

Making Connections

By Tricia Bisoux

For Carl-Henric Svanberg, big problems are reasons to be excited, not intimidated. Whether it's tackling the challenges of the global telecommunications industry or finding ways to connect remote African villages to the informational grid, Svanberg does not shy away from complexity.

And neither should business students, says the CEO of telecom giant Ericsson, based in Stockholm, Sweden. An aim of business education, he says, should be to instill in students the confidence that they can solve even the most intractable problems. Svanberg developed this trait himself as he pursued his bachelor's degree in engineering at Sweden's Linköping Institute. "The study of applied physics gives you the self-confidence to know that you can understand the most complex matters," he says, "even if you have to work at them."

After graduating from Linköping, Svanberg joined engineering export firm Asea (which later became Asea Brown Boveri), where he became a manager by age 28. He then attended business school at Sweden's Uppsala University, earning his bachelor's in business administration. "My business education was hands-on and very useful," Svanberg says. "I appreciated how well it related to what I worked on every day, whether it was general accounting, macroeconomics, foreign trade, hedging policies, or foreign currencies."

Ericsson CEO Carl-Henric Svanberg believes that connectivity may be the answer to many of the world's biggest problems. Business students must be prepared, he says, to make essential global connections happen.



Svanberg moved into the C-suite in 1994, when he became the president and CEO of lock-making company Assa Abloy. He stepped in as CEO of Ericsson in 2003, just after the telecom giant had suffered layoffs and losses. Over the last five years, Svanberg has improved the efficiency of the company's operations, and it soon returned to profitability. Today, Ericsson is the world's largest maker of wireless network technology, with slightly more than 40 percent of the market.

The recent economic downturn, however, means that there's more work to do, says Svanberg. He believes that for the global economy to prosper, industry must work to connect the citizens of developing nations to the communication grid. One way to make this happen, he argues, is through the simple mobile phone. Inexpensive, portable, and easy to use, cell phones can serve as lifelines for otherwise isolated villages in Africa and other developing regions. With this in mind, Ericsson has partnered with the United Nations to help the organization achieve its Millennium Development Goals by 2015. The company also works with the Earth Institute at New York City's Columbia University on its Refugee Connectivity Project, an effort to connect small villages in Africa to the communications grid.

In his recent remarks to the United Nations General Assembly in October, Svanberg emphasized how important the development of communication technologies will be to the growth of emerging economies. "Access to mobile communication is not only transforming lives, but it is breaking down barriers of isolation between people and cultures, one of the key defining aspects of poverty," he said. The more mobile telephony penetrates the world's poorest countries, he added, the more their GDPs will rise. Ericsson forecasts that, globally, there will be 6.5 billion mobile subscriptions—and more than 2.5 billion broadband subscriptions—by 2013.

The upcoming generation of tech-savvy business students, born squarely in the middle of the Internet Age, will be among those who make the vision of an all-connected world a reality, says Svanberg. But to imagine big ideas and solve big problems, these future leaders can't just be comfortable with complexity—they must delve into it with passion. With their expertise, Svanberg says, everyone in the world might be connected, uplifted, and engaged with the global economy much sooner than we think.

Why was it important for Ericsson to become so involved with the United Nations' Millennium Development Goals, the Earth Institute, and the Refugee Connectivity Project?

We're working with mobile carriers to build up telephony all over the world, but we're taking a nontraditional approach.

Usually, it's most logical for an operator-carrier to start developing telephony in large cities and expand out to rural or poorer areas. But we were interested to see what could happen if we brought connectivity directly to the residents of African villages, where the ability to communicate can be so critical. We're finding that traffic is accelerating in these networks, which means that these efforts also make business sense for us.

What do you hope these projects will ultimately accomplish?

We work within the telecom industry, so I hope I don't sound too biased, but I think that mobile telephony is probably one of the most important, if not the most important, piece of the puzzle when it comes to developing emerging markets. It drives growth. Research shows that for every 10 percent of people in a country's population with access to mobile telephony, that country's GDP increases by .6 percent. Theoretically, if we can provide half the country's citizens with mobile phones, the country's annual growth would accelerate by 3 percent.

Mobile phones immediately connect people. With a cell phone, a fisherman can call or send a simple SMS to find the best market for his catch; a farmer can find the best market for his livestock. He doesn't have to walk for three or four days to see if the market is good. Through mobile phones, students have access to e-learning. Village health workers can call other doctors to access medical expertise. Mobile telephony makes their work much easier.

