

Förändring utmanar affärsmodellen

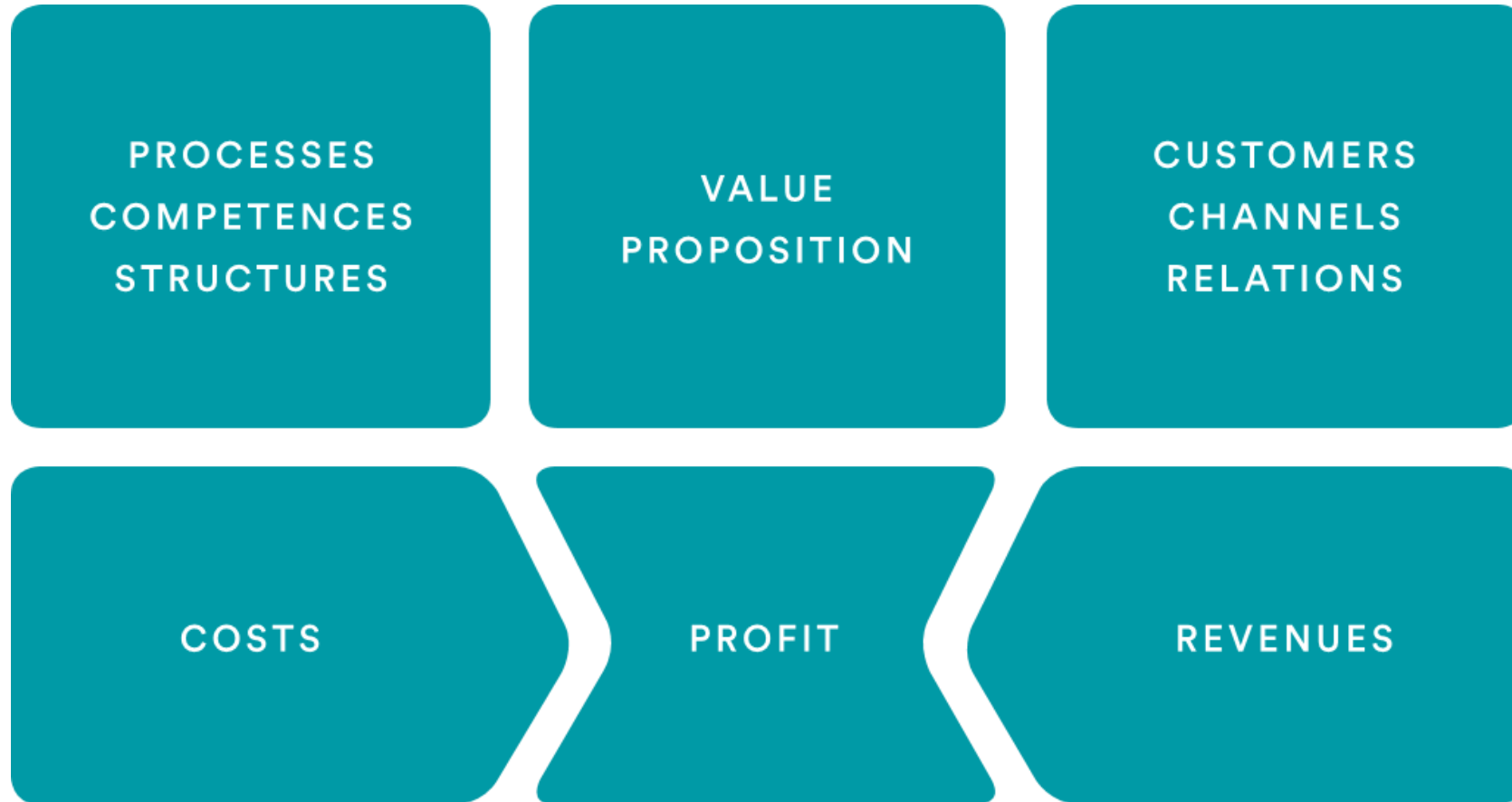


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Ericsson Research
Stockholm School of Economics

