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CR effects on business to business

Inclusive Business, Graduate course lecture,
DiTella

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Main objective

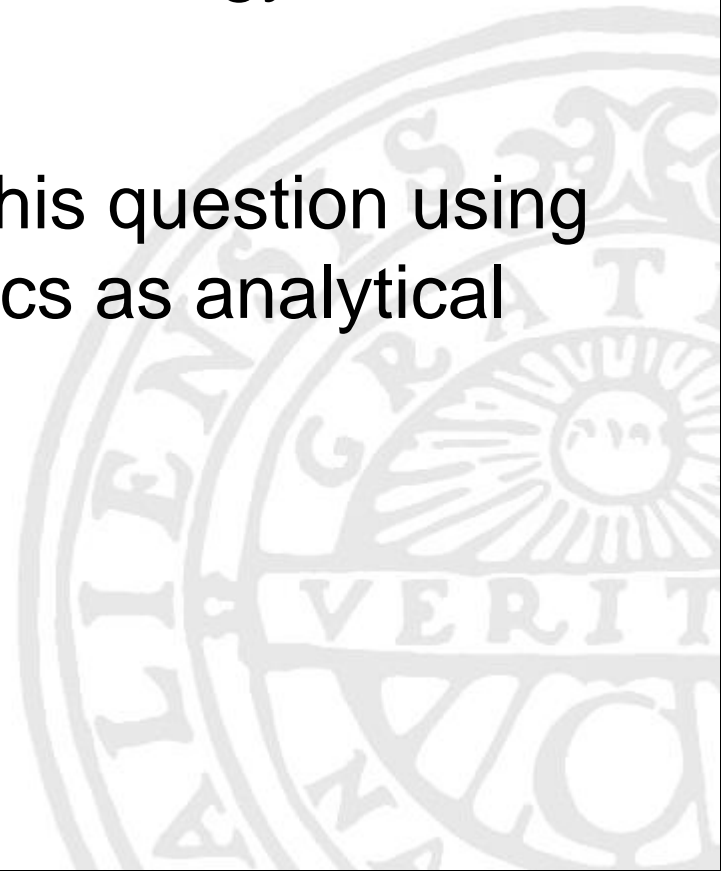
- Information Communication Technology (ICT) services impact on society and sustainability
 - the CR/Sustainability strategy impact on an ICT company's (network supplier's) own business



Topics for discussion

- Why do they apply this strategy?

How would you reply this question using inclusive business logics as analytical tool/glasses?





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Today's presentation...

The context

Telecom Industry regulations

Global issues and CSR

Ericsson's CR/Sustainability

The case of Belterra

Discussion in small groups and in class

Different (?) glasses – Business Network perspective



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Ericsson in brief



- Infrastructure equipment and services for the networks of telecom operators
Networks 66%, Services 27% and Multimedia 6% (2009) - integration
- Founded in 1876, Sweden
- Around 90 000 employees
- 175 countries
- More than 40 percent of the world's mobile traffic passes through Ericsson networks
- Two billion subscribers
- 25,000 patents (AXE, Bluetooth)



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Main strategy

Making a difference

“At Ericsson we are using innovation to empower people, business and society. Our mobile and fixed networks, multimedia solutions and telecom services make a real difference to people’s lives and the world we live in, and are an essential part of a sustainable society.”

<http://www.ericsson.com/thecompany>

“Communication technology is positively changing the way we work and live. As a leading provider of communications infrastructure, services and multimedia solutions, Ericsson strives to enable this change. We constantly innovate to empower people, business and society.”

http://www.ericsson.com/thecompany/investors/financial_reports/2010/annual10/our-business/our-business



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The institutional/social context - regulations

- Telecom highly regulated market
 - SOS
 - Spectrum, standards
 - Governmental agencies
 - International Telecommunications Union ITU (UN)
 - Few operators on the markets + complex and long projects
- BUSINESS TO BUSINESS setting

