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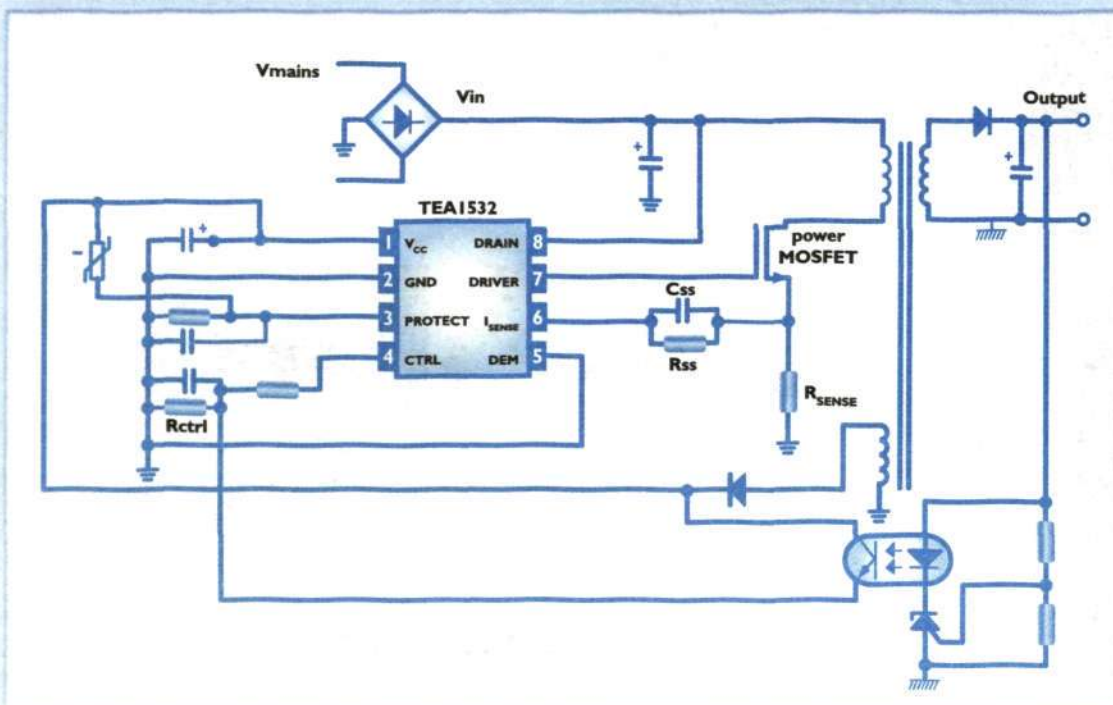
THE PUBLICATION FOR ERICSSON
EMPLOYEES AROUND THE WORLD

8·2005



**The different
faces of
leadership** 5-11

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column

Henry Sténson
head of Group
Function
Communications
and publisher of
Contact

Leadership is all about communicating

Culture will defeat strategy every time. You can get a bit further as a leader if you have that insight tattooed on the inside of your eyelids. We have to get our culture and our strategy to work together, and that is part of our plan for the further development of all of Ericsson. That is what this edition of Contact is all about.

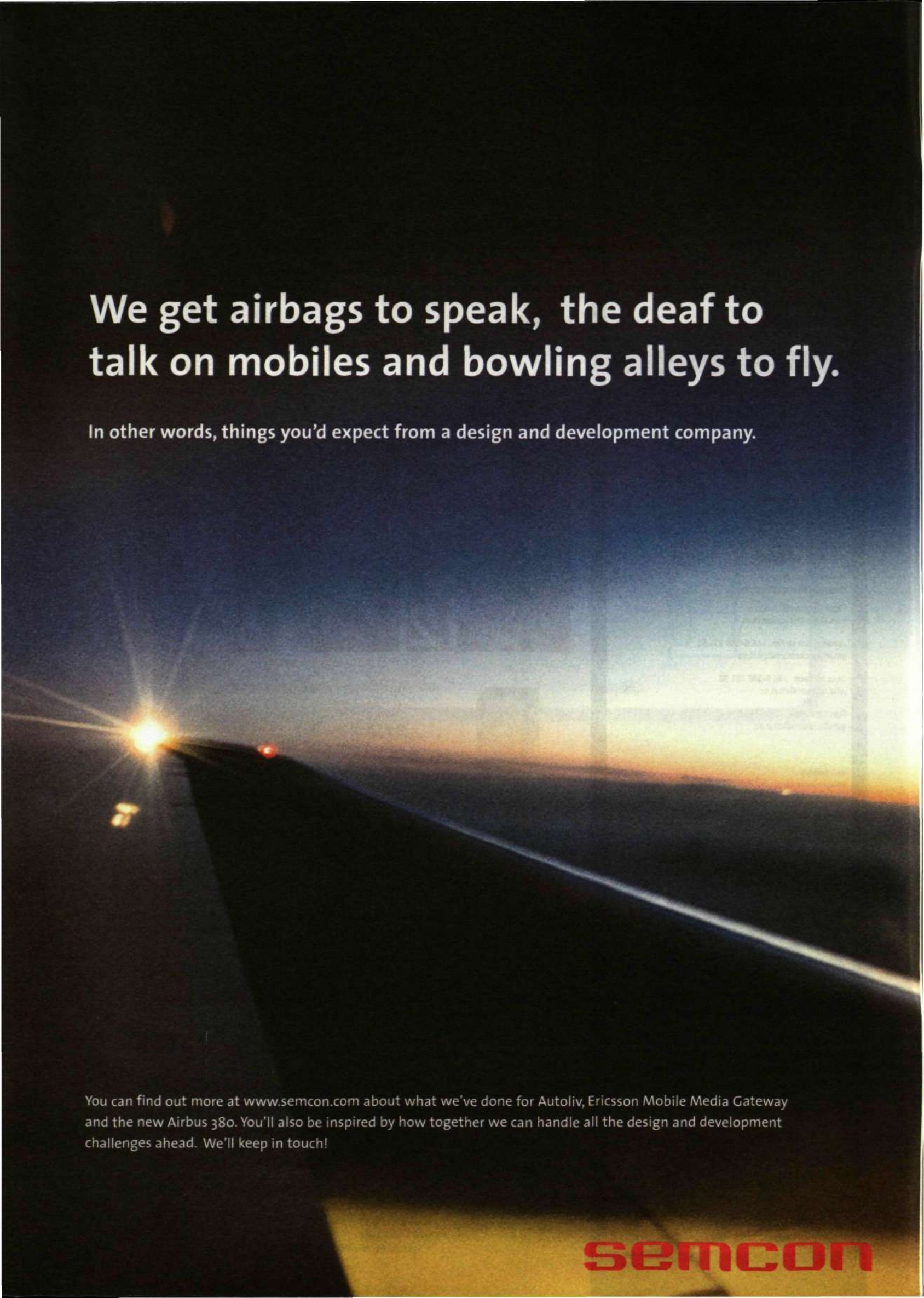
It is definitely complicated to be a leader when the pace both at work and at home is so high. And when we are constantly connected and within reach, you almost have to resort to violence to find room to think. It also demands discipline and will to find time for spontaneous exchanges and shorter meetings with your colleagues. We do tend to forget that in this company. We are such captives to our calendars that we neglect that low-key close contact we all need so much.

You can think about leadership in many different ways. For me, it is primarily about inspiring people and being a role model. I first heard the phrase role model during my first job in the military: it meant someone you could look up to, who showed you the way. It is something I dream of becoming.

Good leadership creates security, and from security you can achieve change. Research has shown us that there are two leaders in any organization who are more important than any other. These are the two from whom we want to receive information and who we want to believe in. The most important of these two is your immediate manager. We want this person to provide everything that makes the workplace and our own efforts feel right, and be right. The other leader with whom we have to feel secure is the top manager, the person who runs the company. A large part of this person's role is to create pride and faith in the future, and to generate energy.

The key tool for both these leaders is communication. Leadership is communication. Everything we say and everything we do communicates something. And so does everything we do not say and do not do. Everything we demand of others, we must also demand of ourselves, and prove it in both word and deed.

It is no more difficult than that. But that is difficult enough.



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special: leadership

text: johan kvickström

illustration: studio kongo



The hard art of being a role model

Leading people. Leading the organization. Seeing the big picture and thinking about the future. They are the three cornerstones in **Ericsson's modern leadership model** being put into practice now.





Ericsson is a knowledge company with many highly educated people. As leaders we must take on the major responsibility for being able to guide them. As a manager, you can probably never communicate too much. There is no risk that you can be too clear.

Hans Vestberg



>> **Ericsson could have** all the most thought-through business plans and strategies in the world, but if the people in the organization are not committed and motivated, if there is not a well-functioning way of working, and everything is not striving towards the same goals, then it is worth nothing, nix, nada. That is why *Our Ways of Working* was released last year, an approach that has been taken further in *Our Ways of Leading*. The question is: how should leadership work within Ericsson?

Let's begin at the beginning.

A successful company needs strong leadership. But what does that mean? Most would probably interpret that sentence as meaning that a company's success depends on a strong-willed, charismatic top leader who runs the company with an iron hand on the large scale and the small. It is that sort of leadership that has built up many companies over the years. Today, however, the situation is such that the recipe for success is more complicated. Charles Darwin's observations about survival of the fittest actually referred to the best suited to the environment, not necessarily the strongest.

How should you understand that in this context? Well, that the leadership you need is flexible and suited to the situation at the time. The modern manager is not an authoritarian figure making grand gestures. The modern manager is instead a communicative leader with instinct and sensitivity.

Ingalill Holmberg, a researcher at the Stockholm School of Economics and head of the Center for Advanced Studies in Leadership, says leadership is a concept that can be approached in many ways. The world changes with time; globalization and the IT revolution have changed the ground rules – and with them, the opportunities.

"The leadership role, and leaders in society, have changed during the past 10 to 15 years. There are new demands on leaders. They have to care about their employees in a new way, feel empathy and sympathy. Emotional competence has become a key phrase," Holmberg says.

Clearer individualism

The new generation in the work market has different values to earlier generations, she says. It is character-

ized by clearer individualism which puts the person's true self in focus.

Today's leader needs to be energetic and efficient, she says, without of course giving up other qualities such as the ability to listen and motivate employees. The IT boom changed leadership by placing more emphasis on entrepreneurial ability. Entrepreneurs were the personification of the new economy, people who capitalized on their creativity and abilities, who used innovation to create their own paths in the knowledge society.

"At the end of the 1990s it was almost bad to be a traditional company leader," Holmberg says.

Pär-Anders Pehrson, vice president in charge of Leadership at Ericsson, says the new generation is much more demanding – of itself and of employers. "This places tough demands on our managers. An example is that many young workers joining the company have very good and high levels of education. Many man-



Pär-Anders Pehrson

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It is important for a leader to be able to make tough decisions, decisions that can make people upset or angry but that can be successful in business terms – even if it is not so often that those two aspects contradict each other.

Joyce Ma



agers have employees with significantly higher education and greater technical abilities than they do themselves. One of the consequences is that managers must be able to deal with that fact and focus on other areas, while another is that our employees are aware of their strong competence and have high self-confidence. The old spirit of loyalty has passed,” he says.

When you talk to Ericsson managers you are struck by the global agreement on how leadership should work. Regardless of whether it is a member of the senior management team or a new production-line manager, whether the person comes from China, Bangladesh or Sweden, there is an obvious consensus about the most important characteristics of a manager.

Hans Vestberg, head of Business Unit Global Services, says: “As a manager, you can probably never communicate too much.”

Joyce Ma, Vice President of HR, Greater China, agrees: “For a manager, communication is so important that you can never have too much.”

Many of the key phrases in today’s dialogue about leadership within Ericsson come from President and

CEO Carl-Henric Svanberg and his leadership philosophy (see Contact 10/2003). And the fact that all managers give the same description of what a manager should be and do, shows with admirable clarity that his thoughts have really broken through. Everyone gives communication as the most important ability for being a successful manager.

