

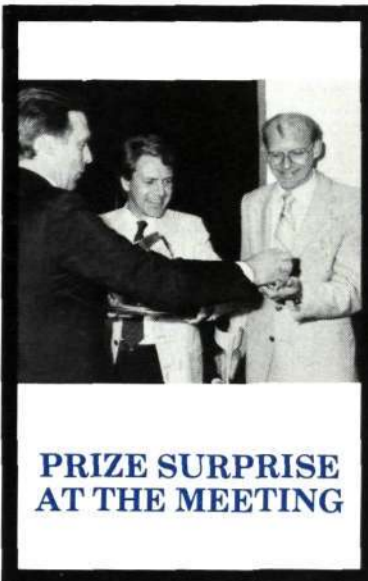
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MANAGEMENT

ERICSSON 

SPECIAL ISSUE FOR ERICSSON EXECUTIVE MEETING

NO. 3/JULY 1987



Björn Svedberg's vision:

A strong, independent Ericsson

Balancing recent successes with past financial troubles, Björn Svedberg described the future Ericsson as an independent company that will maintain the integrity of its core products throughout the world.

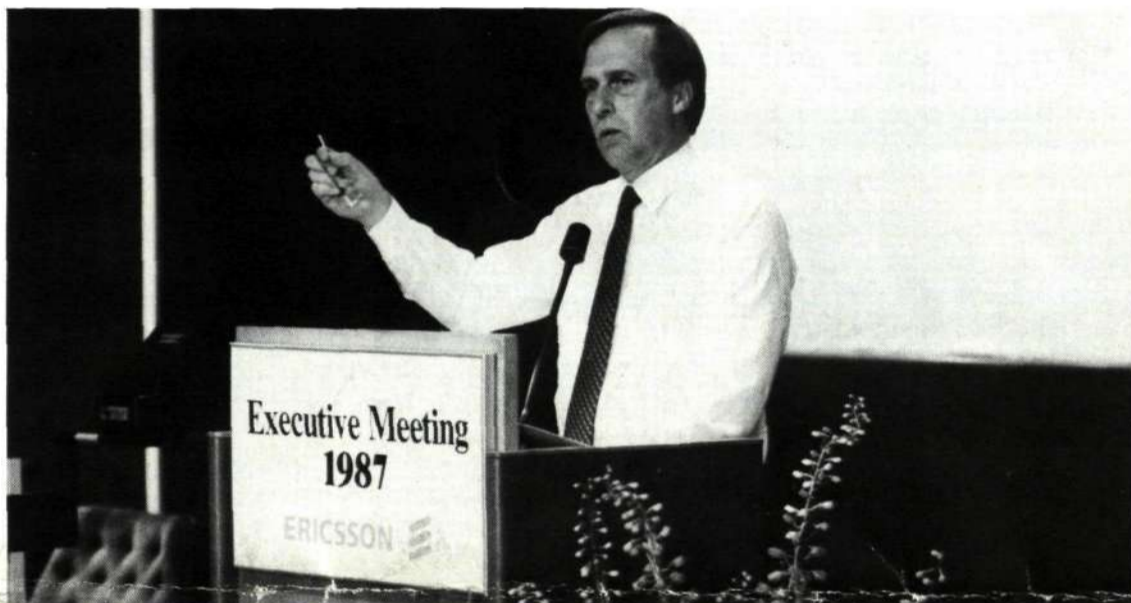
In his opening remarks at the Executive Meeting, Mr. Svedberg said that Ericsson has succeeded in making breakthroughs in new markets in Europe and the United States. The company also increased its market share in a number of important industrial countries, including Spain, the Netherlands and Switzerland.

"But the successes we have achieved have not been painless," he said. "Our balance sheet has improved during the past year but the simultaneous programs in the U.S. and U.K. require large amounts of money and are depressing our earnings. And many of us have direct personal experience with the problems involved in conducting a number of major development projects at the same time. We are experiencing how the ongoing structural changes involving a process of elimina-

tion in the telecommunications industry are depressing our margins to a greater extent than previously."

"Through the united efforts of our Business Areas and companies, we will further speed up the process of change now in progress."