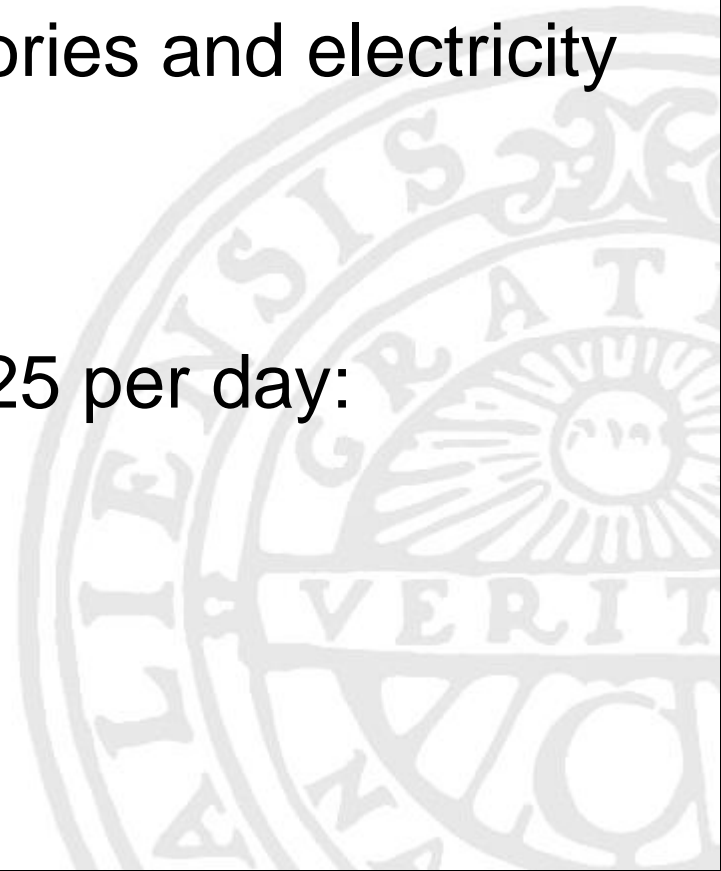


Global issues – global warming and poverty

- Global warming cause: carbon dioxide;
CO₂ emissions

Fossil fuels: cars, factories and electricity
production

- Poverty less than \$1,25 per day:
1,4 billion





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Global Problems → Corporate Social Responsibility

- Global trend - 80% Fortune 500 (Vogel, 2005)
- Governments, activists, media – holding companies responsible
- Part of the institutional/social context
- Market failure – can be an opportunity...



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Ericsson's new CSR focused global strategy/marketing

Not for “emergencies only”

“Broadband is helping cut carbon emissions – we’re taking broadband to the world”

“Mobile communication helps fight poverty.
Our networks carry nearly half of the
world’s mobile traffic”

Millenium villages, UN



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Ericsson as part of the solution?

The network society

- Link access to communication, GDP growth and poverty reduction
- 10% increase mobile penetration → 1,2% increase in GDP in developing countries
- Health, education and income generation
- Broadband → low carbon
- ICT 15% by 2020