Relevant information providing security

Communication is valuable at every level. Employees should obviously have access to relevant information so that they can feel secure in their work and do as good a job as possible. But there is also information that is especially important.

Pär-Anders Pehrson explains: “As a manager, you have to be thorough about always informing people about our strategies, about where we are heading, what is going to happen and why. Work should be characterized by our constant efforts to achieve operational excellence and it is important that a manager can explain what this means, both on the large scale and for the individual.”

Kurt Jofs, head of Business Unit Access, says the

importance of leadership is often underappreciated. “It obviously has great significance for employees’ enjoyment, sickness rates and so on. I don’t think everyone really understands that.”

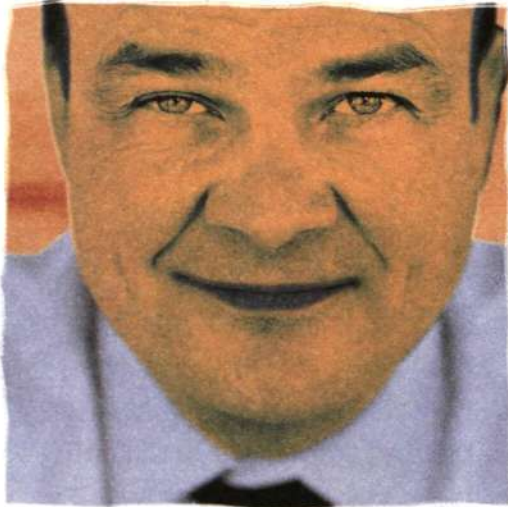
He is, however, doubtful that there have been big changes in how leadership works. The basics, he says, are largely the same even if there are certain specific differences.

“Good managers are probably using roughly the same leadership techniques today that were being used say 10 or 20 years ago.”

Pehrson also points to a series of basic managerial qualities in the strategic perspective. “The fundamentals are still there. The ability to develop business is the most important quality for most managers in the company. And for that, we do not need 5000 super-charismatic managers like (management guru and former head of GE) Jack Welch.”

Another important task for leaders is making sure that all employees have a feeling of togetherness. “Good leadership is important for keeping the team together during good times and bad. It is just like being the captain of a ship: even a good team can get





The importance of leadership is often underappreciated. It obviously has great significance for employees' enjoyment, sickness rates and so on.

Kurt Jofs



>> lost if the leadership is weak," Rafiah Ibrahim, head of Ericsson Bangladesh, says.

Ingalill Holmberg confirms the importance to company leaders of the ability to communicate. "A modern leader works in a totally different way from before."

Holmberg sees a big difference between the ideal image of a leader and those people actually working as managers. "The ideal can almost live its own life. But the important aspect is that it works as a symbol for what good leadership is," she says.

Pehrson adds: "The ideal manager is good at achieving business results, with motivated employees and satisfied customers. And to get there, we at Ericsson say: generate energy, qualify every day and lead by example."

Four types of leadership

The above general description is the basis for Ericsson's thoughts about leadership, a basis that has now been developed further. The difference between the old and new manager's role is a focus on leadership. "Being a manager is legitimized by position. Leader-

ship, being a leader, is earned from what you are like, and what you make others accomplish," Pehrson says.

For 14 years Ericsson has defined leadership based on four management roles:

- Business manager
- Competence developer
- Team builder
- Innovator.

Pehrson says this model has worked well all that time. The changes it faces now stem from a new business climate that requires a framework more consistent with the accelerating rate of change, more intense competition and pressure to perform.

The four roles in the framework are from now on divided into what are called dimensions. The aim is to keep things simple.

"A framework for leadership can be just as complicated and sophisticated as the innumerable tasks and business situations that a manager can face," Pehrson says. "But aiming to be able to attract, recruit and develop leaders within Ericsson in the best possible way, we have decided to limit ourselves to three dimensions."

These are:

- People leadership
- Organizational leadership
- Thought leadership.

The first dimension deals with what is demanded of a leader in direct contact with other people, employees, peers, the person's own managers and people from partner companies. The second focuses on the group perspective, rather than the individual, and you could say it builds on the content of the first dimension. It requires gathering all resources together to achieve the maximum possible: the performance of every individual depends on the performance of others. The third dimension adds to the first two in a more intellectual way. It sets the direction, the strategy, for keeping the first and second dimensions aligned in the future.

These three dimensions can be defined in more detail. Each involves four competences. These are what Ericsson managers need to be able to do to be effective in all the dimensions, and the competencies can be broken down further to explain what is involved.

Good leadership is important for keeping the team together during good times and bad. It is just like being the captain of a ship: even a good team can get lost if the leadership is weak.

Rafiah Ibrahim



People leadership can be broken down into lead by example, generate energy, quality every day, and communicate. Except for the last one, these have been Carl-Henric Svanberg's catchphrases for some time. They are also exactly the points that the managers with whom Contact has spoken have identified as important.

Keeping it simple

Organizational leadership is based on four competencies: simplify, mobilize, push for excellence, and get results. A leader must be able to focus on what is necessary and not make things unnecessarily difficult. Mobilizing involves taking advantage of all talent that exists within Ericsson and its partner companies. This has a lot to do with successful team building. Push for excellence is tied to operational excellence, which is increasingly spreading through the organization. And it can be tied to Ericsson employees always, and in everything, striving to reach clear results, both in the short and long term.

And so to thought leadership. This means that an

Ericsson manager must be able to see the big picture, understand the challenges now and in the future, capture the opportunities and always see the entire group as a whole.

These points apply to every leader and the entire organization. Then it is a question of adapting your role to the prevailing circumstances.

Pehrson says: "It is important to point out that we are not working with stereotypical managers' roles, but that all employees are individuals with individual circumstances. An operative manager, such as line manager for example, always needs to be on site. But this can always be adapted depending on the circumstances. It is therefore important for an operative manager to contribute to enthusiasm and enjoyment in the workplace."

For a manager with more strategic responsibility, it is important to be able to communicate well, to guide employees and explain why decisions are taken and the consequences they will have, Pehrson says.

The new leadership program, presented at this year's Global Management Conference, GMC, can be

seen as placing tougher demands on the organization's managers. Pehrson says that this is required if Ericsson wants not just to maintain its position in the market but also become the absolute leader.

"The frameworks we have now set up can be wrapped up in three points: one-to-one, one-to-many, and where are we going. That is what this is about," Pehrson says.

"Our Ways of Working cannot really break through unless Our Ways of Leading have been properly established.

"Our managers must know what is required for us to be able to build the corporate culture and have the operational excellence that the ever-changing society and business climate demands," Pehrson says.

Implementing the new leadership model will be demanding work, but Pehrson has no doubt it is going to succeed.

"All Ericsson managers will be trained in the new leadership model in 2006. This is an arduous task, but it is decisive for the success of the new ways of leading," Pehrson says.



There is an ancient Chinese saying that “the teacher opens the door, but the student must enter by himself.” The saying could be a simple explanation of **how Ericsson trains new managers** in leadership. Despite all the resources that the company commits to its education program – virtual classrooms, course leaders and coaches – it is in the end up to you to do the work.

Going back to school

Ericsson is far from the only company with a thoroughly thought-through leadership philosophy. On the contrary, such an approach is seen as standard among corporate giants of Ericsson's size. What does make a difference, however, is possibly the clearer steps used to give managers the training they need. LCC, Leadership Core Curriculum, is the compulsory education program for all new Ericsson managers. Started in 1997, it has taken on a new form this year, says Eva Andreassen, who is responsible for Ericsson's global leadership training and has developed the new program.

“A big difference with the new program is that we are putting equal weight on the ability to deliver results in performance management and the ability to lead people, or people management,” she says.

The aim of LCC is that all participants understand Ericsson's Ways of Working and what this means for work leaders. It should support the development of strategic leadership competence. Managers should recognize their strengths and weaknesses, be able to work efficiently with others and be able to create working environments that are inspiring for employees. And when the program is ended, the participants' leadership competence should have improved.

Pär-Anders Pehrson says: “LCC is unique and a very good base for managers to develop themselves and their leadership competence. But, of course, it is

not everything. The training has a general form but also needs to work locally. That observation applies to being a manager in general. So continual further education is important for all managers. It can involve getting a mentor and a coach.”

One of the cornerstones of LCC is that every participant has a coach. This person, as opposed to a mentor (another common approach for Ericsson employees who want to expand their competence), should be an active participant during the course. The course then comprises three smaller gatherings in groups of about 20 participants, called Learning Labs, where people meet a management trainer and work with different exercises, ask questions and solve problems. Before the first Learning Lab, and between subsequent Learning Labs, people work with the program through a number of exercises, lectures, web courses and discussions with trainers and other participants. But participants do most of the work themselves.

Everything in the management training should help new managers better exploit their own capacity. During this process, they have help from a competence trainer, coach and their immediate managers to learn to do everything that is important for a top-performing manager.

To assist, they have the program itself, reading material and exercises to do. And of course all the course colleagues can give support and advice.

But despite all this help, it is up to the participant to do all the work. The teacher opens the door, but you have to enter by yourself. •