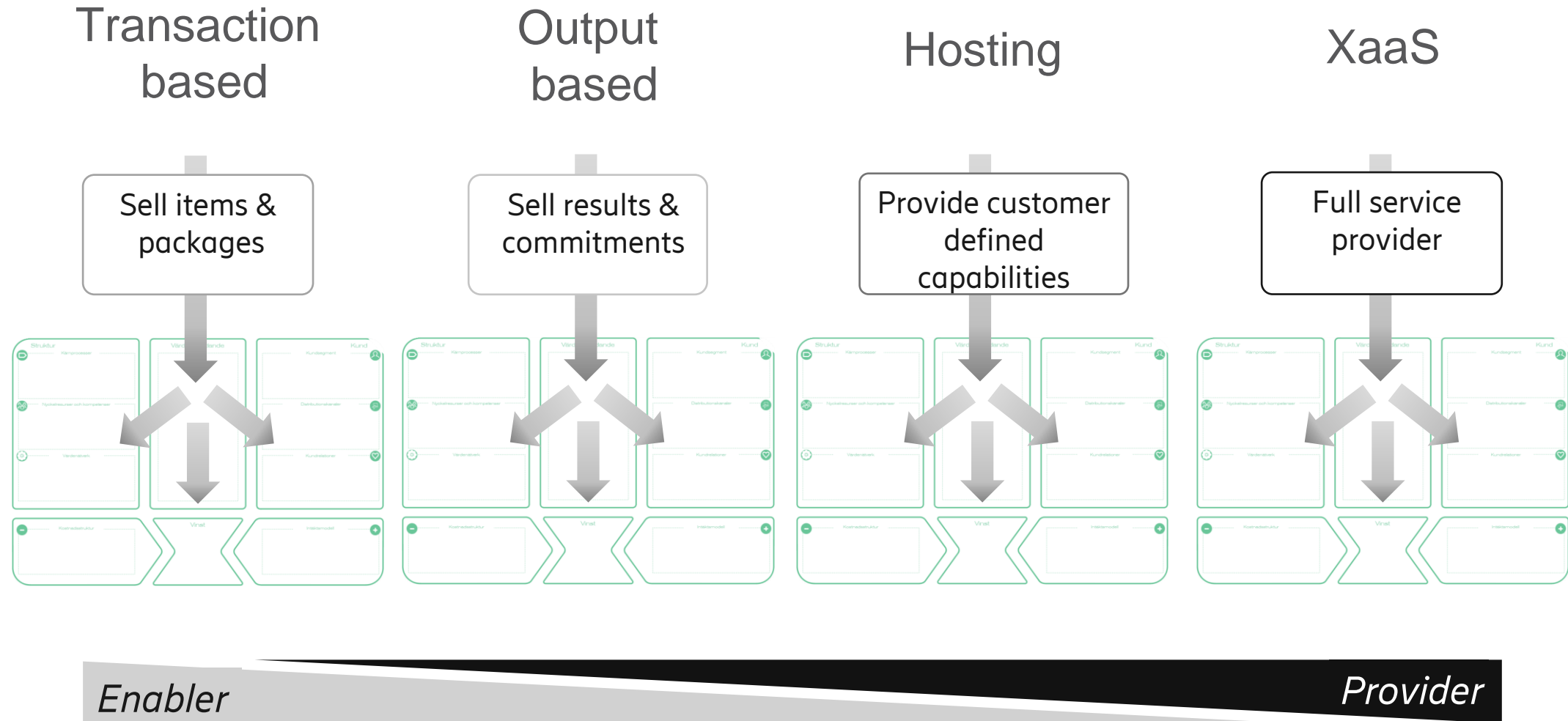
Mars 2023



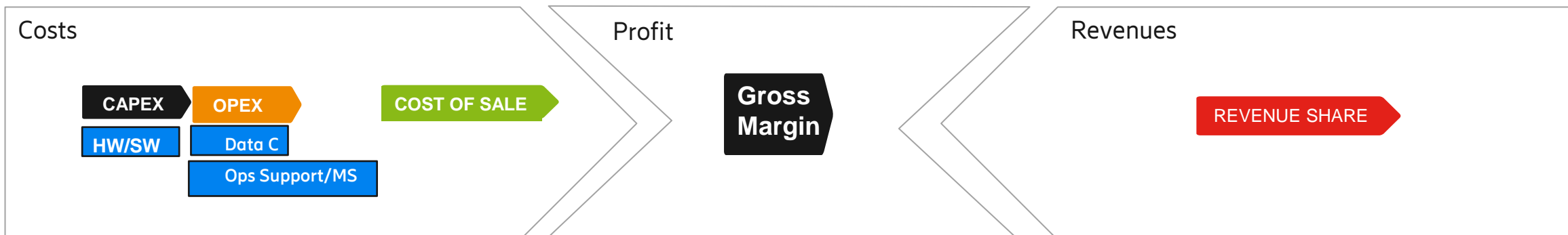
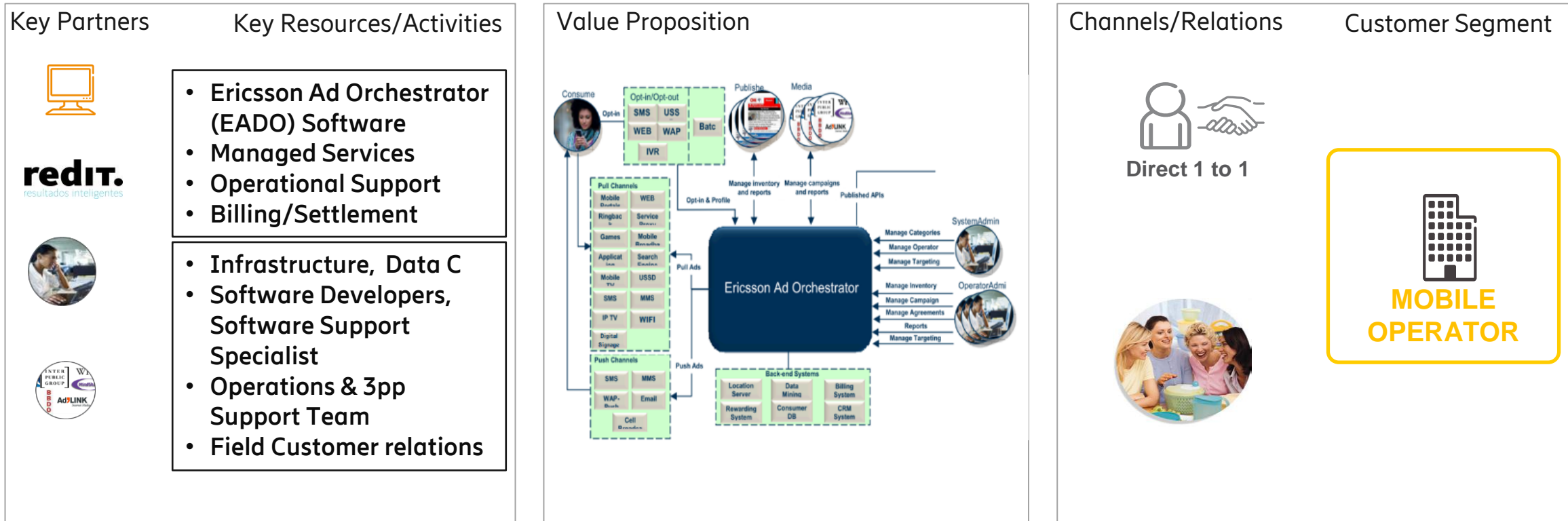
The Business Model



