olav Hamstad, 56, who was Section Manager for Western Europe at X division. Ireland, it seemed, was determined to undergo a rapid transformation from agricultural society to modern industrial nation and as a result was encouraging foreign capital to come and invest there. Corporate taxes were low, and still are, and conditions for forming a business were good. It was in light of this that the "go ahead" recommendation was issued.

LM's management at the time followed the recommendation and it was a decision no one has regretted. Because right from the outset LMI has been a highly profitable company. Sales have risen steadily and last year came to SEK 330 million at the same time as earnings were the highest ever in the company's history.

"But next year will be even better," says a satisfied, smiling Olav Hamstad, a Norwegian-Swedish Irishman for the past seven years and president of LMI since the summer of 1984.

Only electronics today

The plant was located in Athlone, a town located virtually dead center in Ireland. It was put into operation in 1974 and initially production was focused on code switch stations. The following year LMI also moved its head office to Athlone.

Since 1982 LMI has been involved strictly in electronics and 75 per cent of the company's production is made up of AXE and transmission equipment, although the company also manufactures telephones (the Shannon telephone) as well as high-caliber component boards for American computer makers. Roughly half of all AXE and transmission equipment coming out of the plant is made on contract to the Swedish parent company.

Our Ericsson managers in Ireland. From left John Kennedy, President of EIR, Vincent Daly, President of LHI and working Board Chairman in the partially-owned WIH, as well as Olav Hamstad, President of LMI and EXI.

High state of readiness

For the past several years Ericsson, together with the French company Citalcatel, have been suppliers to Telecom Eireann, the Irish telecommunications administration. Both companies are guaranteed 33.3 per cent of the market and battle fiercely with one another for the remaining third. LMI has enjoyed the best success and today boasts about 60 per cent of the market on the switching side and 80 per cent of the transmission sales.

"In terms of volume these figures have a tendency to fluctuate slightly and in actual fact the Irish market is too small for two suppliers," says Olav Hamstad.

"That's the reason that the export market has always claimed a larger percentage of our production. That's also the reason that it is so vital for us not to

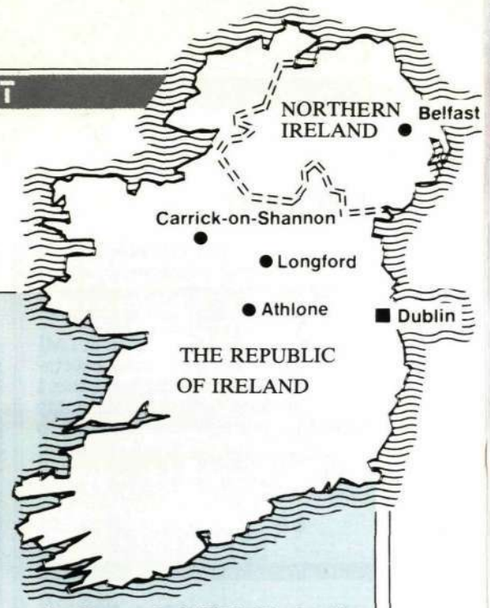
Cont'd next page

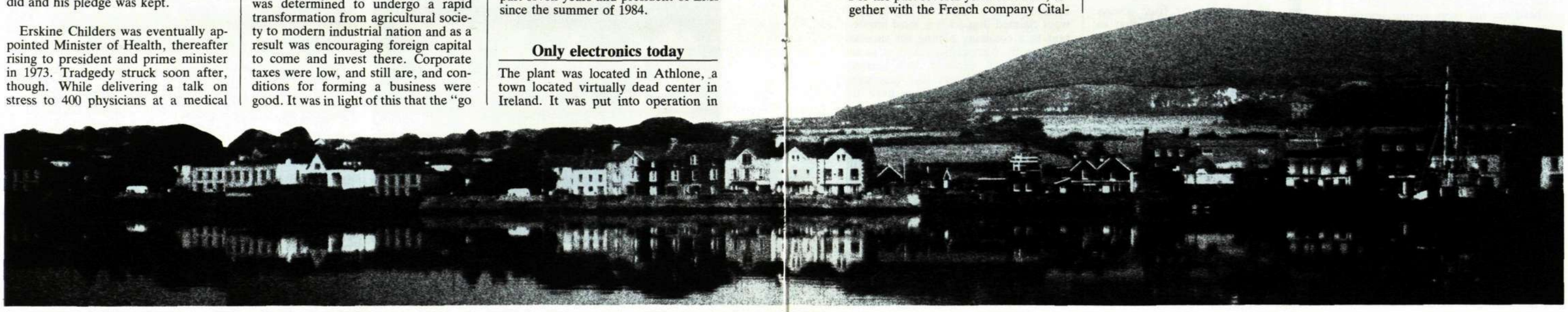
Ericsson in Ireland

The Republic of Ireland occupies roughly 75 per cent of the island of Ireland, called – with good reason – the Emerald Isle. Within the 70 283 square kilometers of the country live roughly 3.5 million people, of which almost one third call Dublin and its suburbs home. The official languages are English and Irish (Gaelic).