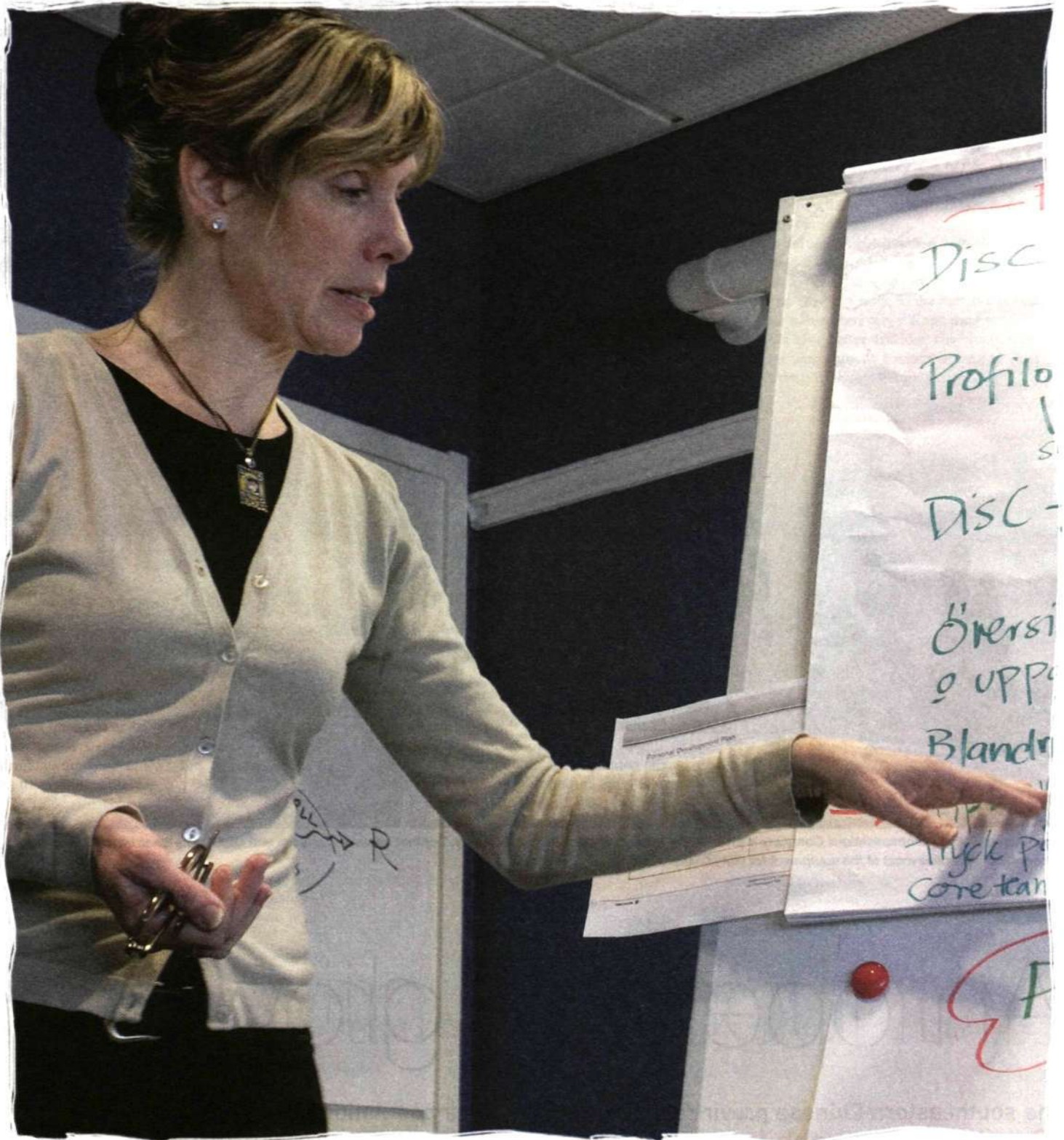


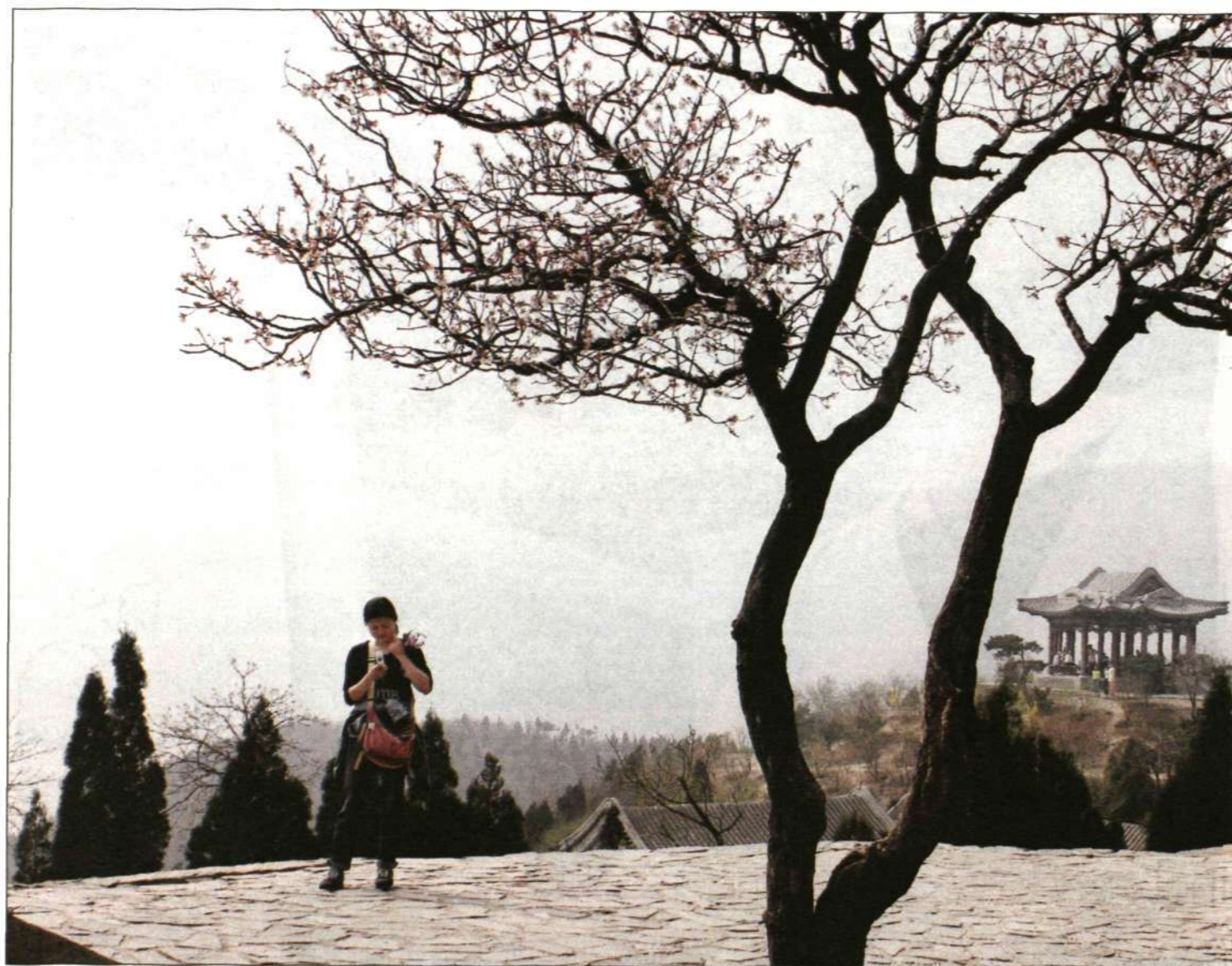
Eva Andreassen

a great business manager, according to eva andreassen

- Builds confidence in him/herself and in others
- Is clear what he or she expects of employees
- Can challenge you and your thinking, can get you to dare, and helps you to stretch your boundaries
- Is a good member in a management team. Contributes, sees trends and the big picture
- Is a good colleague, both to employees and other managers
- Helps his or her own manager to be a good one
- Sees qualities and possibilities in both him/herself and others
- Understands customers and finances
- Is curious about our industry, other units and other companies.

text: johan kvickström photo: gunnar ask





Guangdong Mobile Communications Company is an operator growing in pace with the country. Contact between Ericsson and GMCC stretches back 18 years and Ericsson now supplies most of the equipment for GMCC's network.

An operator growing in pace with the country

The southeastern Chinese province of Guangdong has a population of 100 million, of whom **48 million have mobile subscriptions with Guangdong Mobile**. A dizzying number for any other operator, but Guangdong Mobile's goal is even more ambitious.

Guangdong Mobile Communications Company (GMCC) is a company with confidence. Wholly owned by giant China Mobile, with 70 percent of the total number of mobile subscribers in China, GMCC has the prerequisites for expanding at the same pace as the Chinese economy. The company takes a simple view: "The entire economy is growing day by day. We believe that as increasing numbers of people accumulate

money, they will certainly use more services. The main stream is voice service, but we expect data services to develop rapidly in two to three years," says Sun Jianjun, Vice Director, Network Management Center, GMCC.

Guangdong Mobile is thus prepared for rapid market development, but there are also other challenges. Subscribers have high demands, but they are not unrealistic.

"They hope that if they use data service, the speed will increase. For voice, they hope to be able to use the service at lower cost. They also have very strict



Sun Jianjun

requirements regarding network security. They hope to have network coverage everywhere – in the basement, in hotel elevators and in restaurants," Sun Jianjun says.

Contact between Ericsson and GMCC stretches back 18 years and an overwhelmingly positive relationship has developed between the companies during that time. Ericsson now supplies most of the equipment for GMCC's network. In 2004 Ericsson got a huge contract worth USD 805 million to expand Guangdong Mobiles GSM network in the province.

If Ericsson wants to stand out and make its mark among the competition, it is naturally important that the company is able to provide the correct equi-

Security improved through shared traffic

As Guangdong Mobile's network has grown, the use of data-based services has also increased. This has generated an overload in the system, thereby jeopardizing security for the users. So, GMCC turned to Ericsson for help in redesigning parts of the network.

"We don't believe that our problems can be resolved by any other supplier than Ericsson. It was Ericsson that supplied the core network, which means it is best acquainted with the equipment. We also have positive experience from earlier cooperation with Ericsson and believe that the company will help us this time, too," says Sun Jianjun.

"By redesigning the network, we will resolve our

security problem and at the same time make the network more robust and capable of handling more traffic. We also hope that Ericsson will share some of its knowledge of the area with us during the project," he continues.

For Ericsson's part, the company listened and acted accordingly.

"After gathering important data from the network, one of the conclusions we made was that we needed to separate the traffic in the network. We succeeded in this by using a firewall. We also changed some of the operator's network struc-



Johnny Xu

ture," says Johnny Xu, Ericsson's Service Manager for GMCC.

In this project, Ericsson also trained the operator's personnel so that they are better able to operate the network and continuously improve security in both the GPRS-based portion and the data-based portion.

The customer is also satisfied with Ericsson's achievements.

"Availability in our network is considerably better now. Even if a node in the network breaks down, our subscribers can still use their services. Security is also better and our customers need no longer worry about hackers accessing their personal data," says Sun Jianjun.

"The entire economy is growing day by day. We believe that as increasing numbers of people accumulate money, they will certainly use more services. Sun Jianjun

ipment, as well as know-how in the form of local resources.

"We would like Ericsson to appoint more resources locally. Sometimes, when we have encountered problems in our network and have reported this to Ericsson, the question has been passed upwards and has ended up abroad. It can take months before we receive a response," Sun Jianjun says.

"This means that, to date, locally based suppliers have an advantage because their most experienced resources are located here in China," he adds.

Stephen Yeung, president, region south Ericsson (China) knows what it takes to keep up Ericsson's position.

"We have local competitors and global competitors in Guangdong. For the local main competitor – Huawei – in which Guangdong is its operation and R&D bases. They have relationship with GMCC in other telecom equipment. They are large, aggressive, lower cost, flexible and most important of all, government supported in many respects." He continues:

"On the other hand, our global competitors (for example, Nokia) have strong technological skills, proven network, global implementation resources but suffers from low market presence and a weak business relationship with GMCC."

At the heart of Guangdong province is the Pearl River, the river delta system that connects Guangdong with Hong Kong and Macau. Guangdong's largest city, Guangzhou, where the rich segment of the population in Guangdong lives, lies along the Pearl River.

In the city, people need a higher service level, increased data service, new applications and new services. However in a village, basic service is sufficient.

GMCC uses two different brands to attract different customer segments. The Cheng-Chu Tung brand targets large consumers of commercial mobile services, while Sun-Xo-Xi, which means prepaid, offers ordinary users the capability of roaming throughout the country.

facts: china mobile

- China Mobile was formed in 1997 in Hong Kong.
- China Mobile is now China's largest mobile operator, with 70 percent of the country's mobile subscribers.
- China Mobile owns the world's largest mobile network.

facts: guangdong mobile

- Guangdong Mobile operates in Guangdong Province in southeastern China.
- 100 percent owned by China Mobile.
- Guangdong Mobile now has 48 million mobile subscribers.

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around ericsson

editor: gunilla tamm

High-speed WCDMA racks up the miles

From the outside it looks like a totally ordinary, white Ericsson van. But appearances can be deceptive. Inside, it contains the absolute latest in mobile communications so visiting customers can take a ride to experience both mobile broadband and IP telephony.

Petra Garney works with marketing and technical sales support for WCDMA and HSDPA. Among her tasks is being the presenter when customers take a ride in the demo van. "This is our fourth demo trip today, and it is obvious that HSDPA technology, which boosts WCDMA's performance significantly, is really 'hot,'" she says.

The equipment in the van has recently been upgraded; the technology on show is the next step in the evolution of WCDMA, Enhanced Uplink (EUL) or HSUPA. As the name suggests, it provides even better performance in the uplink, from the mobile phone to the base station. The first step was HSDPA, high-speed downlink, from the base station to the mobile.

Five guests can fit in the van for the 15-minute demo trips.

"We use our own network for HSDPA/Enhanced Uplink, where we are connected to a WCDMA antenna on the roof of one of the Ericsson buildings in Kista. The equipment is inside the building and we



Tomas Edblad, Viktor Carlquist and Petra Garney in the demo vehicle.

Photo: Hanna Teleman

have a connection to the internet for different types of applications," Garney says.

In the front seat, beside driver Tomas Edblad, sits Viktor Carlquist, who is in contact with a colleague at the base station. The shift between the uplink and downlink is done manually.