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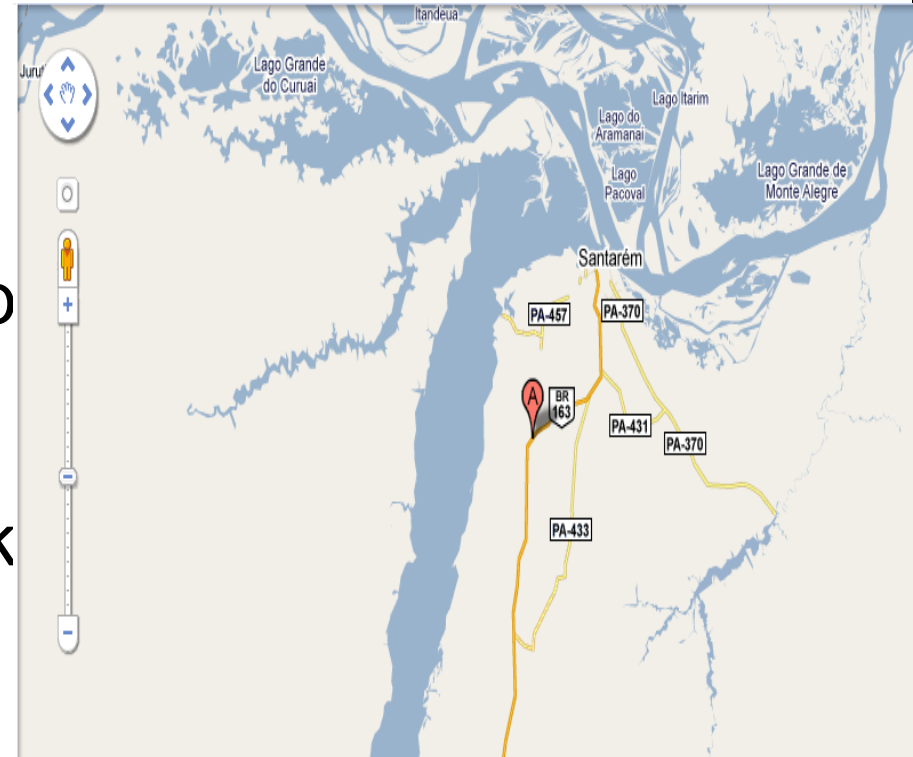
Location - Pará





Belterra

- Ford 1930's
- Latex
- American suburb
- After 2:nd ww
- Abandoned, 12 k
- 9000/16000





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Suruacá

- 150-200 families
- “No” electricity





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Ericsson + Vivo + S&A





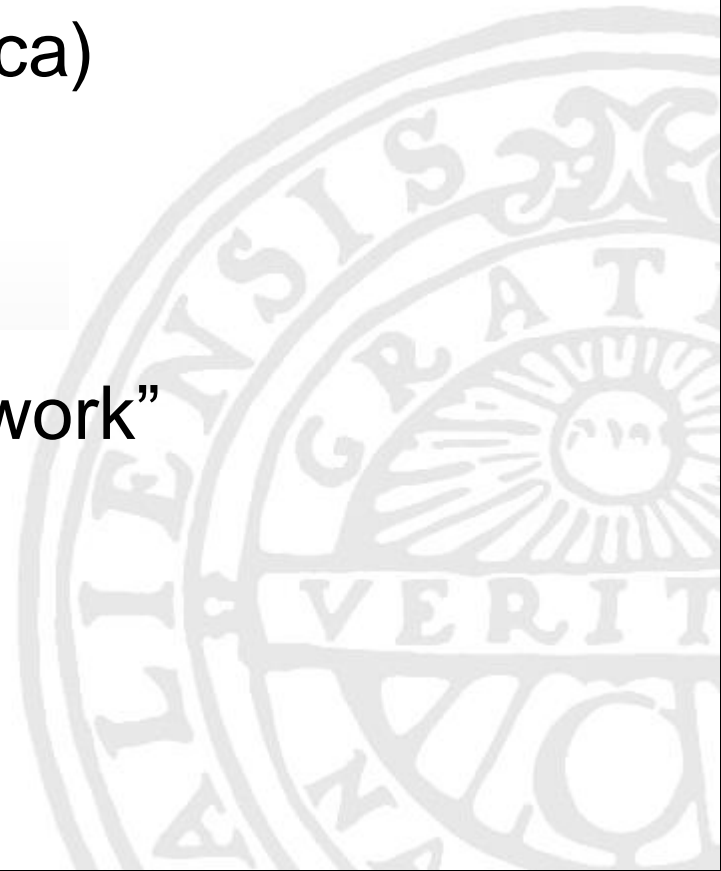
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Vivo

- Mobile telephone operator
- One of Ericsson's main customers in Brazil (part of Telefónica)
- Vivo institute

INSTITUTO vivo

“I have to get back to work”