In Ireland, which has the largest concentration of electronics production in Europe, Ericsson has four wholly-owned companies. The largest and oldest of these, and the only one with its own manufacturing plant, is LM Ericsson Ltd (LMI) with a total of 600 employees, formed in 1964. The head office of LMI, including the production plant and what today has grown into Ireland's biggest software house, is located in Athlone. The sales department is in Dublin in the same building (the Harcourt Centre) as LM Ericsson Holdings Ltd (LHI) and Ericsson Information Systems Ltd (EIR). The fourth and youngest company, started in 1984, is Ericsson Expertise Ltd. (EXI) which is located in Glasthule, a small town within the greater Dublin area.

In addition, Ericsson has a 20 per cent shareholding in Wessel Industries Ltd (the majority owner is Norsk Kabel in Drammen), which has its head office and one company in Dublin and another two manufacturing units in Carrick-on-Shannon and Longford Ericsson also has a 5 per cent shareholding in the venture capital firm of First Venture Fund.





Ireland

be bureaucratic and inflexible and instead be prepared to improvise, always maintaining a high state of readiness to cope with new situations and changes.

We are not afraid of change at LMI because we look at it as a new opportunity. There is an old Irish saying that I think accurately reflects the mentality of the Irish and their basic approach to life: "Where there's a will, there's a way".

We are not afraid of change at LMI because we look at it as a new opportunity. There is an old Irish saying that I think accurately reflects the mentality of the Irish and their basic approach to life: "Where there's a will, there's a way".

No return ticket

The fact that we wind up by asking Olav Hamstad to sum up his close to seven years in Ireland must not be interpreted as a sign that he will soon be pulling up roots again, because he won't be. Both he and his Swedish wife Barbro enjoy life immensely on the "Emerald Isle" and have no plans to move back to the much colder climate of Scandinavia in the near future. Or as he puts it:

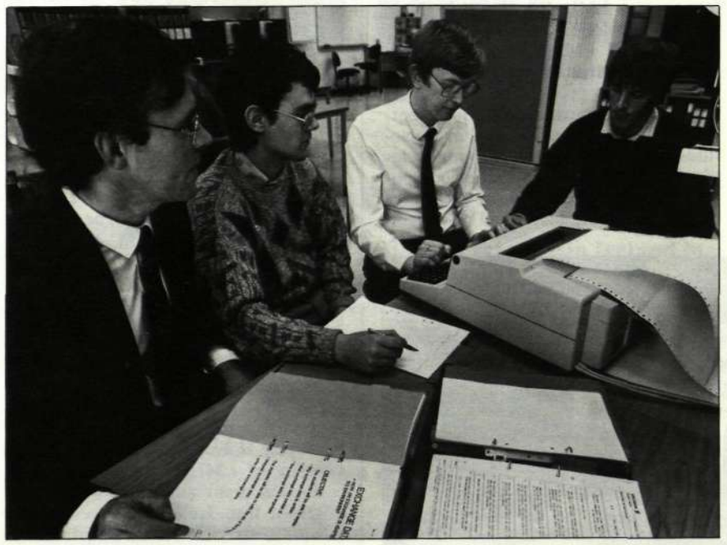
"We have no plans to die in Ireland, but neither have we bought a return ticket ..."

These are his most lasting impressions of Ireland and the Irish in a nutshell:

- A good country to work and live in – friendly, easygoing and helpful people.
- Government agencies welcome foreign businesses to the country and are ready to make life easier both financially and in other ways. A minimum of bureaucratic red tape and a maximum of helpful assistance and courtesy.

And finally, as far as the Irish climate is concerned, Olav Hamstad claims that although he has never used an overcoat the entire time he has been in Ireland he has only ever gotten wet on two occasions.

Unique Ericsson company new addition in Ireland



Diarmuid O Colmain (far left) is Olav Hamstad's second in command in charge of the everyday operations of EXI. He is busy discussing with a few of his staff members the planning of an AXE operations and maintenance course for students from the telephone administrations of Egypt and Oman.