He pointed out that Ericsson's recent successes were achieved despite sharpening competition among the world's leading telecommunications companies. Mr. Svedberg attributed them to "our advanced



CEO Björn Svedberg describes his vision of the future Ericsson during his opening remarks at the company's first Executive Meeting.

technology, fine products and another valuable asset, our international experience."

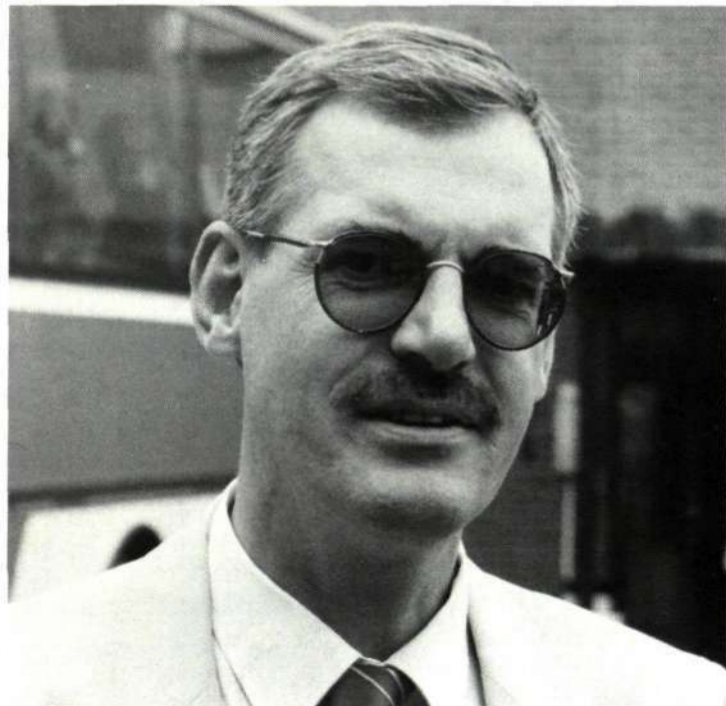
"We are outstanding, as compared to other countries, in our international experience," he said. "It's an extremely valuable and marketable asset."

"When we consider the dif-

ficult competitive environment in which we operate, we must be aggressive with our key products, build margins through keeping costs down," he said. "Bringing unit costs down is top priority, whether it's on the manufacturing floor or in my office."

"We have to change the speed of our restructuring and concentrate on the markets, customers and technologies where we are large enough and good enough to achieve the profitability required for continued growth."

Information Flow Key to First Executive Meeting



START OF A NEW TRADITION: Hans Holmqvist believes that Ericsson's leaders should convene regularly in different settings throughout the world.

With the Swedish summer as a backdrop, Ericsson's top executives convened in Sweden to hear the latest news from corporate headquarters and exchange information on company events around the world.

The 340 delegates who attended Ericsson's first Executive Meeting were briefed by corporate officers and business area heads and treated to barbeque dinners and Swedish music. Free time was spent in planned and impromptu meetings amongst the executives who came from 50 different countries.

"We're calling it an international meeting with a Swedish accent," said Hans Holmqvist, the director of Human Resource Development who is handling the administration of the meeting. "I think that we have started

a tradition. I would like to see our senior managers come together regularly in different settings around the world."

Decentralized Environment

According to Mr. Holmqvist, executive meetings are crucial in the decentralized environment that has been evolving at Ericsson since the organization charts were rewritten back in 1982.

At that time the company began turning from a monolithic type of organization to a more decentralized one. While the change gave more freedom to top managers in the subsidiaries, it also added new demands since problems now had to be handled away from corporate headquarters in Sweden. To make effective decisions, management needed regular access to information "back home."