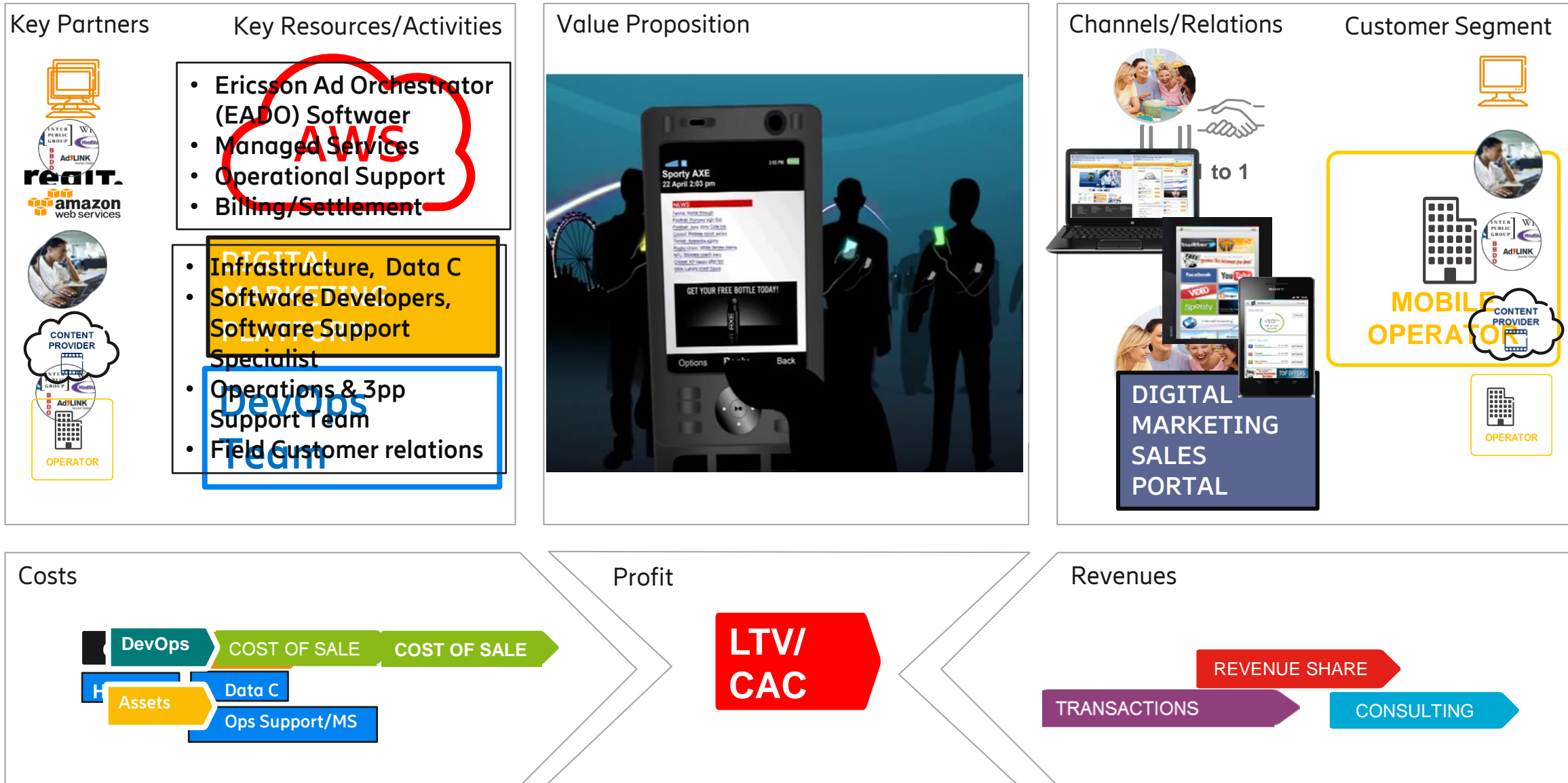
Ericsson's Business Models



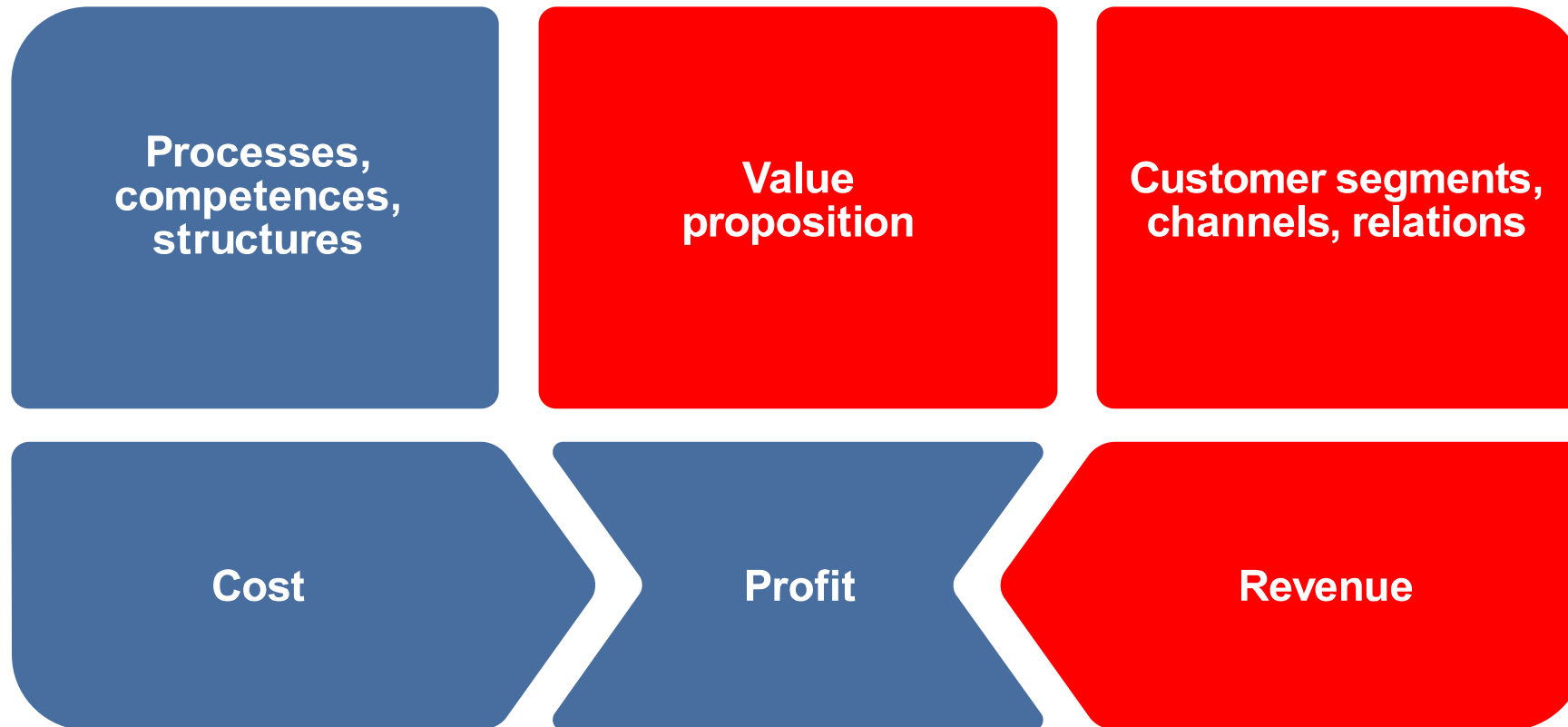
Ericsson AD Orchestrator – Original Business Model