The demonstrations include applications such as video conferencing, web surfing and streaming; e-mails with large attachments are sent.

"You can tell from the questions customers ask that they know a lot about HSDPA/EUL," Garney says. "I enjoy getting some tricky questions to answer. That also gives you the opportunity to show how far ahead Ericsson's technology is. It is true that 'seeing is believing,' and many visitors are impressed."

As well as the van in Kista, Ericsson has two other HSDPA-demo vehicles, one traveling around Europe and the other in Japan.

Congratulations Svetlana

Svetlana Skvortsova from Ericsson in Russia, the winner of the Young Minds in Telecom essay-writing competition, is now on a three-month internship at the ITU (International Telecommunication Union) in Geneva, Switzerland.

Skvortsova works at the Marketing, Business Development and Sales Coordination department at Ericsson in Moscow. She is also studying towards a Master of Communications Management degree

at Coventry University Business School in Great Britain via a distance-learning program.

Her work at the Strategy and Policy Unit of the ITU will involve telecom market research and identification of drivers and trends in the mobile internet, NGN (Next Generation Networks) and IMS-related technologies and business. An important part of her work will be to prepare for the second phase of the World Summit on the Information

Society (WSIS), organized by the United Nations and administrated by the ITU. WSIS is due to take place in Tunis in November.

The title of Skvortsova's essay is "Making the internet mobile."



Favorable winds for Jacek Brzozowski, Cezary Jedrzejczak and Adam Lemanski, the skipper.

Regatta in telecommunications

Ericsson in Poland knows how to catch the wind and came third in IT Cup 2005, the telecommunications regatta in the X International Sailing Championship of Poland. The IT Cup was held in the Mazury Lake District, in northeastern Poland. All together 47 teams participated, with two teams coming from Ericsson in Poland.

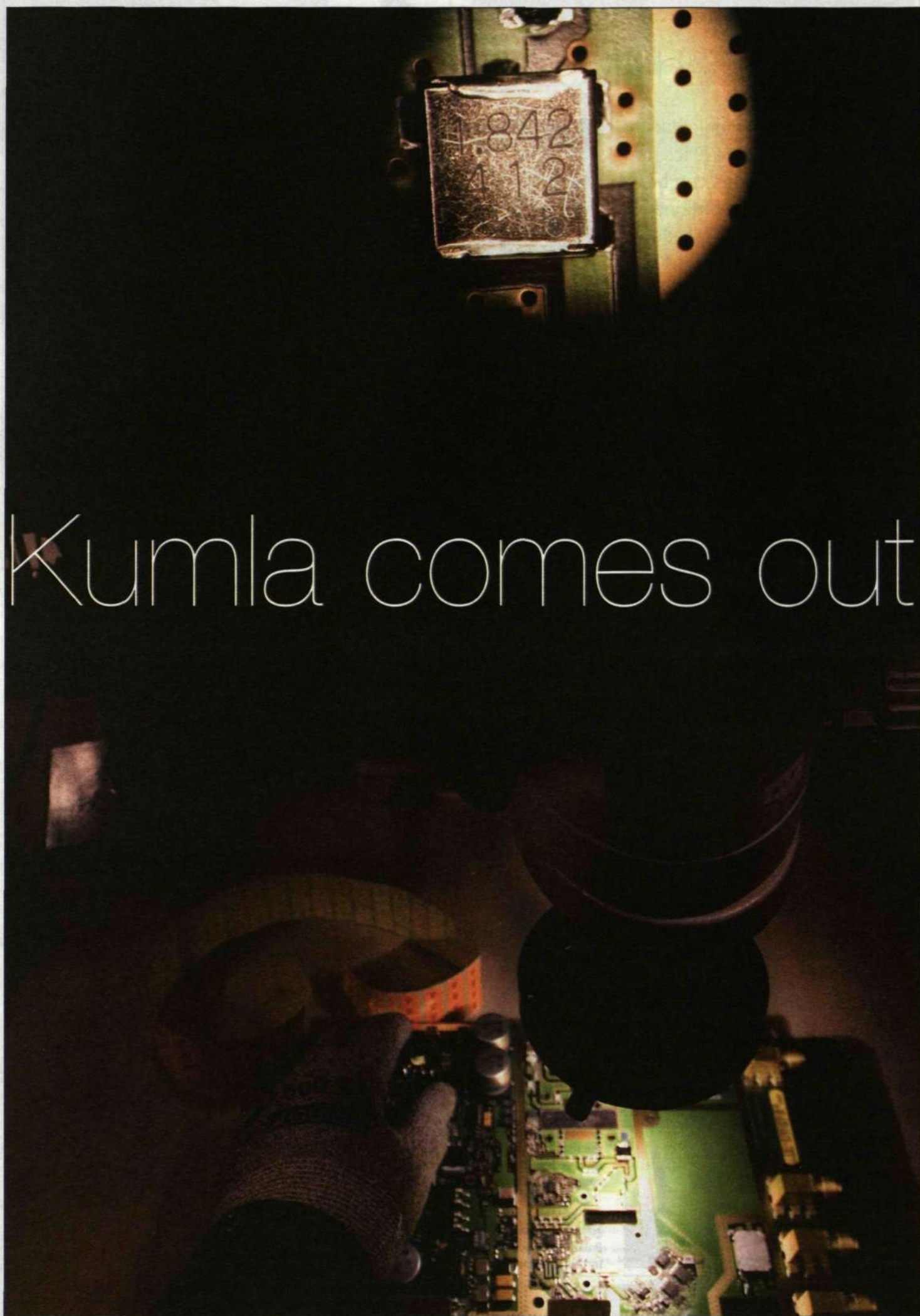
Tomasz Bednarczyk, skipper on one of the Ericsson entries, said: "This is the first time we have gotten onto the podium. This season, Ericsson in Poland will participate in three regattas organized by the customers."

Celebration in Ukraine

This year marks the 110th anniversary of Ericsson in Ukraine. The first Ericsson exchange was installed in the capital, Kiev, in 1895. This year also marks 10 years since Ericsson's representative office was opened there.

The anniversary was marked with the opening of a new international competence center in Kiev, which will work on developing innovative solutions and services for customers in Ukraine and other countries within Market Unit Eastern Europe & Central Asia.

Rasmus Nordby, head of Ericsson in Ukraine, and Björn Hemstad, head of the market unit, told the anniversary celebrations of Ericsson's history and prospects in Ukraine. The party also included a concert by popular Ukrainian singer Irina Bylik.



Kumla comes out



of the darkness

There are only a few cars in the parking lot outside the main entrance of the factory in Kumla, Sweden, when Contact arrives. The factory, which in recent years had up to 3700 employees, today has fewer than 900. The staff reduction was a big blow for the small community of 19,000. But things do seem to have recovered – in some areas.

The Ericsson employees Contact speaks to show a cautious belief in the future. A series of measures have been taken in what seems to be a very deliberate commitment: the Kumla factory needs to be the best in the world in its remaining operations, the manufacture of circuit boards and the industrial production of radio modules and base stations. That ambition shows both humility and a definite boldness.

Mikael Thorell, an employee since 1994, is one of those affected by the changes. "Well, my girlfriend had to finish up," he says. Thorell had two more years under his belt and got to stay. The smile on his lips does not quite reach his eyes.

"Things are better now. It is fun to go to work these days. And I have good workmates," he says.

It is an attitude shared by many.

Impressive efficiency

About 140 of the factory's employees work on the assembly line: 10 lines of machines – one of them referred to dramatically as "the new line" – in a huge room where circuit boards are produced for base stations. All 10 rows are rarely all working at the same time: production volume varies, but the efficiency is impressive. People talk about "green time."

Assembly line manager Per Halldin explains that green time is an expression of efficiency: the proportion of time utilized. Ideally,



Per Halldin

a machine is working at 100 percent capacity 24-hours-a-day, seven-days a week. But that is a theoretical maximum, not because the machines are not staffed around the clock – they are – but because of a range of other factors.

The first is that no machine in the world is without fault. Kumla's assembly line works with high-technology production and incredible precision. The risk of mistakes is great: the thousands of components mounted on the circuit boards can be as small as 0.3mm. Things can, and do, go wrong. Some of the faulty boards can be fixed, while others are discarded. All this means the assembly machines need constant maintenance and adjustment.

And production is changed from day to day, or at least from week to week, to meet demand. The components produced are becoming increasingly complex. This means the settings must be adjusted, new components for assembly must be supplied.

And the human factor also comes into play. Nobody works eight hours straight – everybody needs to take breaks. The pace at the start of a shift is different from that at the end. And so on. And people can actually make mistakes.

Production estimates take into account the fact that targets cannot be met 100 percent of the time. "We are constantly working at being better and reaching a target of 80 percent," Halldin says.

Measures to improve operational efficiency have already lifted utilization of the assembly-line machines to just over 70 percent of the time.

Knowledgeable staff on the production line

We visit Line Six. A heavy rattling sound comes from the machine in irregular bursts. Through the glass, you see a revolving machine-head moving over the circuit board. It swings forward so fast it makes you blink. Ra-ta-ta-ta-ta-ta-ta-ta-ta. Ta-ta-ta-ta. Ra-ta-

facts

A line is the collective term for the steps, such as machining, that make up the production process at one site. This does not necessarily mean that a product is completed, but rather that it requires further steps before and afterwards.

ta-ta-ta. A coordinator stands there monitoring the process.

This machine is the fifth station on this line. Different components – totaling more than 2500 – are put together in different machines, and then the circuit board itself is built. Blank pattern cards are fed in at one end of the line; at the other, a high-tech piece of art is the result. The whole process takes 15 minutes.

The process comprises a series of steps, and can be varied to an infinite degree depending on demand. The Kumla factory produces a variety of different general-purpose boards – when things are working well, of course.

Most of the time, they do. Those problems that arise can often be solved immediately. Production is run by knowledgeable and skilled staff who examine every circuit board under a magnifying glass. For an outsider, it just looks difficult.

The board is piled up with a mass of components; the trick is to know what it should look like.

The machines have measuring instruments to help, checking the board from different angles, measuring the placement of the components and their height. But no matter how much the inspection is computerized, one fact remains: at the end of the day, the people are in control. And that demands competence.

People are moving around almost silently. Some machines clatter away, but are not disturbing at all.

Pia first off the training line

Education can help highly competent staff achieve operational excellence – this is one of several initiatives that will keep the Kumla factory at the top of its league.

Pia Åberg was the first to go through the complete training. Employed in 1993, she was seen as a suitable test pilot. She went through the course step-by-step over several weeks, fitting it into her work schedule. This is the way the course has been designed; it is not a schedule that must be followed slavishly, but rather can be adapted to suit operations. This means it not only imparts important information but also provides some variation at work.

Åberg hopes her training efforts lead to a major breakthrough. She points to the constant developments in production. Because the factory is being adapted to new circuit boards, production is constantly being adjusted with ever-increasing demands. On top of that, changes to machinery and equipment are impossible to cope with if the operator lacks the basic skills.

"There is always something different that requires new skills from the person operating the machines. But, of course, you have to enjoy learning," she says.

Åberg believes the improved competence will have great significance for the factory's ability to hold its own in the market.

"Our staff have a very high level of basic knowledge. If someone like a purchaser comes here, they can expect things being done well," Åberg says.



Her positive attitude expresses itself in several happy laughs during the interview. Many of her answers end with a big smile, a giggle or a guffaw. But her optimism for the future is also tinged with tones of melancholy – not so strange when, as she explains, people have been through two rounds of redundancies.

Her enthusiasm for Ericsson obviously remains – she stresses that fact – but the job losses have left a mark.

"There was a lot happening and it was all so quick. People you had worked with for years weren't around any more. When you think about what things were like then, and what was happening, maybe it wasn't such a surprise. And I must say that I have never even heard of a company doing as much for employees who have had to leave. Ericsson took on its responsibility and really helped out."

Åberg is also unhappy the diversity of employees is not what it used to be.