Though the executive meeting concept is new to Ericsson, Mr. Holmqvist explained that its roots can be traced

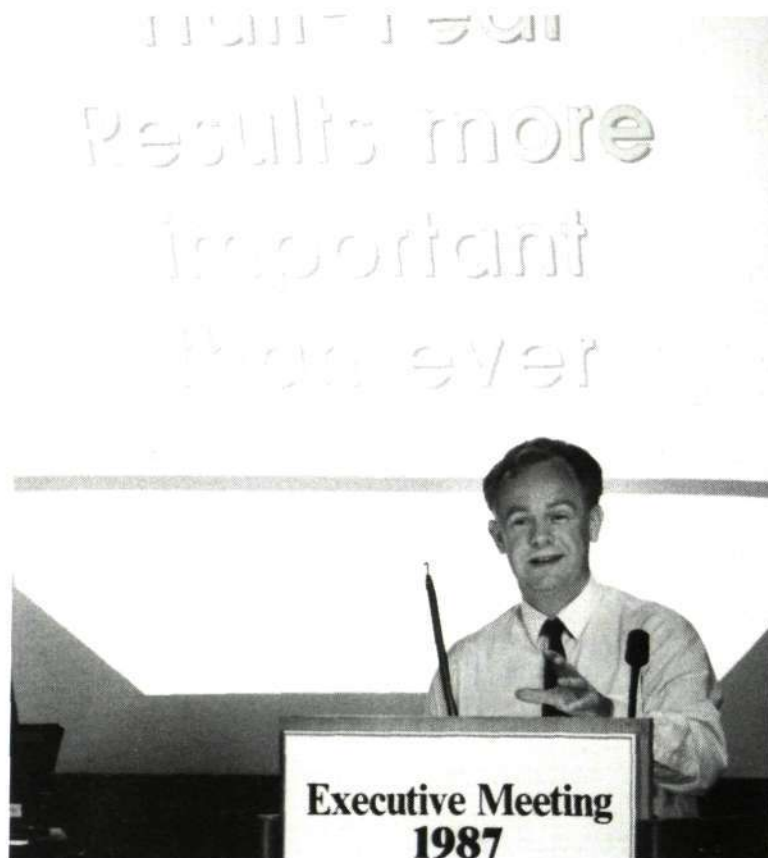
back to the Roman Empire.

"Roman rulers would select appropriately trained men that they trusted and send them to govern in the outposts far from Rome. Because these men couldn't call headquarters when they had to make a decision, they would be brought back to Rome on a regular basis for briefings.

The Legendary Swedish Summer

Since Stockholm is the site of Ericsson's world headquarters, it was a logical decision to choose it as the setting for the first executive meeting. But Mr. Holmqvist reported that the city was also an emotional choice for many managers.

"Swedes who go abroad always want to come home in the summer, he said. "In fact, they speak in such glowing terms about the season that their non-Swedish colleagues want to experience it, too. The Swedish summer, it seems, has become a legend."



CARL WILHELM ROS Executive Vice President and Chief Financial Officer

Carl Wilhelm Ros:

The bottom line to cut unit costs

Are Ericsson's financial efforts finally paying off? That was how many newspaper headlines read this past half year, and that was how Carl Wilhelm Ros began his presentation on the company's financial performance.

Ros pointed out that no look at the company's financial picture was complete without first reviewing the basics: the return on equity, cash flow and earnings per share ratio. "If we are to reach our goals, we have to be aware of the financial starting point," he said.

From 1983 to 1985, Ericsson experienced cash out flow problems. Precipitating the decline were extraordinary research and development costs in the United States and United Kingdom, problems in Information Systems and low capi-

tal turnover.

But Ros reported that since last year, the balance sheet has been improving significantly. The Components and Information Systems business areas have shown improved results. The return on capital employed curve has gone up in 1986 due to improved capital management. Ros said that the trend must continue. The margins must improve if the company is to achieve profitability and compete effectively in the international market.

"It all comes down to unit

cost reduction. All our activities must focus on that if we are to reach our profitability objective of 18-20 percent on capital employed with a continued positive cash flow," he explained.

One message that Ros asked all managers to take back to their employees was that a successive improvement in short term results is more important than ever. "It's a joint responsibility for all employees to make sure that we now live up to our commitments," he said.

Lars Ramqvist:

Cutting edge technologies carry Ericsson to the 90's

If technology means profit, then bad technology means bad profit. From that premise, Lars Ramqvist began his talk on the cutting edge technologies that will propel Ericsson into the next decade. But his tour of the future started in the past.

"What is the best information system ever created? The answer is simple - face to face communications powered by the human brain," he explained. "That should be our model as we forge ahead. We may develop sophisticated computer systems with high level language, but we must never forget the man/machine interface."