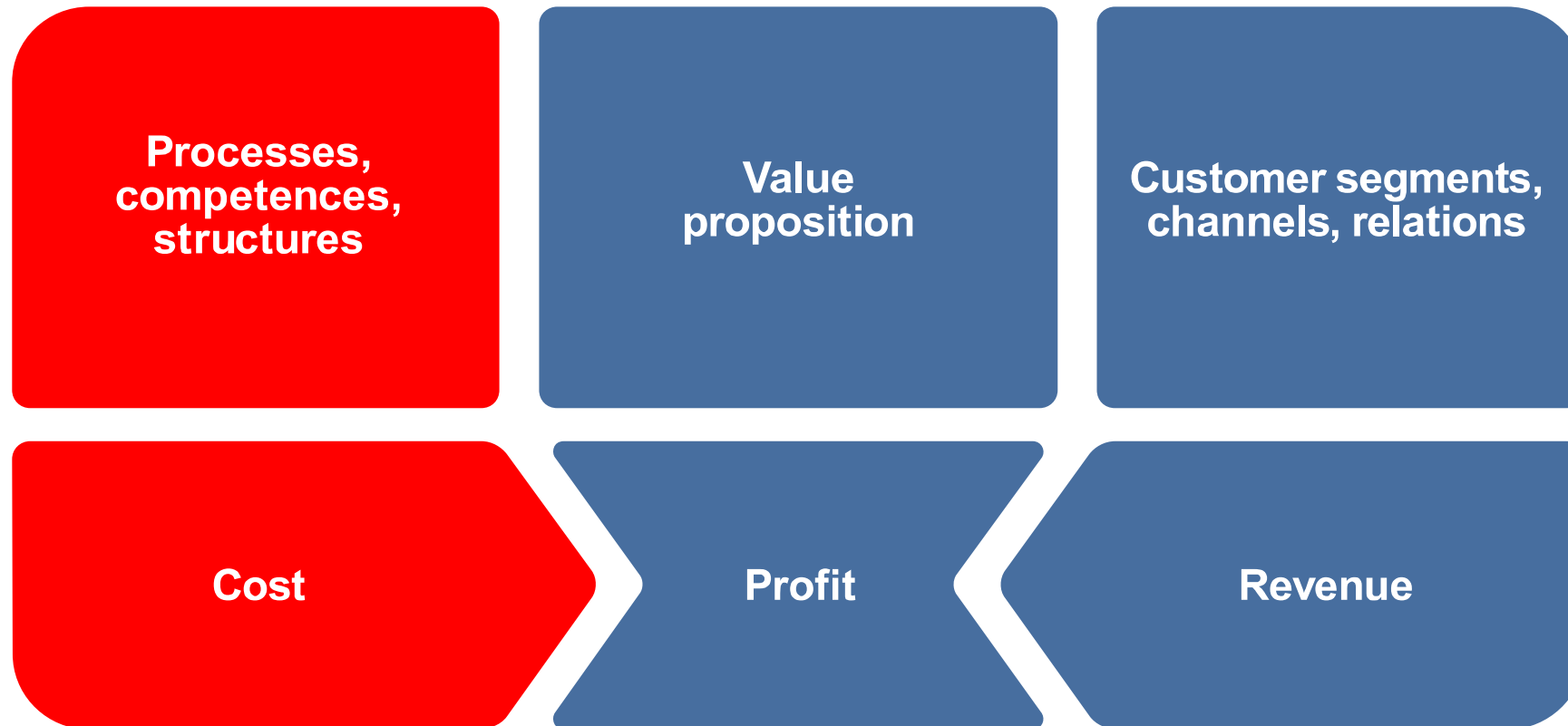
Ericsson AD Orchestrator – transformed to SaaS



Where CxOs like to innovate



But, what about the left side?



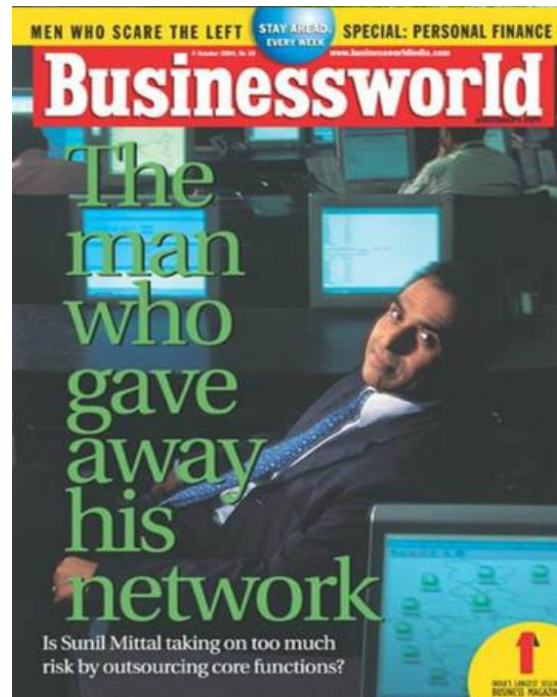
The Idea - "The Minute Factory"



Bharti Airtel

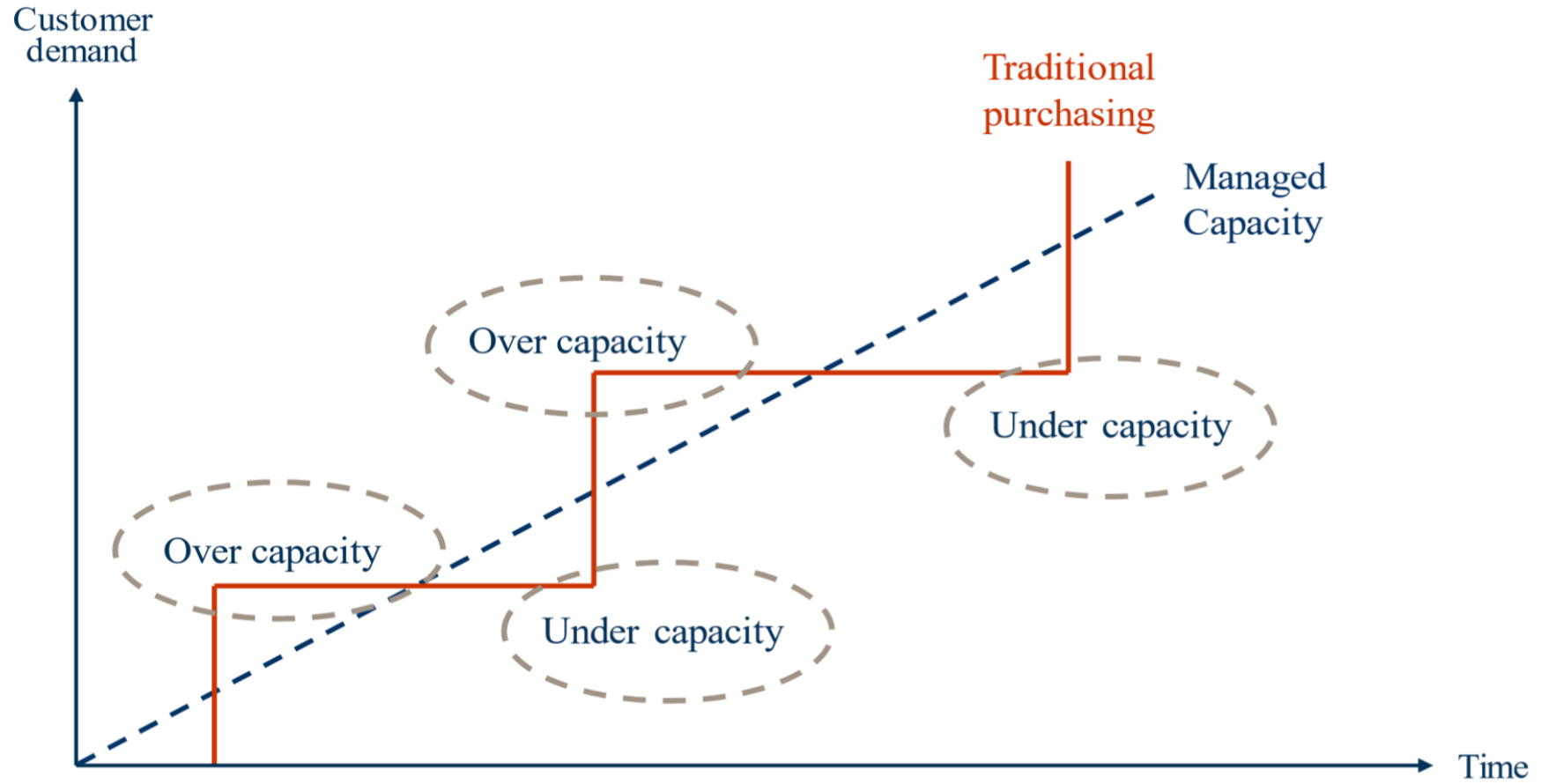
A change in mindset triggered radical management innovation at Bharti Airtel, resulting in the cheapest mobile talk time in the world, at \$1 US cent a minute