Ericsson Expertise Ltd is Ericsson's latest addition to the Irish corporate world and is the only company of its kind within Ericsson. The basic idea behind the company is to sell training and education services as well as supply technical expertise for the operation and maintenance of AXE and PCM facilities. The services will be offered to Ericsson companies as well as to major Ericsson clients throughout the world.

The Irish are far from always the red-haired people that so many famous writers would lead us to believe. Nevertheless, they possess two important attributes, both of which are essential, primarily to the latter part of the EXI operation. They speak English – better than the English in the opinion of many – and by tradition they are a much travelled people.

EXI constantly have their people out on the road travelling all over the world. Right now, for instance, you'll find EXI staff in China, Oman, Pakistan and Sweden.

One step ahead

EXI, which is basically LMI's former training and education department in an expanded version, is largely Olav Hamstad's own creation. He has always claimed that what is most important to a company aiming for success on a hotly competitive market is to maintain high product and service quality and to always stay one step ahead. In other words they have to make sure they do things before circumstances and conditions compel them to.

Without a trace of exaggeration, EXI grew out of this attitude, and if the truth be known, also because it was beginning to get expensive to buy high-caliber training from Stockholm.

"By some time this year, in other words during the company's second year of operation, we are expecting it to turn a profit," says Olav Hamstad, president of the EXI, bursting with optimism and confidence in its continued existence.

Three support pillars

The EXI operation is carried by three pillars: 1) Training for foreign students sent to Dublin by telephone administrations in their own countries, 2) Computer-based training (CBT) with a focus on AXE and transmission 3) The export of experts as mentioned in the beginning.

"The biggest and key element right now is the training scheme for students," says Diarmuid O Colmain, who is responsible for everyday operations and who reports directly to Olav Hamstad.

"When it comes to CBT, in which we work very closely with the parent company in Stockholm, British Telecom is now our largest customer. We think this is an area that, like the export of experts, will rapidly expand. ■

Terry O'Brian (left) and Frank Murphy are the men behind an entirely new training course, Pulse Code Modulation Principals which EXI management is betting will prove valuable both for internal use within Ericsson as well as for telephone administrations and other major customers throughout the world.

Milestones in LMI's history

1964: • Formation of the company. Initially the company focused on the sale and installation of code switching stations.

1972: • A five-year delivery contract was signed with the Irish Ministry of Post and Telegraphs, eventually reorganized to become Telecom Eireann.

1973: • A decision was made to construct a plant in Athlone for the manufacture of the code switching stations.

1974: • The plant was put into operation. The first fully-automatic station for international telephone traffic was installed in Dublin.

1975: • The main office was moved to Athlone. Ericsson became that city's largest employer.

1976: • Capacity at the Athlone plant was doubled.

1979: • Knowing that Telecom Eireann would be making a decision fairly soon on where to place a large order for the upgrading of Ireland's telephone network, six system designers were taken on and sent to Stockholm for training for the purpose, provided everything went according to plan, of rapidly being able to handle adaption of AXE to the Irish market.
• A special department for development of software was established in the Athlone plant.

1980: • Telecom Eireann makes its anticipated decision involving a detailed four-year plan for upgrading of the telephone network. In total, the investment would come to one billion Irish pounds. The choice of system fell to two suppliers: Ericsson (AXI) and the French company Citalcatel (E 10).

1981: • The first AXE facility in Ireland is installed in Athlone.

1982: • Production of one type of telephone developed by GNT in Denmark launched in Athlone under the name Shannon and soon becomes a big seller (50 000 telephones a year).

1985: • The software program operation which was started on a very small scale in 1979 has mushroomed and the business is now the largest software house in Ireland.

"Ireland's largest software house"

A special department was set up at the Athlone plant in 1979 for the development of software. The section was run by a group of amateurs, albeit specially trained amateurs. The operation started off on a very small scale and basically they did nothing without receiving clearance from the "First Team" in Stockholm.

But developments have taken off since then and today no one would ever dream of calling LMI's disigners amateurs. Indeed they have now reached the same professional level as their colleagues in Sweden, Finland and Australia. Last year they went out to the technical colleges in Ireland to recruit new staff and as a result almost doubled their workforce. About 100 people are at work there now, 80 of them designers turning out everything from system concepts to final products. They represent one of LMI's five divisions – the one that is now justifiably being described as "Ireland's largest software house."

The business mainly involves system design within the AXE and PABX areas, but they are also working on the development of commercial software for external customers. Roughly 80 per cent of all production is exported. The most important projects right now include the BTL scheme (British Telecom London), matching AXE to the American market and the MMS project (Man Machine System). For quite some time they have also been working on strategical assignments within the "RACE" project, which is a research project initiated by the EEC and which it is hoped some time during the 1990's will yield a new European standards system for Telecommunication.