"I am 36, and among the younger ones. Those who had not worked here so long were the ones who were let go. But there are new people coming in again now, which is good. It's a good bunch of people working here."

The new people Åberg mentions are most often previous employees who are coming back, for shorter, time-limited contracts, now that economic conditions seem to slowly improving.

The good feeling that Åberg describes as the most important aspect of an enjoyable workplace is palpable on the floor. People at every machine are enthusiastic as they talk about their work. Constant laughs are heard from the coffee room. If things were down after the redundancies, it is a different place now, Åberg says. And she attributes this partly to the training opportunities: "I believe, actually, that the training is part of the reason for the mood becoming better. It feels like a good example of looking forward."

>> And the tempo of work does not seem to be extremely stressful either. Instead, workers are deep in concentration: craftspeople confident in their work do not need to get unnecessarily stressed.

Quality assurance

The concept of operational excellence is part of everything going on, at every level. The new assembly line is set to play an important role here.

It will produce large volumes at low cost as well as being used to produce prototypes, where most importantly the speed of the support operations is optimized. As an example, changing settings on the machines will become significantly faster when production is changed.

Quality assurance is a key phrase at Kumla, and it has largely come to grips with most of the problems it once faced.

Everything produced is inspected in great detail by the competent employees. Even the smallest mistake can mean a circuit board does not work, and they must not sneak through. An item that must be scrapped is money wasted: it has already taken time and materials to produce. But an even more important consideration is that a large proportion of defective products reaching the market would give Ericsson a bad reputation.

With improved machinery and a better-quality mindset, this in principle could never happen today.

This quality mindset runs through the entire production process. Every department has introduced efficiency measures with a common aim: the Kumla factory should be the leader in its area.

And "green time" is a good parameter for seeing how well its efforts are working. The percentage varies depending on how much the production process needs to be adapted to new articles – and therefore also depending on the time span you measure.

Training gives results

There are many improvement initiatives at the factory, one of which focuses on the working environment. All employees are offered assessments of their working conditions to accommodate individual arrangements as much as possible. Another initiative is staff training.

The Kumla factory started a new training effort for employees in late 2004. Certification is required for most of the more advanced steps, says Peter Lilja, head of quality efforts.

"We see training as essential for us to be able to develop and reach our goal. It is a prerequisite for development," he says.

"The idea of the certification process is that an

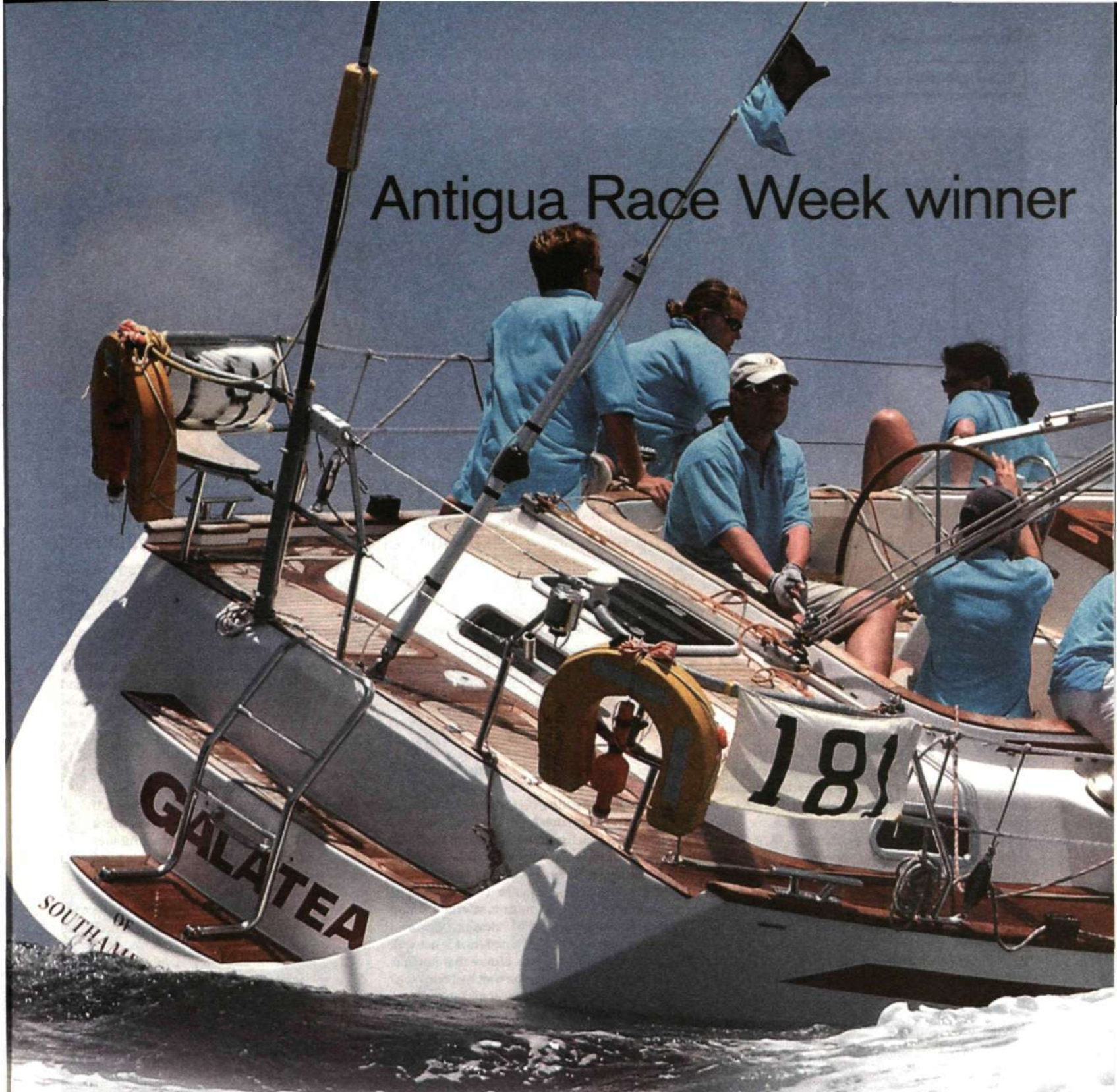
employee should get the right training at the right time. It involves a combination of practical and theory work and tests, which show that the participants have understood it and can do the job. This raises the competence levels across the board. Nobody should be working without also having formal training."

Training itself is not especially demanding in terms of time; it takes about four days per machine. But as one employee points out, it is important to know why, to have the background understanding on a theoretical level. Someone who has only practical knowledge can probably run things when all is working smoothly, but knowing how to act when things go wrong demands more.

facts

The Ericsson factory in Kumla produces and develops radio modules and circuit boards for radio base stations. The factory was established in 1962 under SRA and produced Radiola radio units. Production of NMT mobile telephones started in 1981, and two years later SRA became Ericsson Radio Systems AB. Mobile-phone production was halted in 2001.

Antigua Race Week winner



Crewing their Najad 373 "Galatea", Will Collins and Gaby Hancock took on all comers in what is perhaps the most prestigious sailing competition in the entire Caribbean. They competed in a fully equipped cruiser, a Najad 373 designed for long-distance hauls and even sporting a windscreen to protect from buffeting winds and swelling seas.

But the intrepid duo of Collins and Hancock did more than just compete in this gruelling race – they won it too. In an open-ocean race lasting 5 days and covering a variety of stages, both the crew and the boat show their true mettle in competition against professionals and amateurs alike – and against Nature's elements.

The boats on the starting line represented just about every type and size, and most were meticulously prepared for ocean racing. After five completed races however, there was a winner – "Galatea". The Najad 373 is one of Najad's new range of fast and comfortable ocean cruisers.

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Managing profitable growth

The telecom market is changing rapidly. Customer needs are evolving and Ericsson is finding growth in new business areas. **In Spain and Portugal**, a newly launched program will help managers and employees face up to the new challenges and reach some very ambitious growth targets set for 2008.

Market Unit Iberia, one of Ericsson's largest market units, has set a high target for gross sales.

While they seem tough, they are setting some very realistic targets, taking into consideration that the way Ericsson does business will evolve in coming years – not fundamentally changing, but expanding the company and the kinds of areas in which Ericsson will be active.

The Managing Profitable Growth program has been established to identify measures to reach the ambitious sales and profitability targets. Henrik Bergman, director of the program, says: "You could say that Ericsson is transforming from being a technology company with some services into being a true technology and services company. Within the Iberia market unit, we are trying to speed up this development and to make sure that we take even more advantage of the synergies between the two areas. This has implications on our ways of working and is the reason why we have to implement certain adjustments."



Henrik Bergman

Previously, Ericsson was a company predominantly providing telecom operators with infrastructure, but this area of business no longer stands alone. Alongside the infrastructure business, Ericsson has broadened its activities to include many other areas, the most significant being managed services and systems integration. Juan Carlos Sanchez, Service Business Evolution Program Manager and deeply involved with the Managing Profitable Growth program, says Market Unit Iberia has identified managed services, which includes field maintenance (meaning Ericsson takes over day-to-day operations of an operator's network) as a business area with huge potential for growth.

"In this particular area we are definitely on track,"

he says. "In fact, we are already above our set 2005 objective on the way to reach our 2008 objective. In less than two years this area has seen the creation or acquisition of four companies as a result of new types of operational-outsourcing and managed-services contracts."



Juan Carlos Sanchez

Different clients within one customer company

In 2003, Market Unit Iberia won a radio network outsourcing contract with Spanish mobile operator Amena, explains Rosendo Urbán, key account manager for Auna, the Spanish company which owns Amena. This contract, he says, saw the creation of a separate company within Ericsson, NewTelco Services, and the setting up of a nationwide network of maintenance technicians to ensure that Amena's network (not all of which, by the way, had been supplied by Ericsson) ran smoothly at all times. Those kinds of field operations were new to Ericsson but the area has, as mentioned before, been growing immensely in the last couple of years.

This is all very positive, says Bergman, but it means Ericsson is now employing different kinds of people than before and that the company is getting new contact people within customer organisations.

"When we look from the customer perspective, the people we meet from each customer company are different depending on their business area. Do we talk to technical departments, marketing, planning, etcetera? In each case we have different profiles that we have to adapt to. In some cases we need to take a business consulting approach, talking about business cases, end-user experiences, etcetera. In other situations, we talk processes, maintenance, etcetera. And all these different kinds of customer

interfaces, so to speak, need different kinds of competences within our own organisation," he says.

In other words, the program of Managing Profitable Growth is not about setting targets. Strategy and analysis are closed chapters, says market unit head Ingemar Naeve.

"We know where we want to go. Now we have to figure out how to get there. In general terms, we get there by setting up an organization with the right competences and cost efficiency to be profitable and competitive. Output will need to be on organization and performance benchmarks, which can manage having three kinds of businesses under the roof of one market unit and to sustain growth in all these areas," he says.

"It's about managing the growth we foresee and doing it with best in class profitability," Naeve adds.



Ingemar Naeve

The program must answer questions

The Managing Profitable Growth program focuses on the different business areas and how they impact on the different processes and practices within Ericsson. The issue Bergman says is that Ericsson has good processes but needs to examine them to adapt them to fit the requirements of each area as well as assure that they are followed.

Speaking about the specifics of the coming year's work, which will be complex but hopefully rewarding since the program also hopes to create stronger ties between the market unit and other Ericsson activities on the Iberian Peninsula, Bergman says: "Another thing is the role of responsibility within each unit. In the sales cycle and the life cycle of each solution we have to make sure that each unit knows its role and responsibility. First you have the process, then you have the roles and responsibilities, and the next thing is the organization and principles, which support these things. So the question is, how do we plan, measure and forecast in each of these areas? Not just on an overall level but on a more specific level so that overall numbers do not camouflage that one area might do very well while another is in need of attention. We need to be able to pinpoint our targets, expectations and results of each business area.