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Saúde & Alegria

- 1987
- Act for the application of public policies, life quality and citizen participation
- 30 000 people
- Digital inclusion





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The Connectivity Project





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The Connectivity Project

Goal: Support the work of S&A and the improve society in terms of economic growth

- July 2009 Ericsson → Vivo → S&A
- October 2009 - overladed
- November 2009 – inauguration Belterra
Ericsson all pro-bono
- January 2010 – Suruacá
Vivo paid the sub-contractors

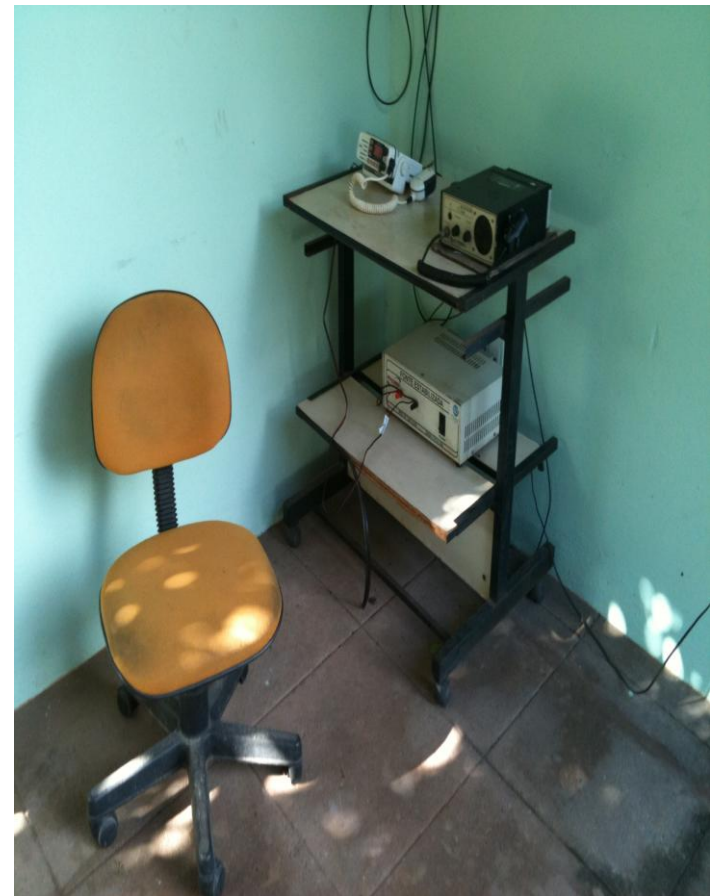


Before 3G

- “Lion ears”



- Radio





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Telecentros





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Difficulties

- Different forest conditions
- Climate - humidity, rain, sun, heat
- Logistics
- Lack of electricity





Results in the communities

- “Everyone” has a bought a cell phone
- Along the river - reached many communities
- Medical boat connected
- 1hs bus to Santarém
- Fish price (no possibility to store)
- I can speak to “crianca” – but also for business...
- E-learning





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Example of social impact

blog da mônica belterra

Início

sobre a blogueira

sobre belterra

SEXTA-FEIRA, 22 DE ABRIL DE 2011

Programação do Aniversário de Belterra - 77 anos de História

Por Miriam de Sousa



**DOCUMENTÁRIO MÔNICA NA
AMAZÔNIA**



Veja este documentário sobre desmatamento e expansão da soja na Amazônia. Mônica entrevista pessoas diretamente afetadas pelo problema na região de Belterra.