I've read that Ericsson also is working to make its technology more sustainable—through the use of solar power and other alternative energies—and accessible to consumers in remote areas.

In developing areas, where there's no grid nearby, companies must bring power in through a diesel engine. The biggest single cost for a mobile phone company is to pay for the diesel fuel that runs its generators, which provide electricity to run and cool the equipment. We have worked very hard to decrease the energy consumption of the equipment, and today's technologies use 80 percent less energy than the technologies of five years ago. We're also adding wind and solar power, so we can work to take these technologies completely off the grid.

We know that the phone itself has to be charged at the user's own cost every day. So we're also providing solar chargers for mobile phones. With solar power, users can keep their phones charged more cost effectively.

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Welcome the ‘Digital Natives’

In March 2008, telecommunications company Ericsson partnered with the Boston University School of Management in Massachusetts to host the third annual International Tech Strategy Business Case Competition. The competition highlighted trends in the telecommunications industry and primarily involved young MBAs in their mid-20s. Ericsson calls these students the “digital natives”—the first generation that has never known a world without cell phones, PDAs, and laptops.

The competition included student teams from 16 business schools: Boston University, EGADE Tecnológico de Monterrey, Mexico; Eller College of Management at the University of Arizona, Tucson; Harvard Business School in Cambridge, Massachusetts; Hong Kong University of Science and Technology; IESE Business School at the University of Navarra in Barcelona, Spain; Indian Institute of Management, Calcutta; the Kellogg School of Management at Northwestern University in Evanston, Illinois; the Kenan-Flagler Business School at the University of North Carolina, Chapel Hill; London Business School in the United Kingdom;



Hans Vestberg, executive vice president and CFO of Ericsson, speaks at Boston University's International Tech Strategy Business Case Competition.

the McCombs School of Business at the University of Texas at Austin; Queens School of Business in Ontario, Canada; Seoul National University, Korea; Sloan School of Management at the Massachusetts Institute of Technology in Cambridge; Stanford Graduate School of Business in California; and Stockholm School of Economics in Sweden.

The case focused on Ericsson and its work with Vodafone, a global mobile communications company headquartered in the U.K. Vodafone recently selected Ericsson to become its primary hardware vendor in Australia, where it's rolling out a national mobile broadband network, and to handle parts distribution in Europe. At the competi-

tion, student teams argued that the two companies could work together to take advantage of the pace at which multimedia is converging.

Students from Stanford, who took first prize, developed a plan for the two companies to deliver television programming, multimedia, and targeted advertising to consumers via cell phones. The second-place team from Kenan-Flagler recommended that Ericsson and Vodafone create a “whole life network,” which would provide users with anytime-anywhere access to content related to their entertainment, work, travel, and personal activities. The students noted that, to create new business

opportunities and to shape how people live and work, Ericsson and Vodafone would need to find partners who could help them increase bandwidth, create new mobile advertising approaches, design richer content, and develop more robust mobile devices. Student teams also found that the companies would need to focus equal attention on developed and developing nations to achieve their goals.

This March, Ericsson will sponsor the fourth annual International Tech Strategy Business Case Competition. Ericsson's CFO Hans Vestberg, who attended last year's event, notes how important the competition's participants and their contemporaries will be to the global talent pool, as more companies seek to hire people who can put new technologies to work. “These MBA students have been raised during the excitement and explosion of an all-communicating mobile and Internet-enabled world,” Vestberg says. “Theirs are the minds that have invented the language we use to describe a connected lifestyle and the same minds that will lead us into the future.”

Ericsson recently sponsored and participated in a competition at Boston University that invited young business students in their 20s—the “digital natives”—to create next-generation strategies for telecom companies. Why are these students so important to Ericsson’s future business plans?

These students are always “on.” They spend more of their time in front of the computer or the television. They multi-task in ways the older generation doesn’t do. My own kids can watch a movie, send an SMS, and work on their laptops at the same time, and they can still enjoy it all—I have to do one thing at a time! The “digital natives” are looking for technology that’s immediate, intuitive, and easy to use.

The younger generation naturally thinks about things as they are. They can approach any new application with no fear, because they have no legacy. When we grow older, we have our legacies. We’re always nervous to start something new in case something goes wrong.