Source: The Economist

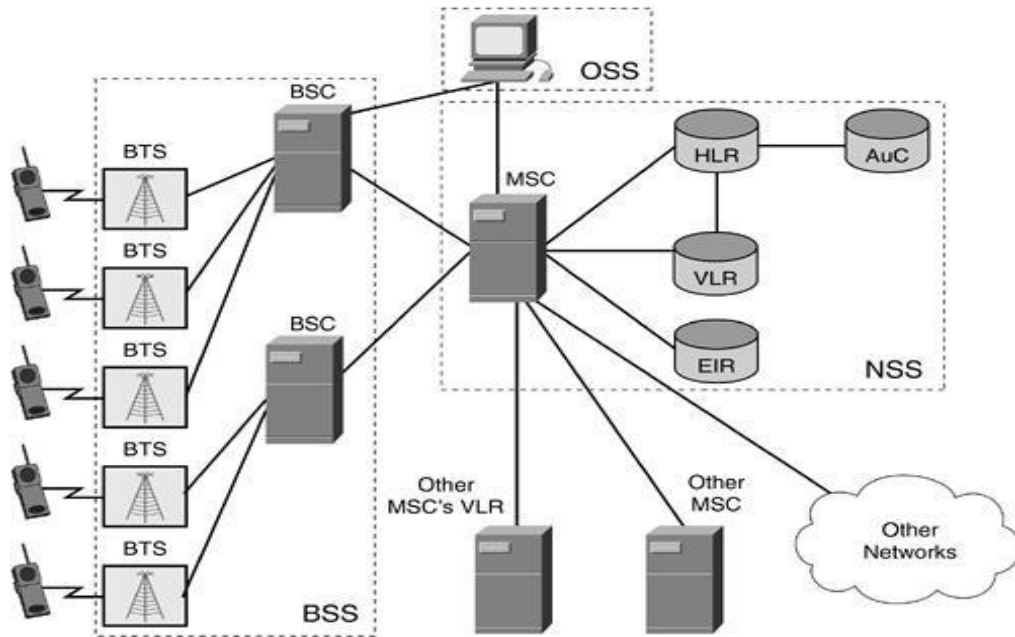


Source: Business World India

Capacity based pricing



Managed Capacity – charging for the outcome



Price/Capacity
(Dollar/Erlang)

+

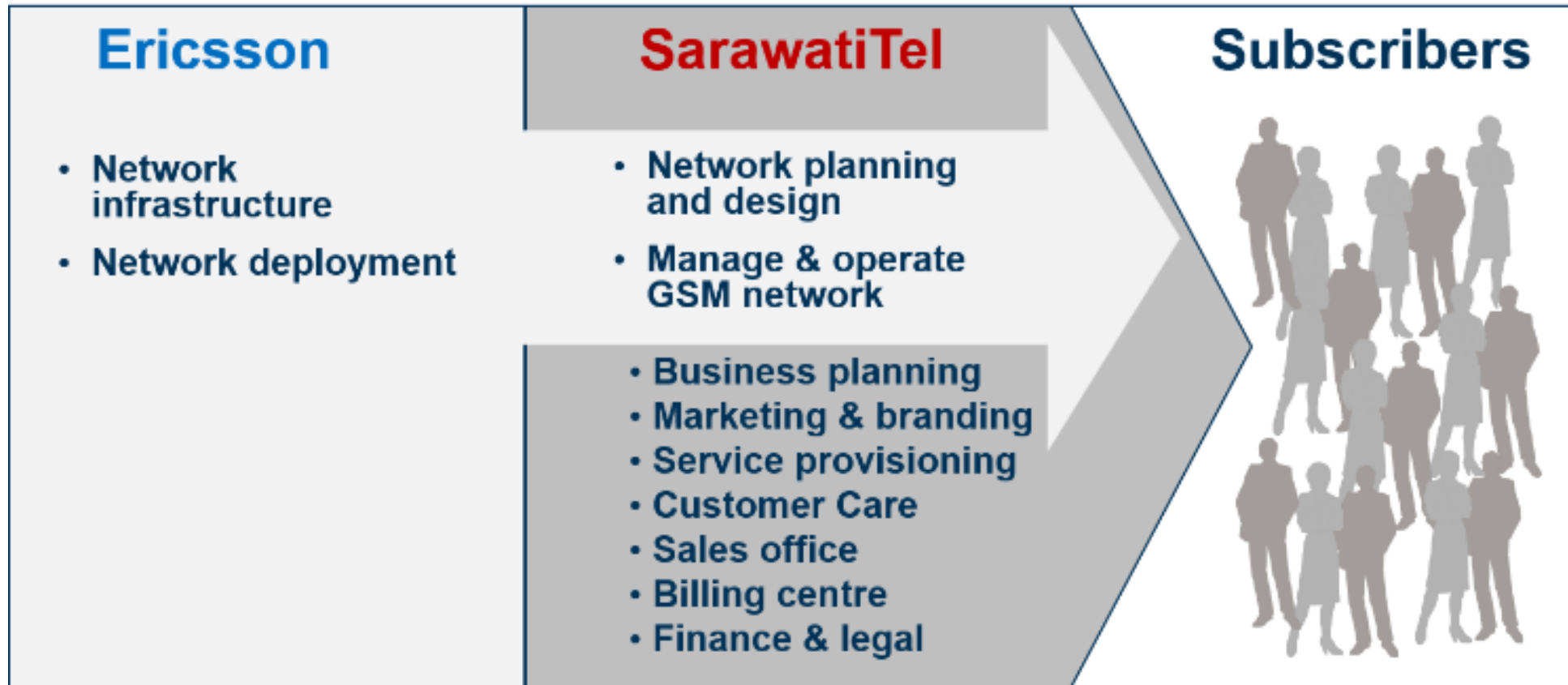
KPI
(Performance based)