"In Iberia we are fortunate to have one of the Global Services delivery centers and also one of the R&D centers of Ericsson. These centers work in areas that

facts: market unit iberia

Spain was number five on the Ericsson list of Top 10 markets in 2004 with 4 percent of total worldwide sales. Numbers one to four were the US, China, Italy and Sweden.

Spain has a population of 40.8 million people. Mobile penetration is 91 percent, or 37.5 million people. 58 percent of all mobile customers are prepaid. The Spanish Average Revenue Per User is EUR 30.

Portugal has a population of 10.4 million people. Mobile penetration in the country is 95 percent, or 9.9 million people, of which 80 percent are pre-paid. The Portuguese Average Revenue Per User is USD 31 (EUR 26).

Net sales for the entire market unit in 2004 were EUR 723 million. 80 percent of the sales came from Spanish customers.



have direct impact on the business we are executing here in Iberia. So we are including them in the program to see how to create synergies between us – how can they benefit from us and how can we benefit from them. We are not at the moment more closely connected to these entities than any other market unit but due to the proximity of our market unit and these centers, we want to work more closely together.”

You can't run to Stockholm

Naeve is very excited about the program which reminds him of his time at business school. “It's like creating your own business case in your own business school. But it's a real business case in a real business,” he says and adds on a more serious note, “We acted when we saw that the services business was a

growth area and hopefully could give us a first-mover advantage. Although these circumstances might not be applicable worldwide, we are pretty certain, from a regional point of view that other market units in Western Europe are looking at the same challenges and have to go through the same or similar changes. We have to learn from each other. The challenges might be similar, but how to solve the problems must be figured out locally. You can't run to headquarters in Stockholm and ask how to solve everything,” he says.

That's why it's for the local management team to look at every aspect of the necessary changes and to plan how they will be implemented. Implementation will be part of normal managerial tasks acting on recommendations of the program.

“We ask from everyone a certain support and

acceptance. The market is not standing still and hopefully implementing these changes and acting on new ways of doing business will give us a structural competitive edge,” Naeve says.

Portugal Country Manager Fernanda Tomas agrees: “Unless we are able to reinforce our corporate culture and very strong values within Ericsson we will not be able to reach these targets. Within Ericsson we always say ‘we provide and then we expect,’ and this program is also about putting this principle into real life. We have a wonderful company, which provides us with a lot of things. It's also necessary to give something back,” she says. •



Fernanda Tomas

Spanish software strengthening mobile data

The acquisition of Spanish software company NetSpira Networks will enable Ericsson to "leapfrog" the competition, through further strengthening its mobile data offering.

Ericsson will integrate the content-charging specialist's industry-recognized Enhanced Control Solution (ECS) into its mobile packet portfolio – renaming it Service Aware Support Node (SASN) – in what is a significant triumph for the company. The SASN will be incorporated into the Gateway GPRS Support Node (GGSN), which is developed in cooperation with Juniper Networks.

NetSpira's solution makes it easier to charge end users for mobile data on handsets, such as downloads, web browsing and sending multimedia messages – an increasing demand from operators looking to fine-tune charging to maximize revenues. It enables event-based charging and control, with minimal impact on network infrastructure.

It is currently in commercial use by Eurotel Praha in the Czech Republic, Pannon in Hungary, Virgin Mobile in the US, Vodafone in Spain, MobileOne in Singapore, Telefónica Móviles in Spain and Optimus in Portugal, along with other prominent operators in the Americas and Asia Pacific.

Fredrik Alatalo, vice president of Mobile Core, says the deal, signed in June, allows Ericsson to augment its mobile data offering, which already has some service-aware charging and control capabilities.

"This will allow us to get a jump on the competition, because NetSpira's functionality gives operators control, and it is already recognized within the industry as an excellent solution. The company worked extensively with operators to create this solution, which brings with it competence, which is another bonus for Ericsson.

"Ultimately, Ericsson could have developed a similar product into the future – we have the skills and the competence – but this move enables us to leapfrog our competition," Alatalo says.

He says the deal will allow Ericsson to strongly position itself in the "packet and IP space." As well as significant opportunities in the wireless arena, Alatalo also sees potential application for the technology in the wireline and service layer environment.

"This new functionality could potentially allow wireline operators, who have traditionally just provided, for example, broadband services, to add further charging and control capabilities," he says.

Alatalo says that the existing ECS product will be further sold, as part of Ericsson's packet core mobile data offering. He says Ericsson will continue to support NetSpira's existing customers.

The potential difficulties associated with an acquisition have been avoided, Alatalo says. "The compa-



Fredrik Alatalo, vice president of Mobile Core.

ny's 20+ staff, who are all now employed by Ericsson, have welcomed us. It's been fantastic because the staff have been excellent. They are happy to have us and we are happy to have them," he says.

The deal was the culmination of many months work by dedicated staff, Alatalo says.

"Credit must go to Melih Tufan, Staffan Lindholm and Göran Bermtson from Product Line Packet Core and Tori Gillberg from Group Function Financial Control, who all did an exceptional job," he says.

Ericsson acquired NetSpira Networks from its

founders and the Spanish technological venture capital firm Bullnet Capital. NetSpira has operations in Madrid and Barcelona, Spain.

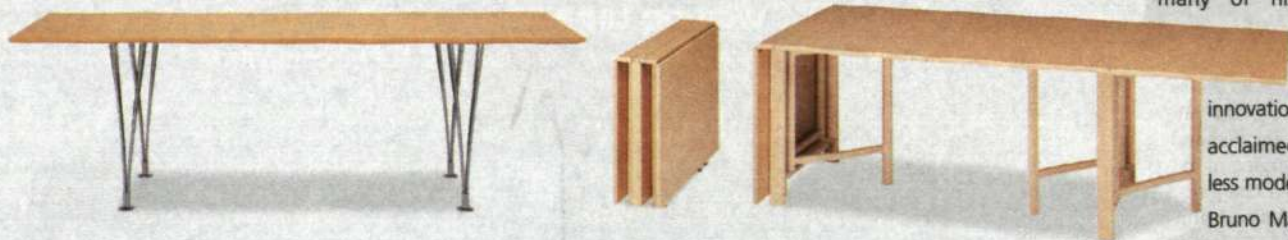
At the time of the announcement, José Lopez, NetSpira's chief executive officer, said the company was "proud and excited" to be part of the Ericsson family.

"By combining the global strengths of Ericsson's and NetSpira's technology, Ericsson has given a clear indication of its intent to be the leading provider of content-based charging solutions, with more than 25 of NetSpira's customer solutions implemented globally," Lopez said.

CLASSICS



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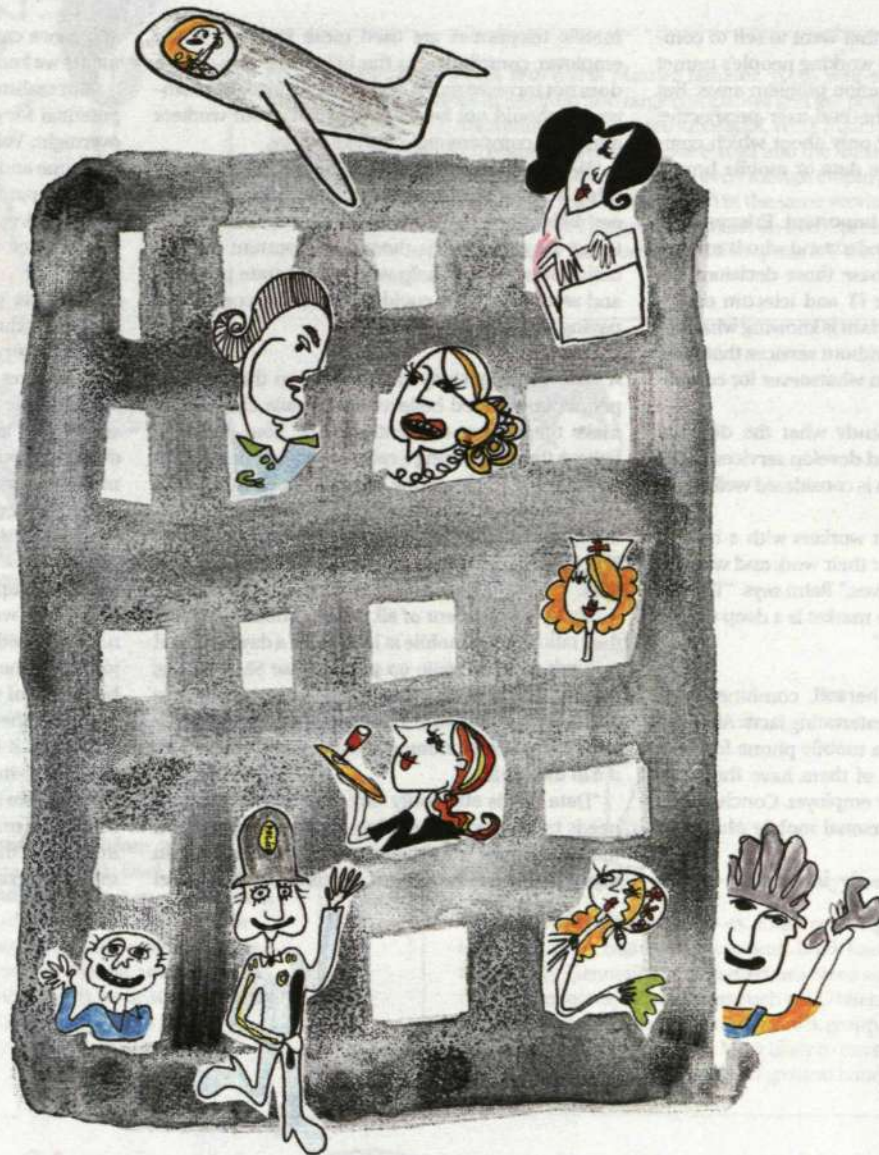


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Understand the people to succeed

Success in the enterprise market demands a strong **understanding of what different types of employees need**, both at work and in their private lives. The mistake of believing that everyone wants every technology the industry invents must be avoided. The key is to broaden the scope and listen to the demands of the various types of workers, not just senior managers.

The enterprise market is often described as hot. Companies are thought to drive growth in many mature markets where the majority of people already own mobile phones.

"The total addressable enterprise market for Ericsson is estimated to be more than USD 60 billion in 2008," says Thomas Thyni, responsible for strategic planning and strategic marketing at Business Unit Enterprise.

The possibilities are there and



Thomas Thyni

they are big, but for Ericsson to be one of the winners it needs a good understanding of the market. This is no simple task. The enterprise market is a complicated one – each type of industry includes small, medium and large companies. While some are early adopters the bulk are followers, needing proof that new solutions will work before implementing them. And each sector comprises a multitude of working people with widely varying needs.

Renis Rahn is in charge of the Enterprise Insight and Foresight Program at Ericsson Consumer & Enterprise Lab. She emphasizes that companies will

never invest in things that do not increase workers' efficiency and thereby company productivity. History shows that people are keener than companies when it comes to taking on and adapting new technologies. Company decision makers want to know "What is in this investment for me?" so they tend to wait to see how new solutions work for other, similar companies.



Renis Rahn

>> "Ericsson and operators that want to sell to companies need to understand working people's unmet needs and their communication problem areas. But nobody is talking about the end-user perspective today: everybody is talking only about which companies they can sell mobile data or mobile broadband to," Rahn says.

That aspect is obviously important. Ericsson and service providers need to understand who is making decisions, and what they base those decisions on, when companies purchase IT and telecom equipment. But even more important is knowing what services workers really need; without services that meet demands, there is no reason whatsoever for companies to pay for them.

It is therefore best to study what the different groups of workers need, and develop services based on this knowledge. Ericsson is considered well ahead in this respect.

"We are trying to look at workers with a holistic view: what do they need for their work and what do they need in their private lives," Rahn says. "The key to success in the enterprise market is a deep understanding of workers' needs."

