Agder University College
School of Management

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Subject Code:	ORG409
Subject Name:	International Management
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Number of pages:	4
Allowed material:	Students may use a dictionary (English or Norwegian) or to/from English and Norwegian and the student´s native language

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Read the attached case on Ericsson. Then answer the following questions. NOTE: Everyone must answer questions 1 and 2. Choose EITHER question 3 OR question 4.

All 3 answers will be weighted equally. Be sure your answer shows that you both know the theory and can apply it. Make logical assumptions where necessary.

ANSWER **BOTH** QUESTION 1 AND QUESTION 2

1) There is some indication from the case that Ericsson is trying to achieve a transnational strategy. Describe what a transnational strategy is. Then analyze the information in the case to argue whether or not Ericsson´s strategy is transnational.

2) Learning is an important aspect of transnational strategies. Discuss how knowledge can be created and leveraged in transnational companies. Then, drawing on the case, describe one aspect of the firm where learning is required. Discuss the issues involved in transfer of learning.

ANSWER **EITHER** QUESTION 3 OR QUESTION 4:

3) Discuss Svanberg´s ambition to add 700 million new subscribers from emerging markets. Make sure your answer shows an understanding of strategy for emerging markets.

4) In 2001 Ericsson teamed up with Sony. Analyze, drawing on theory, the relationship. Would you say that the relationship was successful? Why or why not?

On The Cover/Top Stories

Something to Talk About

Michael Freedman, Forbes 11.29.04

Carl-Henric Svanberg led storied LM Ericsson away from telecom turmoil. Now he wants to get another billion people on the phone.

For 128 years LM Ericsson brought telecommunications to the world's farthest reaches. Founded in Stockholm in 1876, it sold phones and set up exchanges in Mexico City and Shanghai around the beginning of the last century. Business in Russia was going so well in 1910 the company considered moving there. The company has been through wars, coups d'état and natural disasters.

Yet Ericsson was nearly crushed when the telecom business overreached in the late 1990s. It went through five chief executives in six years. Ultimately 55,000 jobs were cut. The stock dropped from $263 in March 2000 to $3.40 two years later. Today the company has turned a corner--and a profit. . . .

Now the company hopes to complete the restoration under the leadership of Carl-Henric Svanberg, a formidable Swedish businessman who joined the company in April 2003 as chief executive. Over the next five years he hopes to capitalize on Ericsson's long-standing relationships in 140 markets worldwide to sell the networking technology that will help bring mobile telephony to 1 billion new customers, while offering the 1.6 billion existing customers mobile-phone-based applications that go well beyond ubiquitous voice and text messaging.

He figures that at least 700 million new subscribers could come from emerging markets. India, for instance, had just 5 million mobile subscribers three years ago, but the government set a goal to hit 200 million in the next three years. Not even 3% of the 160 million Pakistanis have mobile phones. Russia's population of 144 million has 3.5 million cell customers. Its target: 75% to 80% penetration in five years. . . .

To tap this market, in February Ericsson introduced the Expander, a low-cost, highly scalable technology. It offers less capacity than urban stations that handle dense traffic, but costs 10% to 20% less and requires half as many antennas to cover a similar-size geography. Johan Bergendahl, marketing vice president, says the low cost will attract operators that have to figure out ways to stay profitable at an average monthly revenue per user of just $4--one-eighth of the average revenue in developed nations.

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Ericsson also sees opportunity in the developed world, where it expects operators to sign up at least 100 million subscribers by 2009 and plans to roll out over the next 18 months the highly anticipated (and much-hyped) third-generation of mobile telephony. . . .

Yet spending was out of control. Engineers were retained by allowing them to work from home, forcing Ericsson to open research centers in far-flung locales. With ironically poor communications, engineers duplicated projects. The company's mobile phone handset business, 21% of sales, struggled. . . .

Svanberg completed the restructuring started by his predecessor, including reducing the number of research and development centers from 85 to 25, outsourcing manufacturing and clarifying the organizational chart to give remaining employees the confidence to take initiative. . . .

Yet even today the company is in a precarious position. In October Ericsson warned that the robust market growth in 2004 would slow next year. The company will need to find savvy operators and bold entrepreneurs who can figure out a way to make a profit selling mobile telephony to some of the poorest people in the world. And 3G faces huge hurdles, too, including high prices and competition from faster, cheaper wireless Internet technologies. Handset makers and operators like T-Mobile, Orange and Vodafone are treading cautiously amid talk of glitchy handsets, patchy network coverage and lackluster demand outside of early-adopter zones such as Japan and South Korea.

Svanberg, though, is undaunted. "In this industry," he says, "every time the technology shifts, there's always somebody losing out and somebody coming in. But Ericsson has always come out on top."

Good Call

Michael Freedman, 11.29.04

In Sony, Ericsson's once-troubled handset business finds a partner-and profits.

In the booming 1990s, while mobile phone handset makers thrived, Ericsson struggled. Then a fire at its Albuquerque, N.M. supplier's plant in 2000 left the company unable to capitalize on 47% growth in the market. Quality-control problems led to more delays. And the engineering-heavy company simply failed to anticipate the demand for sleek design and smart features. Ericsson lost market share and money. "The products were just not competitive," concludes Ericsson executive Jan Wäreby.

So in 2001 Ericsson teamed up with Sony, the Tokyo consumer goods powerhouse. The choice was obvious: Sony tapped into Ericsson's expertise in technology and its relationships with operators; Ericsson wanted Sony's understanding of consumer demands, plus content from its music, film and gaming products. So far, so good. A year ago the venture announced its first profit. In the quarter ended Sept. 30 it earned $115 million on $2.2 billion in sales-a 45% jump in profit from the year before. Profits are split evenly between the partners.

Sony Ericsson is still struggling for market share, but it has high hopes for its new S700 phone, a 5-ouncer with a color LCD, streaming video, music capability and a 1.3-megapixel camera. ...