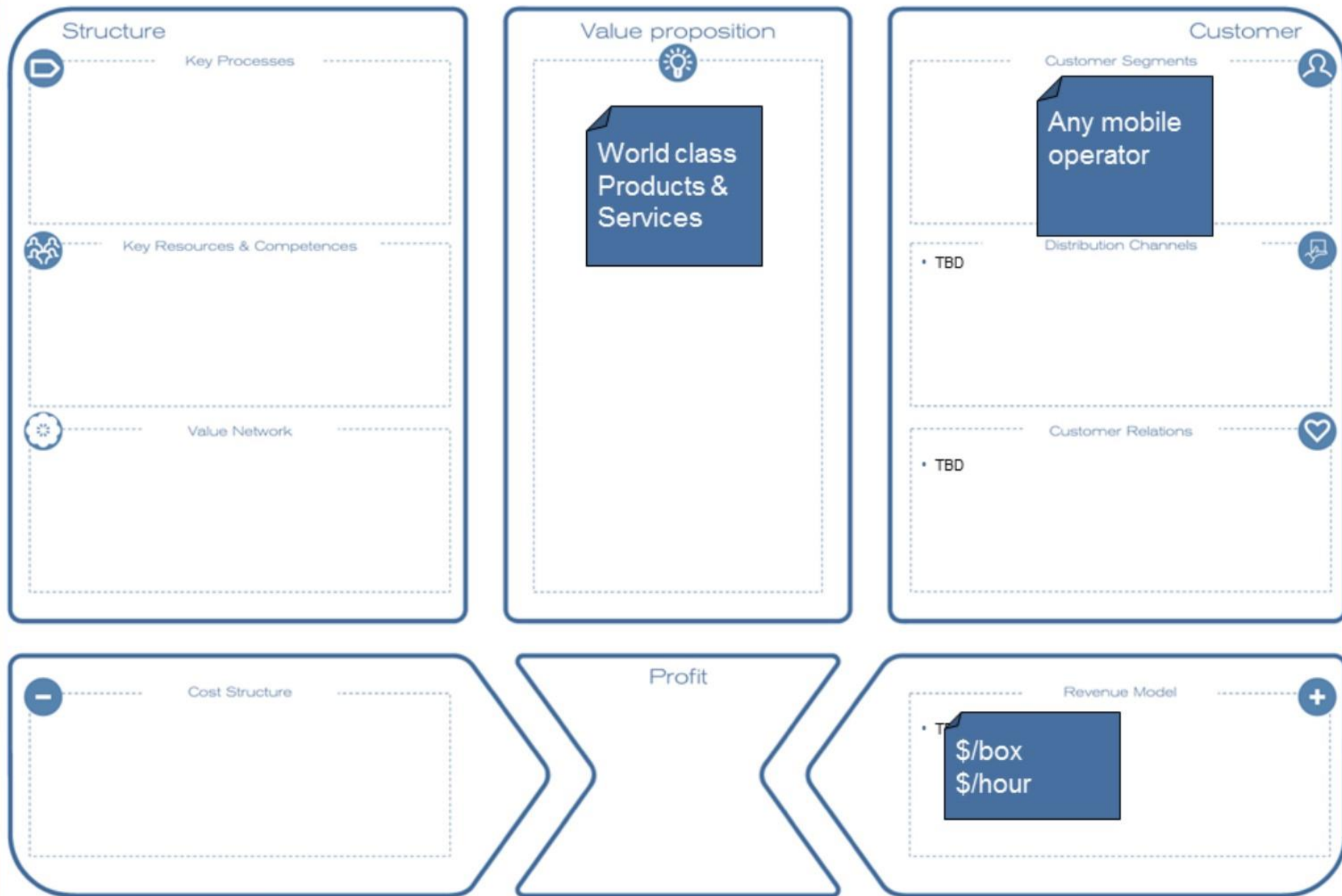
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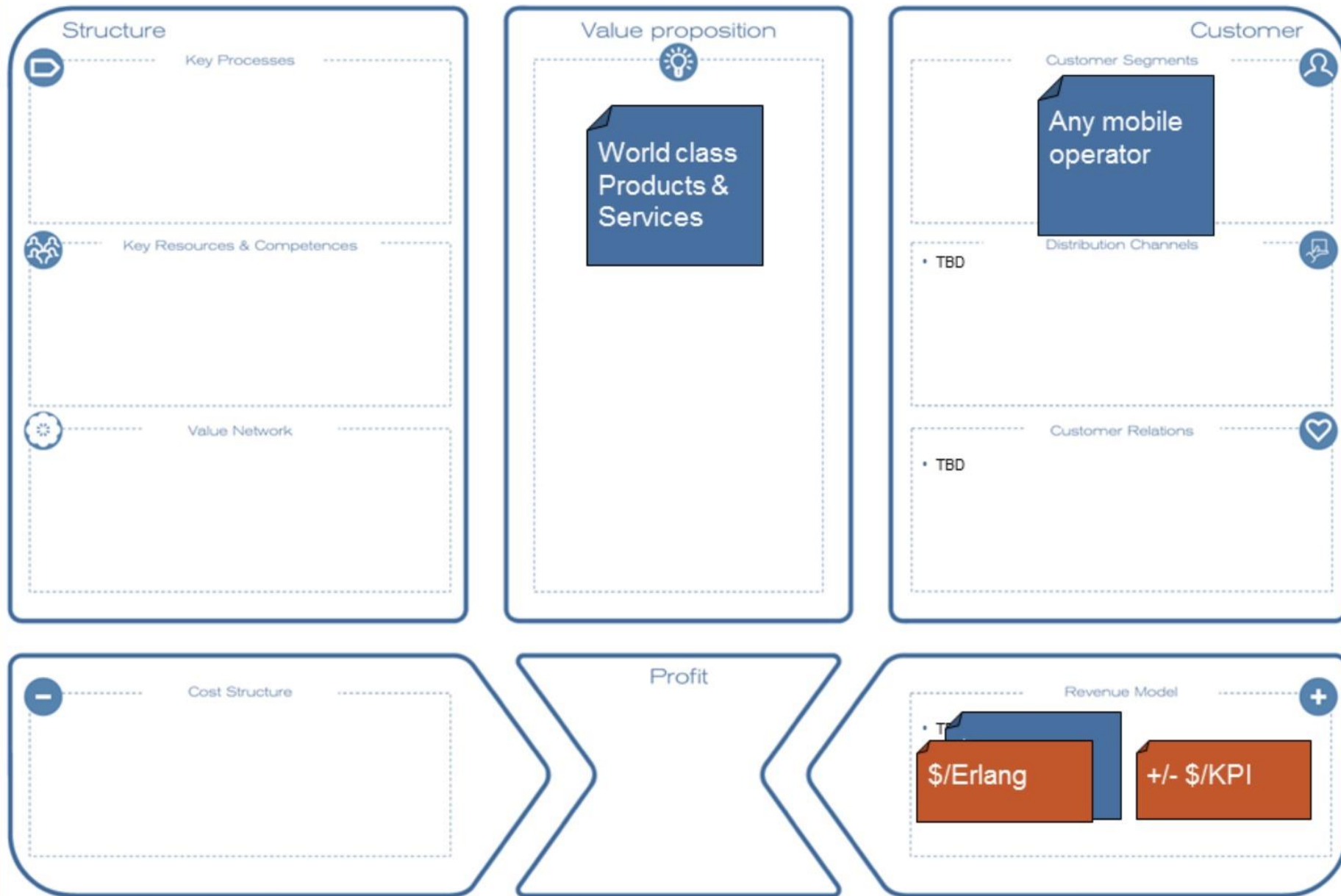
Manage & Operate