For the future, Mr. Ramqvist predicted that advances in microelectronics, such as 4-16-64 megabit DRAM technology, would drive the industry and drop prices in terminals and systems. Fiber optics would

also play a key role in the Ericsson of the 90's, and there would be advances in artificial intelligence and cordless telephone sets.

Mr. Ramqvist reminded the group that the network of the future would not be driven by functions like a switch, but by features. "Customers will view a system as one unit, regardless of whether it's public or private," he said. "Ericsson's strategy will be to offer an open-ended, feature-rich system."

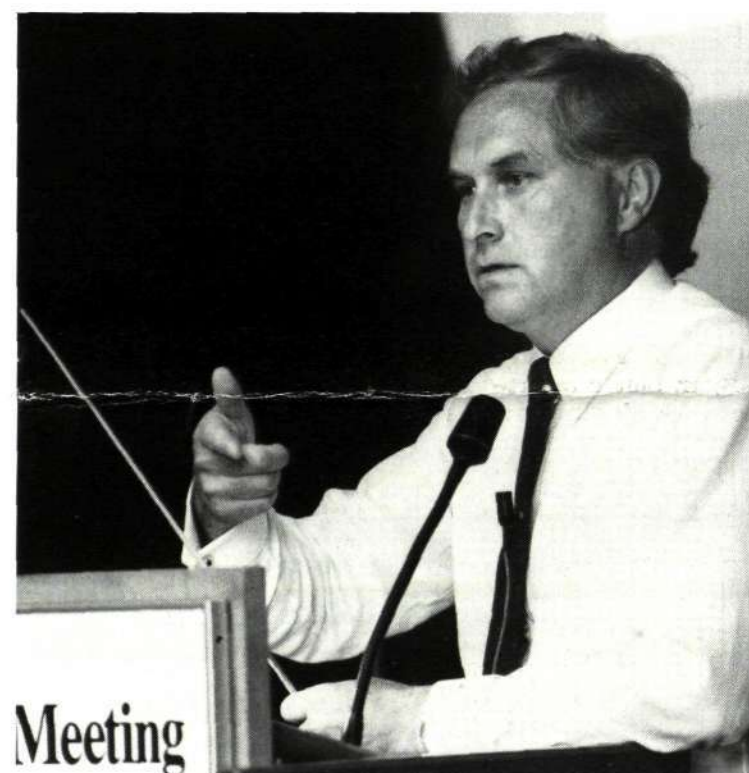
"Open-ended business communication for the world' is more than a theme, it shows

our future course. We'll unveil it at Telecom '87," he said.

Quality goes hand-in-hand with good technology. Mr. Ramqvist said that required reading for all managers was "Quality - The Ericsson Approach," a book that he distributed at the meeting.

But cutting edge technology is expensive, and Mr. Ramqvist stressed that Ericsson get access to it through external co-operations, such as the recent agreement with Texas Instruments.

In his summary, Mr. Ramqvist returned to Ericsson's Core Business Concept. He



LARS RAMQVIST Executive Vice President

said, "We must work much more closely within the corporation to optimize profits. I return to the Ericsson gospel of

unit cost reduction. To get there we need not only improved management, but improved technology as well."



ROLF SKILLNER Senior Vice President Corp. Human Resources & Organization

Rolf Skillner pointed out that used properly, what he called "the three soft S's" can contribute to unit cost reduction and better financial results.

But he urged the international group to be aware that Ericsson's corporate culture is influenced significantly by national culture and "employees and managers do bring their ethnic backgrounds to the workplace."

"We assume that employees working for the same multinational corporation, such as Ericsson, would be more similar than their domestically employed colleagues. Instead we have found employees maintaining and even strengthening their cultural differences," he said.

Rolf Skillner:

"Skills, Staff and Style" can be Steps to Success

Regarding OPUS, Ericsson's attitude survey system, he reported that "motivation in the non-Nordic companies is somewhat higher than in the Nordic companies... but on the whole we need to improve motivation within all of Ericsson."

Management development programs are continuing. Mr. Skillner pointed with pride to the new Ericsson Management Program (EMP), a two-part, 35-day general course designed to enlarge and improve the basic skills of present managers who have the potential to as-

sume greater responsibilities within the company.