MÔNICA BELTERRA



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Example of social impact



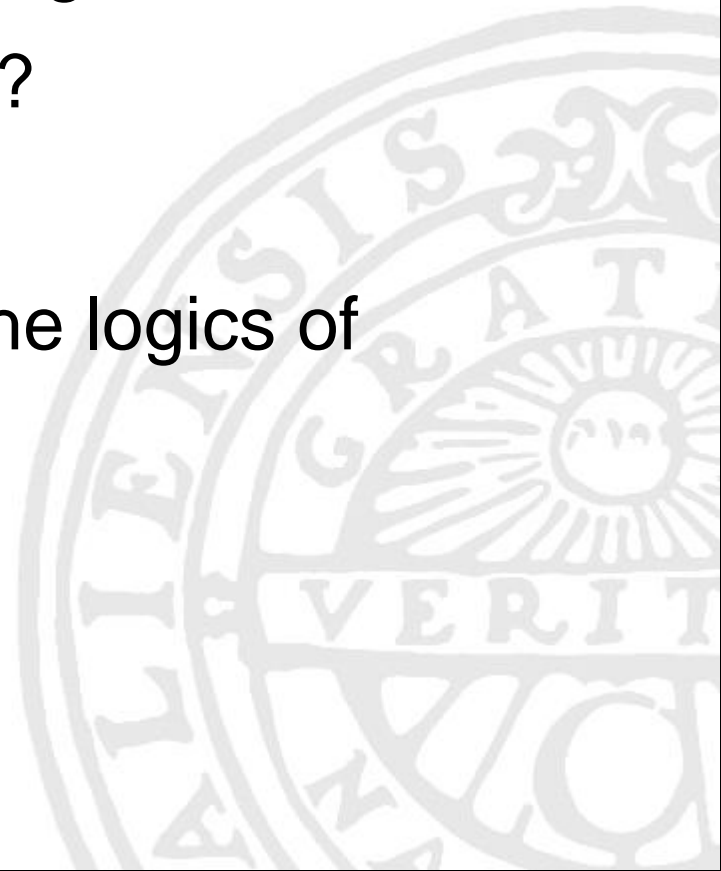


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To discuss

- Why has Ericsson engaged in this?
- What did they achieve?

Try to answer applying the logics of
inclusive business





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An alternative way of looking at the market...

Market

- Independence
- Competition
- Price
- Individual companies
- Measurable
- Business in theory

Network

- Interdependence
- Interaction
- ARA
- Between companies
- Hard to observe
- Business in practice



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Business to Business in a highly regulated industry

Few operators on the markets +
technologically complex and time consuming
projects



Long-term and interdependent relations
Customers main focus

Eco systems – network society





Relations to Vivo

- Vivo's **CEO** has been involved in the project since the beginning so it is high on the agenda
- Open up **new areas** for business. Ericsson has become someone the customer can do something more with, a wider span of activities. The closeness in the relation, the increased contacts and interactions give Ericsson the possibility and room to suggest **more ideas** for business. **Deeper and broader value.**



Relations to Vivo

- Vivo was not the strongest customer account in Ericsson Brazil in terms of good relations, while now, after the project they are the one with the **best relations**.
- “They see us as a **partner** now in the task of changing people’s lives.” The value of Ericsson as a supplier has increased, but also beyond merely a supplier, according to how Ericsson themselves interpret the situation.



Relations to Vivo

- Given the prosperity of the project, the customer now also **listens more** and are more interested in similar and other types of projects.
- If the customer were to choose to **change supplier**, earlier Ericsson just had to “accept” it. Today - **talk about it – influence** - given the changed relation in terms of them placing themselves as partners rather than merely being supplier. As a partner you have the right to complain.



Relations to Vivo

- Vivo's new sustainability plan/strategy - smart cities initiative, was greatly **influenced** by Ericsson (**aligned**).
- Vivo was not very interested, however after Belterra they realized there is a **market** since there are thousands of similar cities in Brazil (also globally).



Competitors

- Their main competitor Huawei also has **knowledge of the Amazon** area. One general problem in the area usually is the equipments not coping with the climate even though they are constructed to function in 50C. The problems can be for example erosion of the iron etc. This could be fixed in a matter of 6-12 months according to Ericsson.
- Vivo could even pass the knowledge on



Competitors

- The **solar energy** applied in Suruacá was something quite unique and Ericsson as a first mover could leverage on internal knowledge from their global organisation and from Vivo's experience in order to implement it. Here they gained a competitive advantage compared to other suppliers in terms of unique knowledge, but in less than a year this could be learned and applied by competitors. 6 months translates to quite a lot of income for an operator, but again they can always pass this knowledge on...