Studies Rahn has done herself, combined with other surveys, reveal some interesting facts: About 50 percent of all workers use a mobile phone for work but only about 10 percent of them have their bills paid, in part or full, by their employer. Conclusion: a lot of workers use their personal mobile phone for work.

Further, and what is really interesting, is that

mobile telephones are used more for work if the employer contributes to the bill, while private use does not increase much at all. This is a sign that companies should not be overly worried about workers abusing a company-paid mobile phone.

"We read from this that companies are really benefiting from paying the entire or part of their employees' bills, since the worker will do a lot more work using the mobile. It is therefore important to have billing services that help workers separate personal and work calls. That could lead to more companies paying for calls," Rahn says.

A wide-ranging study has also shown that half the people questioned believe that mobile calls would make them more efficient at work. Four-out-of-10 believe that forwarding a call from a fixed-line phone or having a single phone for fixed-line and mobile telephony would improve efficiency, and about one-third say the same of e-mail and calendar functions. The figures vary however between different types of jobs.

Ninety-five percent of all mobile phone users say they talk on their mobile at least once a day, personal or work-related, while 60 percent use SMS and 55 percent check their voice mail. Advanced mobile data services are still, however, uncommon for a large part of the workforce, irrespective of where they are in the world.

"Data use is still really tiny and I think Ericsson needs to be careful about hyping up the suggestion that companies will drive growth in data use," Rahn says. "We have to be realistic, understand the market

and move carefully to specifically target those segments we know can benefit.

"But realism is not bad news. I think there is huge potential for growth in data, but it will not happen overnight. Voice will remain the biggest thing for a long time and operators can still do a lot with voice to help companies – most people are not yet using voice conferencing, for example. You get the companies to pay for voice, and then you can get them into data."

So what do you need to succeed in the enterprise market? Rahn points out that all services are not right for everyone. This especially goes for advanced data services. "Service providers need to carefully segment the market and target the right kinds of enterprises and occupations," she says. "Reaching different groups of workers needs properly targeted marketing campaigns, and these will vary by work group. Pioneer workers will pick up new technology more easily than traditionalists, who are still at least 25 percent of the workforce and need a lot of training. Good support is a must," she says.

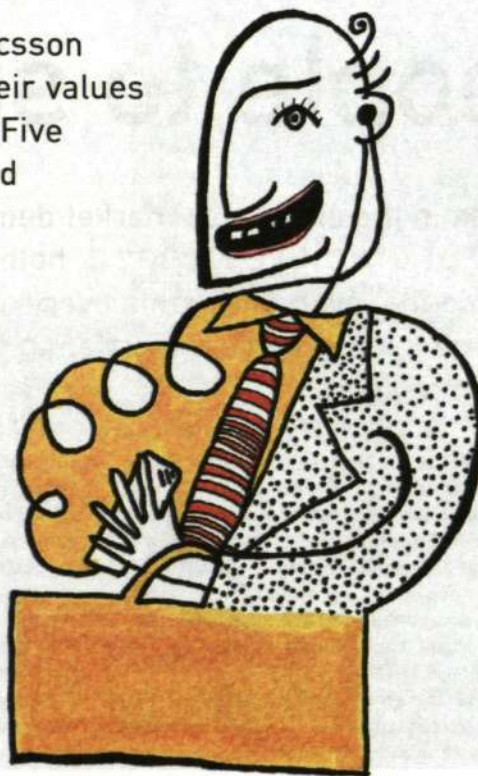
The best way forward for Ericsson is to form partnerships with enterprise customers in order to jointly define service packages based on the actual behaviors of worker groups and address the unmet needs of different groups.

As said, it is a complicated market. But it is not really any more difficult than research company Ovum wrote in a report in December 2003: "There is more than one kind of enterprise; but perhaps more important, there is more than one kind of enterprise mobile worker."

Ericsson Consumer & Enterprise Lab has divided the workforce into **10 different groups of workers**. The groups are clusters of occupations with similar types of work mobility and similar patterns of communication tool and service usage. Remember these are generalizations, and more specific information is available from Consumer & Enterprise Lab studies.

The working group segmentation intersects with the Ericsson Take Five segmentation, which divides people based on their values and attitudes toward communication technology. The Take Five types – pioneers, traditionalists, materialists, sociables and achievers – exist within each work group.

Senior managers/knowledge workers: Married fathers, age 50+, well-educated and high socio-economic level. Many are self-employed. They work in finance, for example, and often as consultants. Lawyers, architects and politicians are other occupations. Work is important and they need to keep updated. They are very mobile. Likely to have communication tools paid for by the employer. Want mobile services for improving work efficiency. This group contains a slight overrepresentation of early-adopters.





Highly educated desk workers: Married females, 35-59, well-educated. Many are middle managers. Work in medium and large companies and the public sector as office salespeople, finance, marketing or human resource staff. Work mainly at their desks, though many work from home occasionally. Use e-mail and the fixed-line phone a lot; many are heavy users of mobile phones for work even though employer doesn't pay for the calls. Eager to increase efficiency, and are interested in the same services as senior manager group, though on lighter handsets. This group contains an overrepresentation of sociables, who are willing to pay a premium for new services if they can see the practical value in their daily lives.



Tech employees: Men, 22-45, single or living with a partner, mid-level education, high socio-economic level. Early adopters of new technology. Generally work in medium-sized and large companies in the private sector, in industries such as IT/telecom, finance and manufacturing. Not the most mobile work group, but generally mobile around a building or campus. Most likely to have tools paid for by the employer. They want the latest and greatest handsets and services.

Mobile institutional: Mostly women with children, 29-49, well-educated and relatively high socio-economic level. Many in public sector institutions, which tend to be large (500+ employees), as teachers, nurses and with general administration. Very mobile group in and between buildings at a university or hospital campus. Value for money and customer care are essential for attracting this group, which is willing to pay for services and brands as long as they help improve their daily life in a practical way. Services should enable social contact and include voice, SMS, e-mail and friend locator.



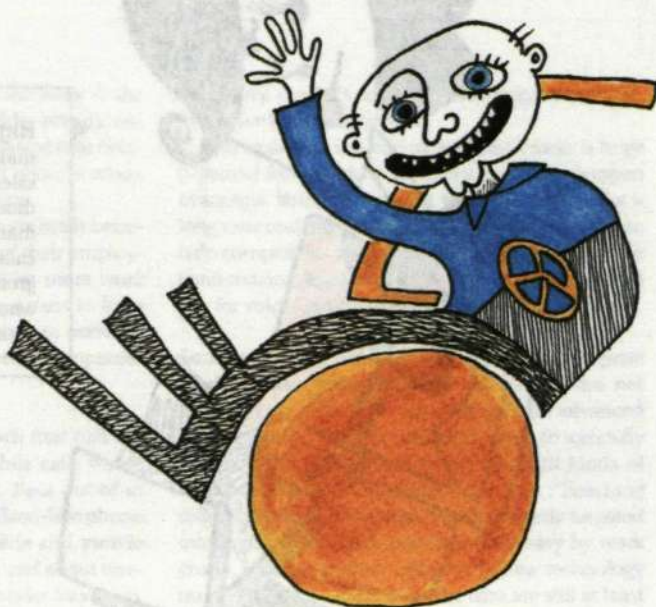
Field sales and service staff: Married men with children, 25-39, average-level education and medium socio-economic level. Many work at large companies though some are in the public sector. Includes mobile salespeople and technical field services. Emergency services such as fire, police and the military are an important part of this group. Highly mobile, and to some extent, get communication tools such as mobile phone, 2-way radio, or phone fixed in vehicle paid for by employer. Attracted to all new services, interested in sport results and financial market quotes. Many are early adopters.

Basic educated desk workers: Typically a slightly older married woman, 45-59, low or mid-level education and socio-economic level. Tend to work in small and medium-sized companies, and few are managers. Work with back-office sales, health care, administration. Work at the same desk but almost never at home. No mobile phone from employer. Conventional price-focused low-end users, but show some interest in work services such as call forwarding, calendar updates and business directories.

growth: enterprise



Super-mobile blue-collar workers: Slightly older than the field sales group (36-69), married, mid or low-level education. Private sector employed, mainly in trades, transport, construction. Not managers. They are the most mobile group, but surprisingly few receive tools from the employer. Supplied tools often include only 2-way radios. Ease of use and durability is essential, and services with radio functions, tracking, one-phone and games are of interest.



On-site trade and transport: Older married men with children, low to medium-low income, low education level. Some self-employed, and about half work in companies of fewer than 10 people. Work as electricians, carpenters, welders and in onsite delivery (warehouses). Work at a single location, and a third are mobile within it. No tools from the employer. Price-conscious older achievers and traditionalists for whom customer service and ease of use is important. Services and subscriptions must be easy and work at once. Basic services desired.



Factory and service staff: Spread of gender, age and civil status. Low level of education and low or medium-low income. Late adopters of new things. Majority work in private sector, often alone, not in management. Factory production-line work, cleaning, cooking and other services. Very low usage of phones for work, do not receive tools from the employer. Ease of use and convenience important. Interested in entertainment: mobile TV, radio, music, MMS and games.

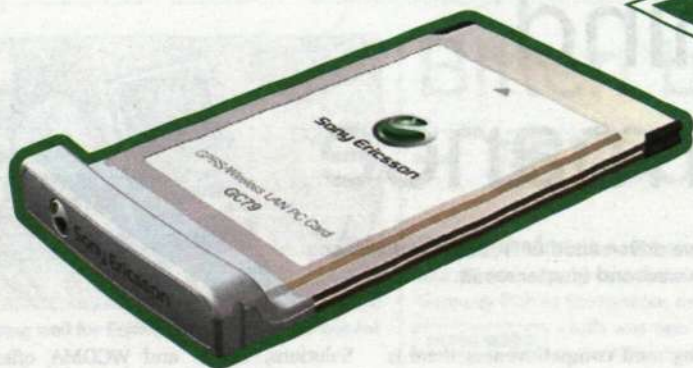


Store/shop/restaurant/hotel staff: Single women, 15-29, low income, materialists and pioneers. Often work part-time, not managers in the private sector. Work at one location, can be mobile onsite, do not receive tools from employer. Friends and their opinions are important, as is price. Want fun and entertainment services, such as music, games, video clips and MMS. Cool handsets.

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Sony Ericsson

update



It still looks good financially for Ericsson – net sales are up 18 percent compared to the same time last year, driven by global services sales that have improved by 30 percent.

Photo: Hanna Teleman



Services behind robust performance

Employee excellence and dedication to satisfying the customer have driven another "robust" performance for Ericsson, Carl-Henric Svanberg said when he revealed Ericsson's second quarter result.

The second quarter report showed Ericsson has continued its momentum with net sales up 18 percent compared to the same time last year, driven by global services sales, which improved by a remarkable 30 percent compared to the first quarter.

Ericsson President and CEO Carl-Henric Svanberg, in an open letter to the organization, put the success down to the company's staff. "Our progress in the quarter is the result of your impressive drive for operational excellence and responsiveness to customer needs. Thank you," he wrote.

Speaking at a press conference, Svanberg singled out growth in services as operators seek to cut total cost of operation, and greater than expected sales in Central Europe, Middle East and Africa (CEMA) as the drivers for the strong quarter, while the US had been buoyed by Cingular's continued network rollout.

"With increasing tariff competitiveness there is added pressure on operators, as traffic is generated and there is a need for more equipment," he said. "The focus is therefore on total cost of ownership. If operating expenses are 25 to 30 percent of costs, then there is more emphasis on reducing this cost. Having the wrong equipment or the wrong mix of equipment will dramatically increase expenses in the long term."

He said synergies between Ericsson's support organization and operator operations generated attractive cost savings, while maintaining a good margin for the company.