Mr. Skillner concluded with a challenge. "You must develop your subordinates to become managers and leaders, not just experts. You also must give them better guidelines and follow-up information," he said. He reminded the audience that rotations continue to prove to be the most productive learning opportunities, and to consider their importance in promotional situations.

Business Area Heads Speak Out on Day 2

The second day's agenda was devoted to short, intensive presentations by business area heads and updates from Business Orientation, Corporate Relations and the General Counsel.

Public Telecommunications has had some visible successes recently in the U.S., U.K. and France. For the future, Jan Stenberg said, "We do not want to be a cash cow. We want to keep expanding in the industrialized countries."

Stig Larsson promised that **Information Systems** would break even this year thanks to hard work that "helped reduce capital employed and increase sales."

Cables President Lars Berg reported that despite current problems in the U.S., his area continued to provide important cash flow to the rest of the company.

According to **Radio Communications'** head Åke Lundqvist, digital is the key word for his unit's future since it offers increased capacity and reduced prices.

Björn Linton reported that **Network Engineering and**



Information Systems' Stig Larsson looks to a brighter future.



Åke Lundqvist of Radio Communications shows off the tools of his trade.

Construction is developing software that will help administrations design their own signalling systems. Ulf H. Johansson said that **Radio Systems** is still actively in-

involved in another project, the JAS Aircraft Program. And **RIFA's** new head, Ronny Lejdemalm said that he believes his unit can master semi-conductor technology.

ERA Team is EMT Winner

The final event on Monday's agenda was the award's ceremony for the Ericsson Management Tournament. Until then, the winner was a secret — even to the winner.

But at 5 p.m. team 112, Deadline Inc. from ERA Sweden, was proclaimed the best. Björn Svedberg presented the first place team with an Orrefors crystal glass sculpture. Smaller copies were given to the individual team members.

The winners were: Åke Persson, Anders Norin, Mats Halvorsen and Mario Orsucci. Their average ROCE (Return

On Capital Employed) was 45.1 percent.

Second place was capped by team 85, Kings Bend Corporation from RIFA Sweden. Their ROCE was 43.1 percent.

With a ROCE of 42.5 percent, third place went to team 105, Mantech, Inc., from Argentina.

Winning team leader Åke Persson told the audience,

"There's really nothing remarkable that we have done to win this prestigious prize. We think we did what we always do in our regular work. I think we have learned a lot, but I think middle managers could learn even more. I wish that somehow this tournament could be used in middle management training."



HE'S A WINNER: CEO Björn Svedberg hands first place trophy to Åke Persson, the leader of the winning management team. Looking on, left to right, are fellow team members Anders Norin, Mats Halvorsen and Mario Orsucci.

WHAT DID YOU THINK OF THE MEETING?

TED FRANKS — VICE PRESIDENT AND GENERAL MANAGER OF ERICSSON NETWORK SYSTEMS IN THE U.S.

"Good, honest, straight-forward discussions of our challenges and problems, that was my impression of the meeting. I think that if people really listened carefully, they'd see that the only way for us to succeed is through our willingness to cooperate. That is how we will find common solutions to problems affecting our individual business areas and our individual business concerns.



Rather than self-serving and nationalistic attitudes, we need cooperation among the subsidiaries in getting features developed and needs satisfied in a global setting. The degree that we are able to adapt is the degree that we will be successful in our business areas."

RAID DAHER — PRESIDENT OF ERICSSON'S WHOLLY OWNED SUBSIDIARY IN LEBANON.

"This meeting had a very special, personal meaning for me. In Lebanon, working amidst the chaos of war can be difficult and stressful. Those abnormal conditions can make you feel cut off from the rest of the company, in spite of good telephone contact with the head office. Coming to the meeting in Sweden made me feel that once again, I am part of the group.

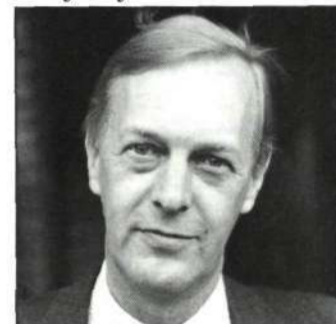


I particularly appreciated the clarity and brevity of the individual presentations and the two-day agenda. Past general meetings have been too detailed. We don't need details. We need to meet other managers who share our concerns, even though they operate under different circumstances.