Ericsson moving down the value chain

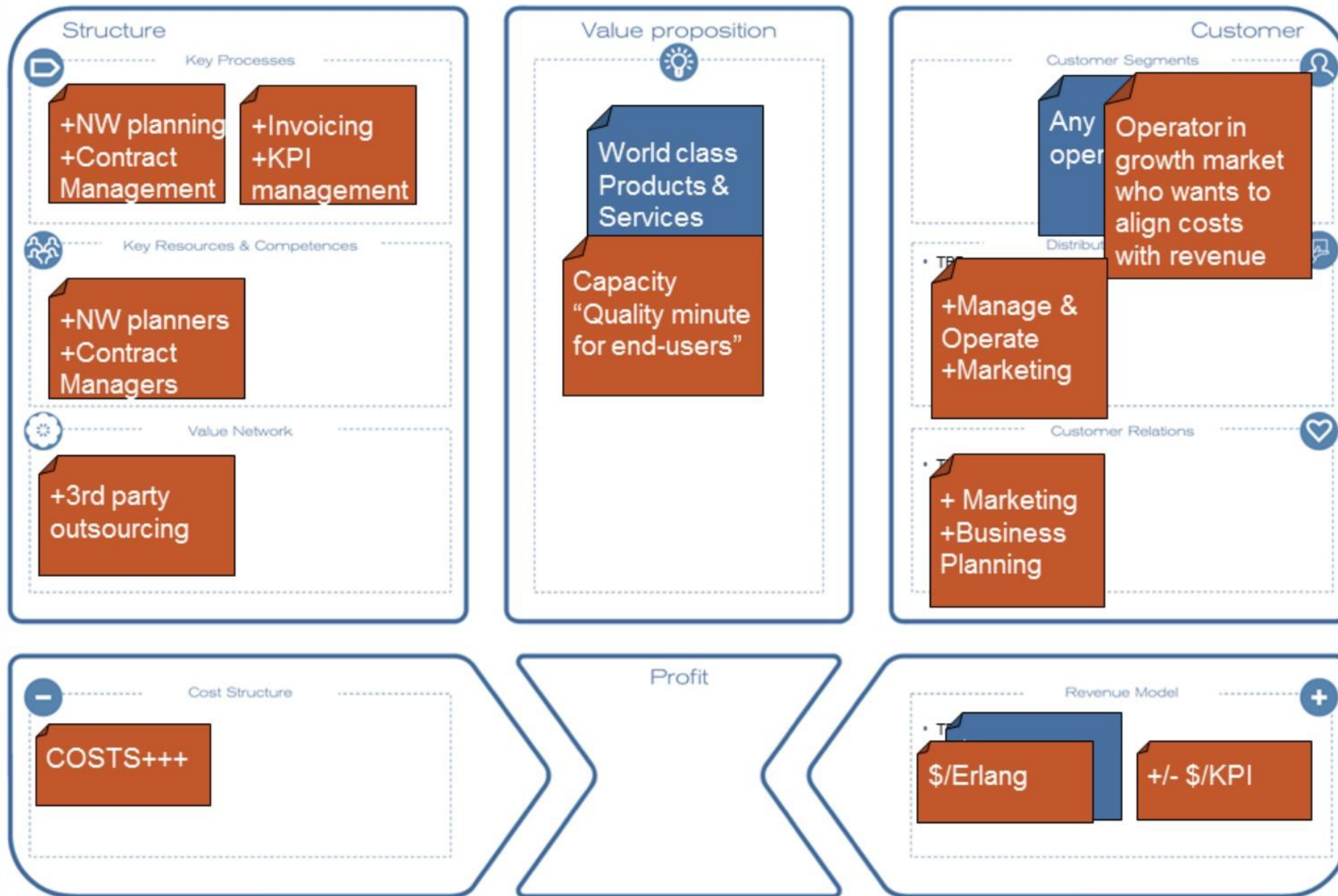




BUSINESS MODEL: Managed Capacity 2G model



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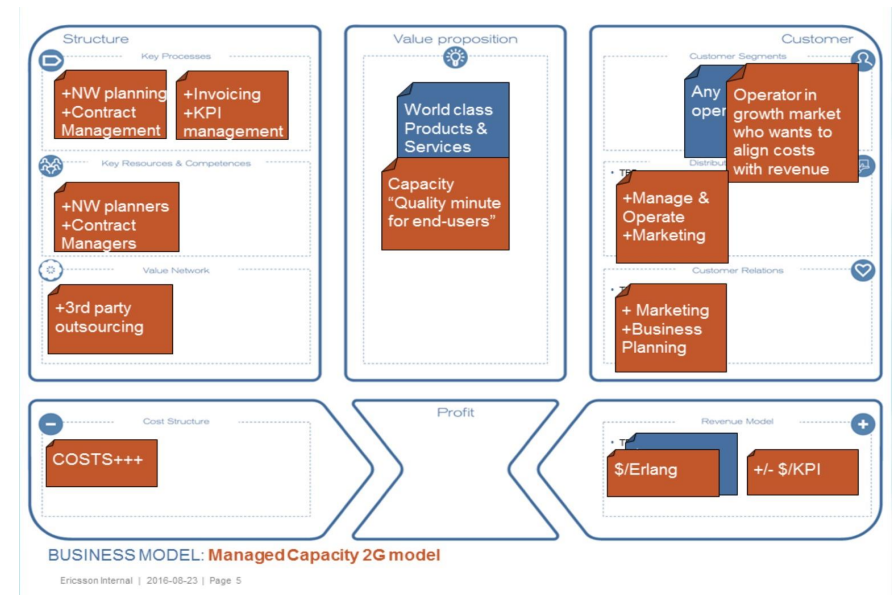


burning your cash while searching
for a business model...

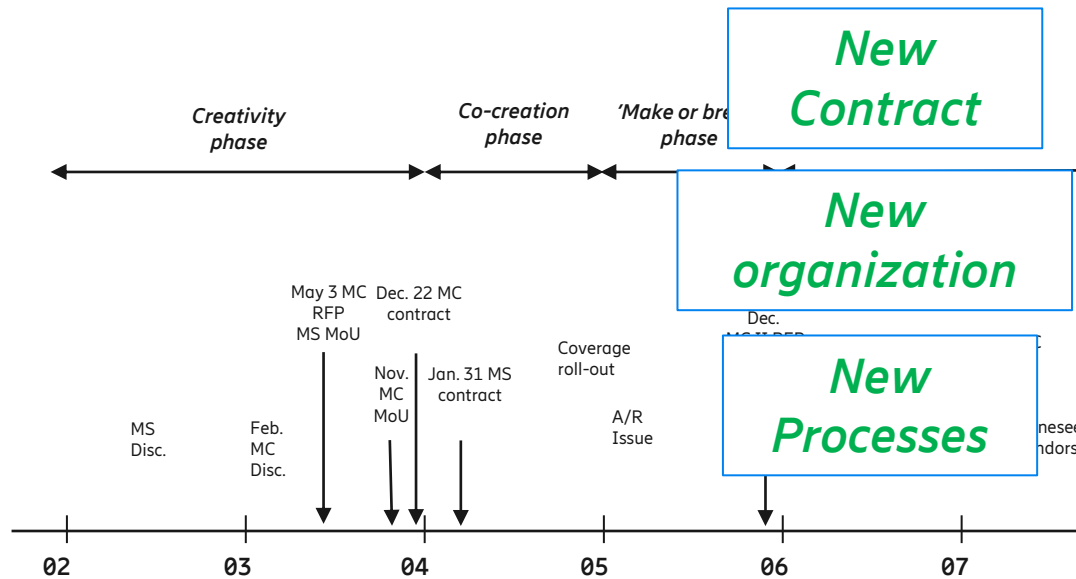


Expensive learning's...