Relations to the Government

- **“Door opener”** In order to get a meeting with the government to showcase a new technique, the Belterra project was used as **show card** and to enhance the **credibility**.
- Vivo helps out a lot when it comes to the contact with education, health ministries. Invited to inaugurations, events etc in order to **promote innovations** and push for **development**.
- Belterra project adds up to the **general trust** from the government – G&I relations to Anatel
- **Customers** go through Ericsson to reach Anatel



Relations to Operators

- Happy employees through Belterra project → happy customers → more sales
- “When we (Ericsson) talk to operators they see CSR as some sort of philanthropy but we are trying to change this vision, pushing for a new view by being the pioneers, the first ones. And we do surprise them.” Influence, **first mover**
- Strategic projects to achieve: customer involvement – opportunity to **enhance and change the customer** - not sales but **alliances!** align strategies with the client – be part of customer’s sustainability plan



Innovation with other actors

Step 1: connectivity

Step two: with whom

Step 3: what can we use it for?

Trying out new intelligent solutions.

- **Innovation** Different way of selling – new things, innovation. “Ericsson is a castle of innovations, every time I come here!” innovative projects
- The project is also used not only for **new products** and services, but also a place where already **existing** products can be sold in different shapes than in for example Sao Paolo to the base of the pyramid consumers in the Amazon.
- Given the different group of consumers, the project is also used as a **consumer laboratory** studying the end-users of this.



Innovation with other actors

- Our solutions make society better, making money improving people's lives. Belterra was an opportunity to actually see this, a **laboratory** for these ideas. It was a place with no connectivity where we could **measure the actual impact**.
- Suruacá was more aggressive, more of a lab since there is no energy etc. It was Vivo's suggestion, given that the cost of Belterra was not big, instead it was a prosper project in financial terms they had some economic space to do another more "extreme" project in order to gain even more **knowledge**.



Relations to Saúde e Alegria

- The logistic situation in the area is quite complicated and your normal **logistics** can not be used. You have to go by boat etc to reach the communities, no airports in the forest, no highways etc.
- Trust and well known - ambassador
- Knowledge
- Established networks



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The importance/implications of the network on the CR strategy

E-health

One example of a project they work on together at present is an Ericsson innovation in e-health which includes a machine with five different sensors that measure different values in the body that is connected to that can send information to another device to be read by a medical doctor. Ericsson wants to test this service in Belterra (the lab) in order to showcase it to the government. Once there are economies of scale the costs will be lower. But they are having problems in finding interested partners for it. One explanation for the difficulties is said to be the change of mindsets and since everyone has their own agendas. Vivo is interested to participate as an operator, but S&A for example does not seem very interested in trying this new technique, the founder doctors do not fancy this idea and the one in charge of the connectivity programs is more focused on diffusion of information and communication. The alliances are very important however there are differences in objectives, business cases vs donations that cause problems in the co-operations and in finding partners. They need alliances where the technology and the profits are central. At the moment they are discussing with the UN that have some programs in the area of e-health and has shown interest in the initiative.



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The role of the business network and relations

- The competitors has already the technology – any new technology can always be copied very fast – our relations are better than our products – COP16 a way to differentiate – the ones working with this are the most advanced ones, we want to be with them, first mover advantages
 - The competition is no longer in technology, it is in the relations and other areas Luiz, Håkan. All the rest of the technology is the same. RELATIONS
 - The greatest difficulty is the co-ordination of the network
 - Ecosystem– the network society the most important actor
- Network and relations central



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CR effects on the business network

- Tying governments and telecom regulators closer – more bonds
- Intermediary role enhanced – operators, regulators, UN, ITU
- Relations to governments/NGOs through UN