It took me 30 hours of travelling by boats and planes to get to Stockholm. It was well worth the trip."

LARS G. PERSSON — GENERAL MANAGER FOR MICROELECTRONICS DIVISION, RIFA SWEDEN.

"I think this was a good way for our corporate executive committee to bring out its message. It's not the same when you get written policies and guidelines. I especially appreciated the briefings on the different business areas. It was also very interesting to get wide information on what the "French affair" could mean for us in many ways.



The social part of this meeting was very important. Most of the people here I had never seen before. This can create contacts that might improve cooperation in many ways."

CHRISTER BEIJBOM — MARKETING DIRECTOR FOR THE SWEDISH SALES COMPANY WITHIN INFORMATION SYSTEMS.

I was really excited when I got the invitation. It was wonderful to meet all the executives in this way. I think we will really get a lot of benefits from it in our daily work further on. You get a lot of new contacts. And for me coming from a subsidiary it was very interesting to feel some of that old famous LM Ericsson spirit of which I have heard so much. I was also impressed by the enormous range that exists within the group and all the business areas.



I'm sure this meeting will help us to improve the cooperation between business areas. It's very important to us to become one group with one identity. I really look forward to the next meeting.

The Organizer



Yvonne Silén

"Even though I had never met most of the people at the Executive Meeting I felt as if I was seeing old friends. I had spoken to just about all of them on the phone before," said Yvonne Silén.

Everyone attending the meeting did have her number. Yvonne was the one to call about reservations, transportation or any of the other countless details that crop up in connection with an international conference.

Since January, most of Yvonne's working hours have been spent making sure that all attending the Executive Meeting enjoyed themselves. She selected the decorations and menu and worked closely with the Travel Services department to become well versed on Stockholm sightseeing. During the meeting she had a staff of four helping her see to the attendee's needs.

Before joining Ericsson one year ago, Yvonne set up conferences for a Swedish industrial association. But these were mostly local events and did not have the international flavor of the Ericsson Executive Meeting.

The meeting's two session set-up presented a special challenge to Yvonne, who had to start at the beginning again after the first conference had ended. That was when all her prior planning payed off.

"It has been a great responsibility when you consider the importance of the meetings," she said. "Of course, the guests expected not only an interesting program but also good arrangements and organization. That was the product that I had to deliver."

The Evening's Message – Happy Birthday, Mr. President

Ericsson took advantage of Sweden's long summer twilight and held an outdoor feast for its executives. Under huge tents, guests dined on barbecued lamb and Spanish wine and were serenaded by traditional Swedish musicians. But the highlight of the evening was the special celebration of Björn Svedberg's 50th birthday. With his family by his side, Mr. Svedberg accepted gifts and stories from friends and colleagues and listened to a rousing chorus of "Happy Birthday" – Ericsson style.



At the end of the first day, guests head for the tents...



While Gunnel Svedberg applauds, Raimo Lindgren shows how Björn looked when he first joined Ericsson.



...and feast on barbecued lamb.



Surrounded by his wife and son, Björn hears Lars Estberger describe the wonders of his company's gift – an Australian mosquito hat.

Parting words

"What you have just attended was not a manager's meeting, but a meeting of leaders. Go home now and act, don't react. Make your own decisions. Go after profits. Be a leader." With those words, Björn Svedberg concluded Ericsson's first Executive Meeting.

Unit cost reduction was the main message that he wanted his leaders to take home. "You've heard it over and over for the past two days," he said. "I want to make it clear that you are responsible for your own margins."

Also requiring immediate attention was the information flow process to employees. "I'm concerned about our low OPUS scores in this area. We must do better with our information," he warned. "When you go back, take some time to sit down alone and reflect on what

you've learned, that could be helpful to your subordinates. Then pass the information on to them. Remember, the soft strategies can have tremendous impact."

Mr Svedberg repeated his belief in a strong future for Ericsson. He concluded, "We're one unified group. We're small and we have to be humble enough to admit that. But as a consolidated unit, we have tremendous resources. And we know what's required of us. Now let's go do it."



CEO Björn Svedberg ends Ericsson's first Executive Meeting on a positive note.

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