Interim report:

Shock report or show of strength?


CHOCKBESKED FRÅN ERICSSON

"Vi skär ned för att försvara vår position"

börsen

Ericssons bantning ett tecken på styrka

Christer Hedberg

Kommentar

"Shock report from Ericsson. 4 800 jobs to go." "Show of strength from Ericsson. Cut back at right time." That's how vastly differently Ericsson's interim report was described by the media.

"Shock report from Ericsson. 4 800 jobs to go." "Show of strength from Ericsson. Cutback at right time." That's how vastly differently Ericsson's interim report was described by the media. But these different ways of seeing things depended, of course, on which media was doing the reporting. The morning and evening papers were inclined to describe it as shock while business and financial publications naturally saw the strength aspect.

We've taken these varying standpoints as a basis for comments on Ericsson's interim report and the decisions made in connection with it.

We posed a number of questions to two people who have different points of departure for their assessment.

We asked most of the questions of both of them. But in a couple of cases we have asked questions of the "wrong" person in order to get the "right" answer. The people answering the questions are Hardy Knutsson, head of the Metal Workers' Union Local at the Karlskrona plant within Ericsson Information Systems, and Harald Lundén, a stockbroker at Carnegie Stockbrokers in Stockholm.

When you say that a big company is doing well, what are the key factors on which you base that assessment?

Hardy Knutsson: That we have good employment and the staff is reasonably paid. We also have to be economically viable.

Harald Lundén: Long-term profit is clearly the most important factor for a major industrial corporation facing stiff competition. Profit is the yardstick of how well a company deals with a range of factors such as product development, production, marketing, management and so on.

What factors are most important when you say a company is doing poorly?

HK: The opposite of my answer to question one.

HL: Same as above.

How do you think Ericsson is doing now?

HK: We have serious problems in a few of our business areas, but at the same time other areas are doing quite well.

HL: Poor compared with other Swedish companies. Compared with other companies in the telecommunications business the picture is mixed. For instance, Ericsson is doing better than ITT's telecommunication business but not as well as Northern Telecom. EIS is losing money while other parts of the business are doing very well on the whole.

What do you think the future holds for Ericsson?

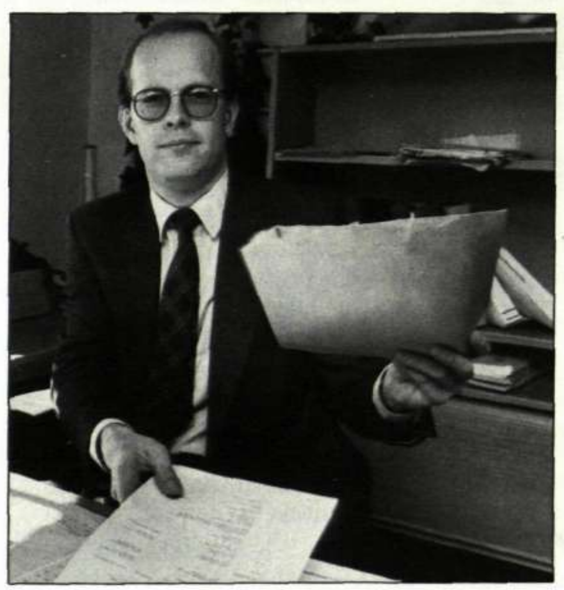
HK: If we're going to be able to survive this competition we have to make our administration section much more efficient.

HL: Ericsson is extremely strong in many areas. Take a look at the fantastic successes of the AXE exchange or the strong marketing organization. If Ericsson manages to improve its internal efficiency and thus also its profitability, it will become Sweden's most exciting company. It's not by accident that Ericsson is probably the Swedish company that has attracted the greatest interest from foreign investors.

What do you think of reactions to Ericsson's interim report and the information that followed immediately afterwards? Does the picture of the firm's situation agree with your own assessment?

HK: Yes, I think this situation has more or less been correctly portrayed in the media, and the reactions have been entirely natural for the situation.

HL: The reaction from the finance world was mildly positive which was because of low expectations. My feeling is that Ericsson is not doing well but that steps are being taken and that the company is slowly moving in the right direction.



Harald Lundén: "A buyer of a telephone exchange in Malaysia or a personal computer in Sweden is hardly prepared to pay more for a product just because Ericsson has too many employees."

What were the positive factors in the announcements made by Ericsson in connection with the interim report?