For the first time CEMA recorded the greatest growth of Ericsson's sales regions – 27 percent up on that same time last year, or SEK 10 billion – outstripping the traditional stronghold of Western Europe by SEK 100 million. Svanberg said huge rollouts in the emerging market, aided by Ericsson's Expander

Solutions, EDGE and WCDMA offerings, were responsible.

And the success is likely to continue. Media and analysts at the press conference were particularly interested to hear that Ericsson has upgraded its outlook for the remainder of the year from slight growth to moderate growth.

Svanberg did not quantify the amount, but said growth in "higher single digits" was expected. Factors for the revised forecast included global penetration increasing faster than anticipated, services becoming more affordable, driving traffic, and the imminent uptake of 3G networks, he said. "It will not be far away that people will swap to 3G."

Svanberg stressed the importance of continued strong focus on operational excellence throughout the organization. "Things look good today but we have plenty of challenges ahead," he said. "We can never allow ourselves to become complacent."



Fair winds in Belgium. Belgian mobile operator BASE has signed a seven-year managed-services contract with Ericsson. Photo: Stefan Borgius/Pressens bild

Flying the services flag

Belgian mobile operator BASE has signed a seven-year managed-services contract with Ericsson. The agreement is the first managed-service order from the KPN group, of which BASE is one of the subsidiaries.

Under the agreement, Ericsson will be responsible for the day-to-day operation and maintenance of the BASE core network. This will allow BASE to reduce operating expenditure, increase its focus on customers and strengthen its position in the Belgian market.

Bart Vandesompele, BASE spokesman, says: "This agreement will allow us to focus even more on serving our customers with the quality and reliability they are used to. We have every confidence in Ericsson, a longtime partner and important supplier for BASE since 1998, when BASE started its operations."

At the end of 2003, BASE had more than 1.2 million customers and its market share in March this year was 18 percent. BASE's head office is in Brussels and the operator targets specific market sectors with tailor-made service offers.

Managed services is one of the biggest growth areas for Ericsson and the market potential is enormous. The world's telecom operators spend around USD 160 billion on operating and maintaining their existing network structure. Ericsson and other companies in network operation can undertake this work at much lower cost.

Have your say on IT

Don't just sit around complaining about IT problems. Now is your chance to make things change. This month 5000 Ericsson employees, or 10 percent of the company workforce, will be asked for their opinions and feedback on use of the Group IT environment.

The End-User Satisfaction Survey aims to find out what is really annoying people when they use IT services, be it slow support response or difficulty navigating programs.

Head of IT Support Göran Kördel says it is vital that people take the time to consider their responses and give additional comments.

Since it was formed last November in response to a large number of complaints, the dedicated IT improvement team has used the quarterly survey results to begin an ongoing process of change.

Kördel says to date the team has, in direct response to end-user comments, made IT support a more end-to-end process, giving better feedback once requests are logged and better determining the urgency and severity of a case. This has led to fewer escalations.



Have your voice heard about Ericsson's IT environment. Photo: Björn Olsson/Pressens Bild



MMS is doing well for Ericsson. Photo: Gunnar Ask

MMS moving fast

Ericsson recently signed its 100th MMS contract – close to double the number of its closest competitor. At the same time, the future of MMS looks brighter every day.

Compared with 2004, global MMS revenue is expected to more than double during 2005. Usage in Asia and Europe is rising constantly, and demand is growing in Russia and Africa. Reaching critical mass (25 percent penetration) for MMS-enabled handsets is one explanation for the rise, another is the introduction of automatically configured or pre-configured mobile phones. In 2008, MMS-enabled phones are expected to reach a penetration rate of about 65 percent, creating about 210 million active users and up to USD 10 billion in revenue for person-to-person traffic alone.

Bitten by spider – saved by mobile

British chef Matthew Stevens had some very bad luck when he grabbed a dishcloth at the Quantock Gateway Pub in Bridgwater, the UK. Hiding in the cloth was one of the world's most poisonous, and aggressive, spiders – the Brazilian Wandering Spider. The spider had found its way into the kitchen via a banana transport from Brazil. Stevens said he at first felt something sting him in the hand, then saw the spider, but did not realize the danger he was in.

"It was about as big as the palm of my hand. I went to try and pick it up and it bit me again," he told a British newspaper.

Somehow the spider landed in the freezer, which stunned it. Stevens then grabbed a quick picture with his mobile as a souvenir of the encounter. However, he was soon on his way to hospital in an ambulance after his hand swelled dramatically and he began to suffer dizziness. Doctors put him on a saline drip, but Stevens' condition continued to worsen and doctors did not know what type of spider had bitten him. Stevens then showed them the picture of the spider on his phone, and this was



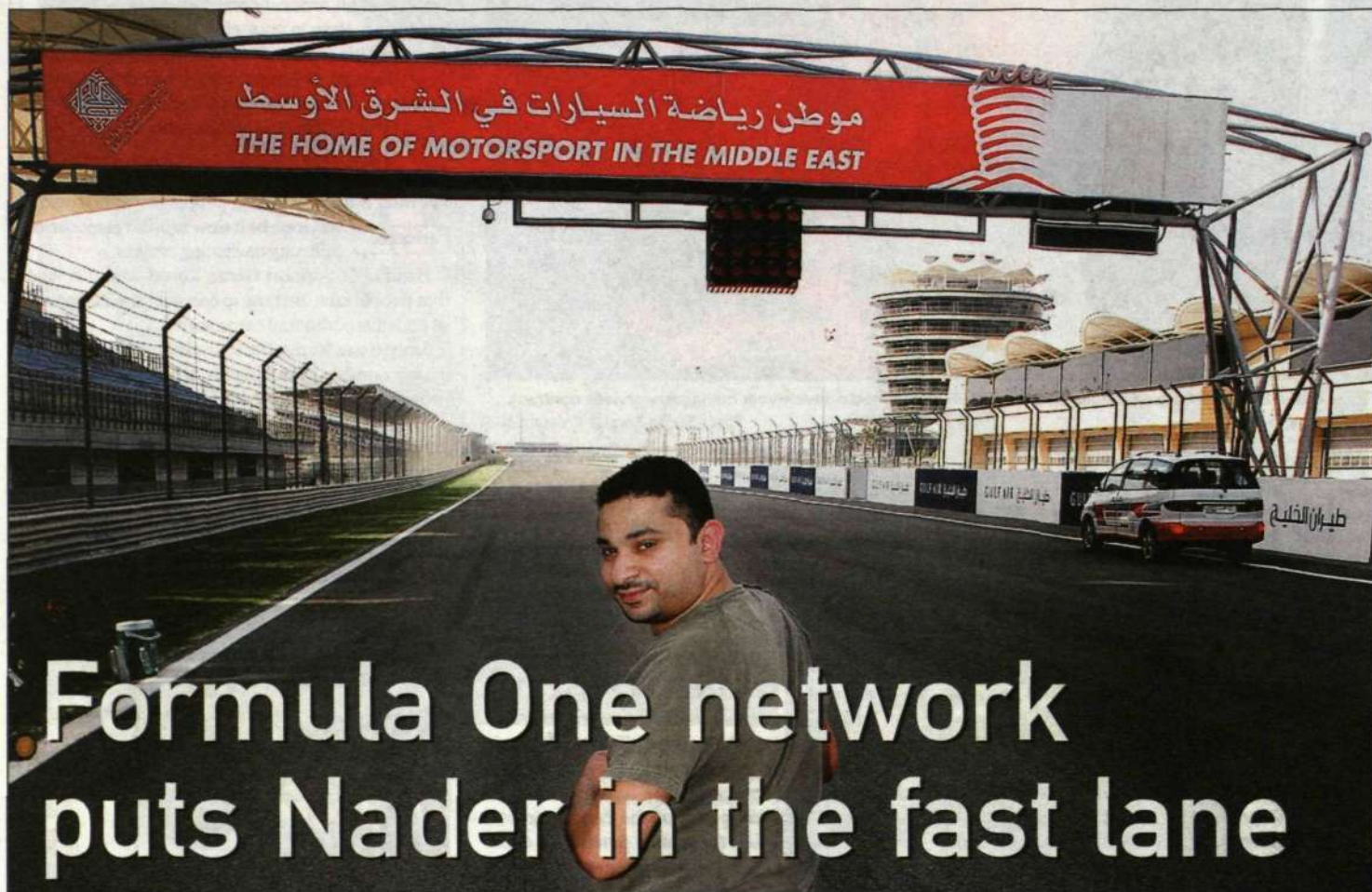
An example of the Brazilian Wandering Spider.

sent to Bristol Zoo for identification. The zoo quickly established it had been a Brazilian Wandering Spider. Medical staff flushed the toxin out of Stevens and he was released from the hospital the next day. And what happened to the spider? Government inspectors later found the spider in a state of "suspended animation" in the freezer.

editor: jenz nilsson for the latest news: <http://internal.ericsson.com>

the last word

text: tomas eriksson and catharina bergsten photo: tomas eriksson



Formula One network puts Nader in the fast lane

Nader Ahmed at the Formula 1 track in Bahrain where he installed the mobile network.

Michael Schumacher raised a hand in triumph after winning the historic first Formula One grand prix in Bahrain. Straight afterwards, Nader Ahmed could also punch the air in joy: the mobile network he had built at the track had worked all weekend.

The Middle East got its first Formula One grand prix on April 4, 2004. It is an amazing site 30km south of the capital Manama: 5417m of black asphalt set in the white desert sands. The grandstands can seat 50,000 spectators.

The task of guaranteeing good telecommunications for all those spectators and the 500 accredited journalists covering the event was given to Batelco, Bahrain's dominant telecom operator. Ericsson, which is Batelco's major supplier, was given the job of taking care of all the necessary installations. In charge was Nader Ahmed, implementation manager with Ericsson's Bahrain office. The assignment involved ensuring coverage for every square meter and enough capacity for every telephone.

"There were nine of us working on the installation for a week," Ahmed says. "We got access to what was then Ericsson's latest hardware, the RBS 2206 with EDGE and the RBS 2202, with the greatest possible capacity. On the grand prix weekend, we were monitoring the system 24 hours a day and we had the capacity to be able to react quickly to any fault."

The grand prix events over the past two years have put Bahrain on the map for Formula One fans.

"Now almost everyone knows where Bahrain is, and there are a lot of tourists coming for the races," Nader says.

Nader graduated in electronic engineering from Bahrain College in 1994. It was the same year that Ericsson started building Balteco's mobile network over the 33 islands in the Persian Gulf that make up the Bahraini state. In those days, he dreamed of becoming a pilot. But three years later, he started working at Ericsson. He is now very pleased with his eight years with the company.

"I feel proud of working in one of the largest telecom companies in the world. I have always been given new work tasks and I have got to travel a lot. I have been to Sweden five times, and have visited Ireland and Turkey," he says.

Nader wants to work more overseas, "preferably in Sweden. I know it is cold there, but I would love to stay for a couple of years," he says.

Nader also has a black belt in karate Hoi Jeon Moo Sool. He stopped competing when he started his job with Ericsson, but he says he gained a lot from what he learned from his Korean instructor.

"Karate taught me to be patient and to be able to control stress. It also gave me the self-confidence to dare to strive for the goals I really want to achieve," he says.

Schumacher was not able to repeat his success at the 2005 grand prix in Bahrain; this year the Spaniard Fernando Alonso was fastest.

But Nader Ahmed was a winner again: he was once again assigned to ensure telecommunications worked perfectly during the race weekend. "We put up the same equipment that we took down after last year's race. Everything went perfectly this year too."

facts

Name: Nader Ahmed Abdulrasool Ahmed

Age: 32

Family: single. "Looking for my dream woman."

Job: implementation manager for Ericsson Bahrain.

The best thing about Bahrain: "It is a small, open and modern country with friendly people."

BAHRAIN

Government: monarchy

Area: 665 sq km (33 islands, of which six are inhabited).

Population: about 688,000, of whom 35 percent are foreign guest workers.

Language: Arabic.

Natural assets: oil and gas.