These students are comfortable with laptops and online tools, but what might they still need to learn about how business uses these technologies?

They’re probably less exposed to connectivity issues than businesspeople are. They’re so used to having wi-fi on campus, but they often don’t know just what it takes to stay connected when they’re traveling the world on business.

What do you expect business graduates to know before they come to work at Ericsson?

For students to succeed with us, it’s important that they have a basic knowledge of language, mathematics, and physics skills. They’ll find it difficult to get even the most innovative idea accepted if they can’t speak or write in a clear, concise, and consistent way.

They’ll also need a technological background. Ericsson employs a workforce of more than 70,000 people, and half of those employees have academic degrees. Of those, the majority have master of science degrees.

Finally, they have to have the right attitudes and the ability to think differently and be innovative. Students will need to pursue projects and coursework where they can get a broad sense of the complexities of business. They’ll need to hone their skills, imagination, and ability to think about the structure of a problem and its solutions—that represents business training at its best.



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Where do you think the telecom industry might be in five or ten years?

It's so dynamic. Ten years ago, we didn't know about a company called Google. Three years ago, we didn't know about YouTube. Two years ago, we didn't know about Facebook. So, we really don't know where things will be in five or ten years. For business students, then, preparing for that future will be more about having the ability to cope with change and being ready to spot new opportunities. That comes back to personality, attitudes, capability, and a thorough, basic education that can give them self-confidence and the ability to face the unexpected.

Speaking of the unexpected, the global economy has put everyone on a rollercoaster ride—the telecom industry has been no exception. When you look ahead to the next few years, what most concerns you?

At Ericsson, we aren't immediately affected by the global financial crisis. However, as the economic downturn spreads to the consumer, we could be affected. We also have growing competition coming out of Asia. That's been a fact of life for us for the last 100 years. There are always new competitive threats coming up.

To face these threats successfully, we must spearhead technological development. It's critical that we understand where vendors are in their thinking and where consumers are in their preferences. We have to make sure we have what is needed to be a great partner.

You mention consumer preferences. How do consumer preferences for mobile technology vary from market to market? Does Ericsson approach the technology and its use differently in Asia than it does in Europe or North America?

Some differences are striking. In Japan, for instance, everybody has a mobile phone, but not everybody has a computer. In the U.S., everybody has a computer, but fewer people rely solely on their mobile phones. The U.S. is more computer-centric, while other countries are more mobile-centric.

In countries like India and Africa, the majority of people may not have the financial capabilities to own a computer, so they will be looking for simpler mobile phone service. But even so, they won't be satisfied with voice communication only, as citizens of developed countries often are. In the developing world, people view the mobile phone as the only tool that can bring them the Internet.

But all in all, consumers everywhere are more similar

than you might think. Everyone is looking for the same thing: They want to communicate without a wire, have access to the Internet, and be able to reach anybody at any time.

What so far has been the most difficult aspect of your job as CEO of Ericsson?

In a company this big, you can't just tell everyone, "Turn left and work fast." You have to share with them the vision you want to accomplish and get everybody on board and enthusiastic about it. When you can get them to march in the same direction, you can really move mountains together. That part is really inspiring, but it's also very demanding.

In addition, the complexity of what we do is probably the biggest challenge. We must create fast-moving technology for fast-moving customers in a fast-moving business. There is always a risk of becoming too tech-centric, too absorbed in the technology. Years ago, for example, we ran the company with an inside-out mentality, where we developed technologies and innovations and sent them to the market. Today, we're very much driving the company from the outside in—we have to follow consumers to understand what they want and develop advancements accordingly. It's important for me to spend as much time as I can with customers and with people who are very close to the market, so I can make sure that we're heading in the right direction.

What would you most like to see from business schools?

Business schools should take note that China is now where the U.S. and Europe were 50 years ago when we were building our societies and our infrastructure. We were training people to become engineers and study schematics and technology. Today, the four top leaders in China have master of science degrees.

In Europe and the U.S., we now often take our infrastructures for granted. Fewer young people are interested in studying science in school. That's sad, because nothing is more fun than a career in science and technology. It connects you with so many people, in technology and management and marketing. In telecommunications, for instance, if you have a scientific background, you can do almost anything you like. It's an absolutely fascinating world.

So, you'd like business schools to get more young people interested in technology early on?

Absolutely! 