HK: That losses have decreased for Ericsson Information Systems over the past year.

HL: That they toned down high profit expectations to a more realistic level, ahead of time. They also clearly stated what they intended to do in terms of staff and that cash flow was positive for the first six months.

What were the negative aspects of the announcements following the report?

HK: That so many jobs would disappear and that profitability is so poor.

HL: That profits and the market have been weak in the telecommunications sector.

Some daily newspapers blared out the interim report as a "Shock announcement from Ericsson. 1 800 jobs to go." Do you, as a stockbroker, understand the reasons for this kind of headline? Do you think it is right?

HL: Looking at it as a financial analyst, I feel it was necessary for Ericsson to boost internal efficiency in order to survive in today's heated competition. That's why the staff cutbacks were not unexpected, like the tough measures taken earlier this year to improve financial administration weren't. But for people not aware of Ericsson's situation, an announcement that 4 800 jobs will disappear naturally comes as a shock.

Some business publications headed articles about Ericsson's interim report with "A show of strength. Cutbacks at right time." As trade union chairman, can you understand the reasons for these headlines? Do you think they are right?

HK: If the proper measures had been taken in time, we never would have ended up in a situation where we have to effect the enormous cutbacks that company management says we have to now. So in that regard I do not understand the reasons for these kinds of headlines.

Do you think that these measures will be enough to improve Ericsson profitability and help strengthen their competitiveness on the world market?

HK: From my vantage point it is difficult to assess the situation. I believe in Ericsson and I hope that we won't have to see any more drastic reductions in order to survive.

Do you think Ericsson is now accepting enough responsibility by reducing staff levels by 4 800 employees in order to improve profitability?

HL: Yes. If they didn't do it they would be jeopardizing other jobs in the company.

Is it reasonable to be content with having fewer employees if it helps improve your profits?

HK: Wages down on the shop floor are restricted. That's not where the high costs are found. But we do have a lot of "overhead costs" that we must come to grips with.

Is it reasonable to be content with somewhat lower profitability if you can have more employees?

HL: Definitely not. Ericsson is living in a world of tough competition where the demands on efficiency are ruthless. A buyer of a telephone exchange in Malaysia or a personal computer in Sweden is hardly prepared to pay more for a product just because Ericsson has too many employees.

Do you think that in this situation Ericsson could have done even more?

HK: They should really have started off by taking a long hard look at efficiency in all corporate executive units and not simply begin by cutting back on the shop floor.

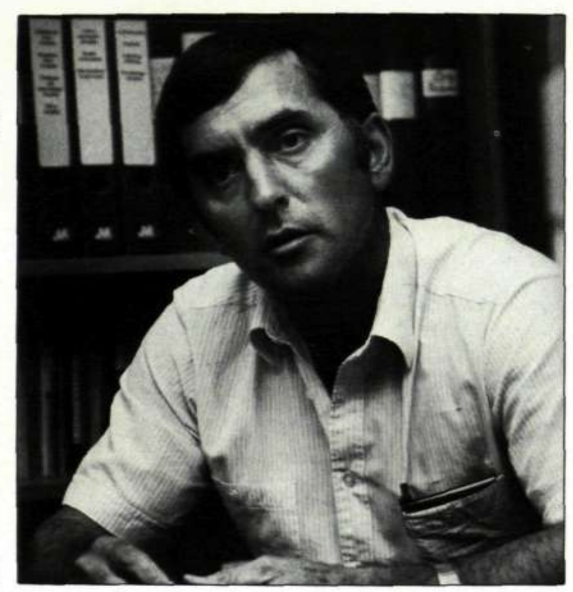
HL: No, in fact these steps should have been taken earlier and then the cutbacks possibly wouldn't have been as drastic. But of course it's easier to have hindsight than foresight.

What view of the situation do you think dominates the picture that the general public has received? The corporate financial one or the effects on the individual?

HK: The corporate financial picture.

HL: A mixture – corporate financial in the financial papers and the effects on the individual in the more general media.

Hardy Knutsson: "If the proper measures had been taken in time, we would never have ended up in a situation where we have to effect the enormous cutbacks that company management says we have to now."



ERICSSON

Telefonaktiebolaget
LM Ericsson
126 25 Stockholm
Sweden

ISSN 0345-6471

Contact with the rest of the world

In Ireland, which has the heaviest concentration of electronics manufacturing in Europe, Ericsson has four wholly-owned companies. The largest and oldest, and the only one with its own production, is LM Ericsson Ltd. with 600 employees. After the company was reorganized in the 1970s, profits have steadily risen.