

Ericsson implementing forceful restructuring measures

Rapid technological development and new work methods are leading to comprehensive structural changes and fewer jobs. New products and systems are much less labor-intensive than earlier generations. As a result of this technological development, the number of positions within Ericsson worldwide will decline by more than 11,000 during the next two years, including the elimination of 3,300 jobs in Sweden. The changes represent an aggressive strategy in line with ongoing technological and market trends.

New technologies are being introduced with increasing speed in the telecom industry. Products with new technological content are creating drastic changes in work methods and production forms. The changes and operating efficiency gains realized through Ericsson's new organization will result in reductions of more than 11,000 jobs over the next two years out of a total of 104,000 today.

Against this background, Ericsson has decided to introduce a number of measures to implement the required structural changes. The measures are based on a change process that was initiated last spring when Sven-Christer Nilsson was appointed president. The transformation of Ericsson will involve terminations, discontinuation of various operations, divestment of business activities, outsourcing and personnel reductions through natural attrition.

In line with Ericsson's strategy

The measures are in line with the company's strategy to aggressively pursue areas of technology which the market is demanding. Ericsson's strategy is to combine its unique strength in mobile telephony and high-quality communication solutions with a strong focus on Internet-based technologies.

Development in the telecom industry is proceeding at a very rapid pace, particularly within data communications, Internet and broadband technology and mobility. Ericsson is developing a new product generation for the Internet and mobile telephony. These new areas and needs based on expected market growth mean that new job opportunities will continue to be created within Ericsson. Ericsson continuously needs to recruit new skills in the company, while eliminating certain traditional job assignments. Accordingly, skills development is a key element in the company's strategy. However, Ericsson is facing a comprehensive technological shift. For example, all of Europe's large telecom networks are digitized today, and the next wave of investments will focus on Internet-based network structures.

Some products associated with traditional fixed telephony have been subjected to declining demand which, combined with technological developments, resulted in large-scale personnel cutbacks within this sector of Ericsson's operations. Ericsson has already implemented a program of comprehensive change and transformation in recent years. The measures now decided mean that this process of change is continuing.

Global program

The program of structural change affects Ericsson's global activities and involves slightly more than 11,000 employees of totally 104,000 employees.

Currently, the Network Operators business segment has 68,000 employees. Of these, 8,500 will be affected by the measures. Cutbacks in the business segment will affect product Supply and installation (6,200), customers support and services (1,200) product development (900) as well as sales and general administration (200).

In the Enterprise Solutions business segment, more than 1,300 jobs will be eliminated from the present total of 11,500 employees.

The Consumer Products business segment will lose approximately 500 of the present total of 14,000 jobs, including 400 within product supply and service. At the same time, a continued strong volume increase is expected within this business segment

General administrative operations and other activities are expected to lose 1,300 jobs worldwide over the next two years.

According to present plans, more than 5,000 jobs will be eliminated in 1999 and more than 6,000 in the year 2000.

Operations affected in Sweden

The measures include discontinuation of production operations in Norrköping, which currently employ about 600 persons. At the same time, the labor force of Ericsson Components in Kista will be reduced by about 250 persons by phasing out of older microelectronic products and subcontracting of more products. The operations in Kista will continue to develop advanced circuits for mobile telephony. Ericsson Anslutningssystem in Skellefteå will cut 100 jobs. Negotiations with employee trade union representatives have been initiated. Ericsson will work in close cooperation with local and regional labor market authorities to ease the effects of the cutbacks. To the extent possible, the affected employees will be the first considered for other jobs available within Ericsson.

A total of 3,300 jobs are expected to be eliminated in Sweden. The cutbacks will include 400 jobs in product development and 2,100 in product supply. The reduction in sales and general administration will be 800.

More effective work methods and synergies

Today's technologies and work methods are reflected in Ericsson's new organization. One example is the combination of mobile and fixed telephony in a single business segment. This results in substantial coordination benefits, particularly in product and software development and in production. Ericsson's need for installation personnel is also reduced.

An installation project that once required 12 weeks is now completed in a week, with half the number of personnel. A growing percentage of standardized software, standard components and purchased technologies is also reducing the need for labor-intensive and costly in-house development.

Costs for the implementation of structural changes will be booked as incurred during the period, and estimated annual expenditures will equal savings achieved during each respective year. After the two-year period, the changes are expected to yield their full impact of nearly SEK 3 billion annually.

Support the personnel affected by changes

Combined, the technological and market development necessitates major changes and cutbacks in operations. Ericsson must pursue a continuous process of change to secure the company's continued competitiveness.

President and CEO Sven-Christer Nilsson:

"Technological development affects the entire sphere of our global operations, from product development to installation and maintenance. This places heavy demands on all our employees. Ericsson will naturally make every reasonable effort to help all personnel affected by the changes. We shall offer our utmost support to all employees who are forced to leave the company."

"These measures are future-oriented and comply with our strategy to become a leading supplier of future telecom solutions."

Press conference

A press conference will be held at 4 p.m. Monday 25 January at Berns Salonger, Kammarsalen, Stockholm.

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