- › Less is more
- › Reversed logic
- › Critical competences
 - Network planners
 - Contract managers



India case - timeline



"The end-to-end ecosystem understanding was over - Pr"

"Site material was one of the things which pulled us completely down because people did not know how to optimize site material because it was not part of Ericsson culture. And they did not understand that for a project when you order, everything is paid for, but here it was not like that."

- Head of Sales at Ericsson India Bharti account.

just
- Contract Manager at Ericsson India

New relations

Financial system

Business Case deviation

Reversed logic

New technology

"...So, there is a period of time where themselves and the customer were could not handle all of this. The"
- Account Manager at Ericsson India

"And then our system, you know when you raise an invoice etc. the revenue was being recognized and our systems were not capable of taking care of this new model so initially we realized that the revenue is being recognized on shipment based on box model which shouldn't be the case"
- Business Control Bharti account at Ericsson India Ltd.

Value proposition

for

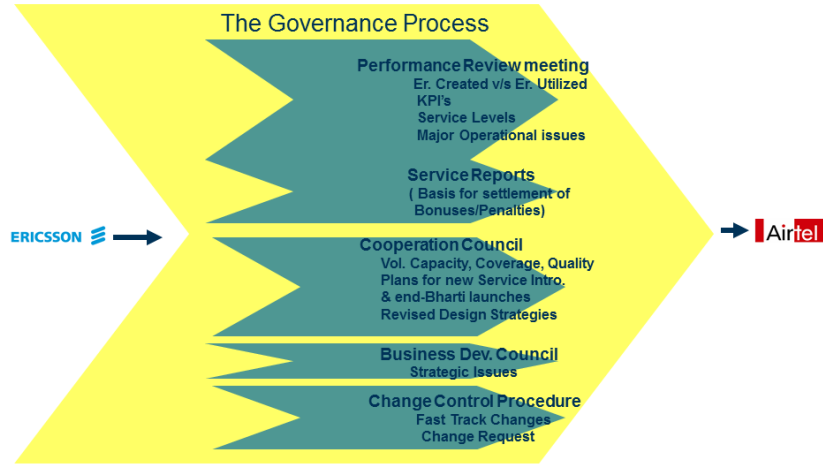
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Key resources

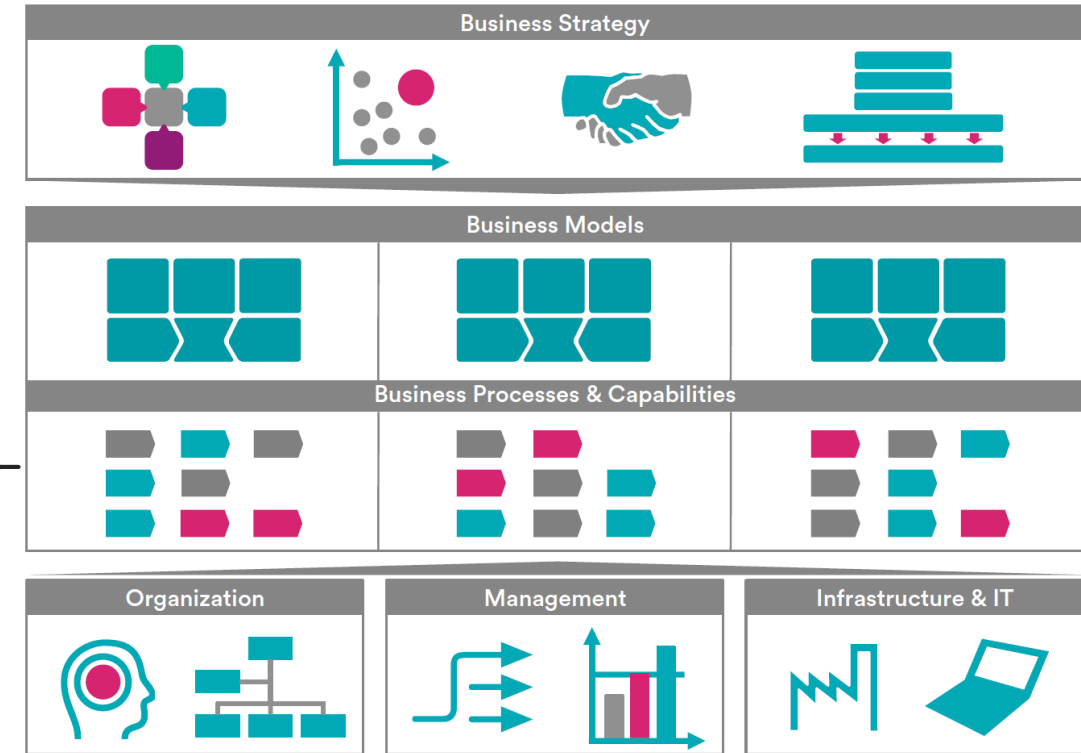
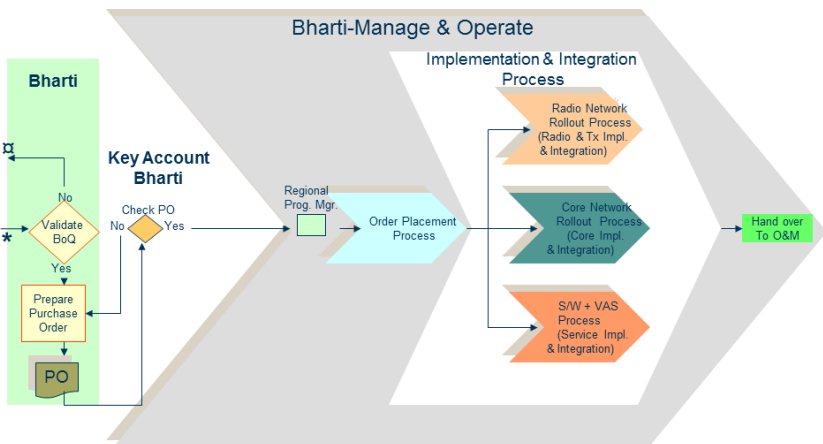
Key processes

Manage & Operate

Governance



Capacity Management



Source: Cordial

"The challenge was implementation of the contract where the service organization did not initially fall in line. **They still wanted to go with their setup.** There was a bit of a struggle I would say over there. But then when I went there, I made them understand how we needed to run this.

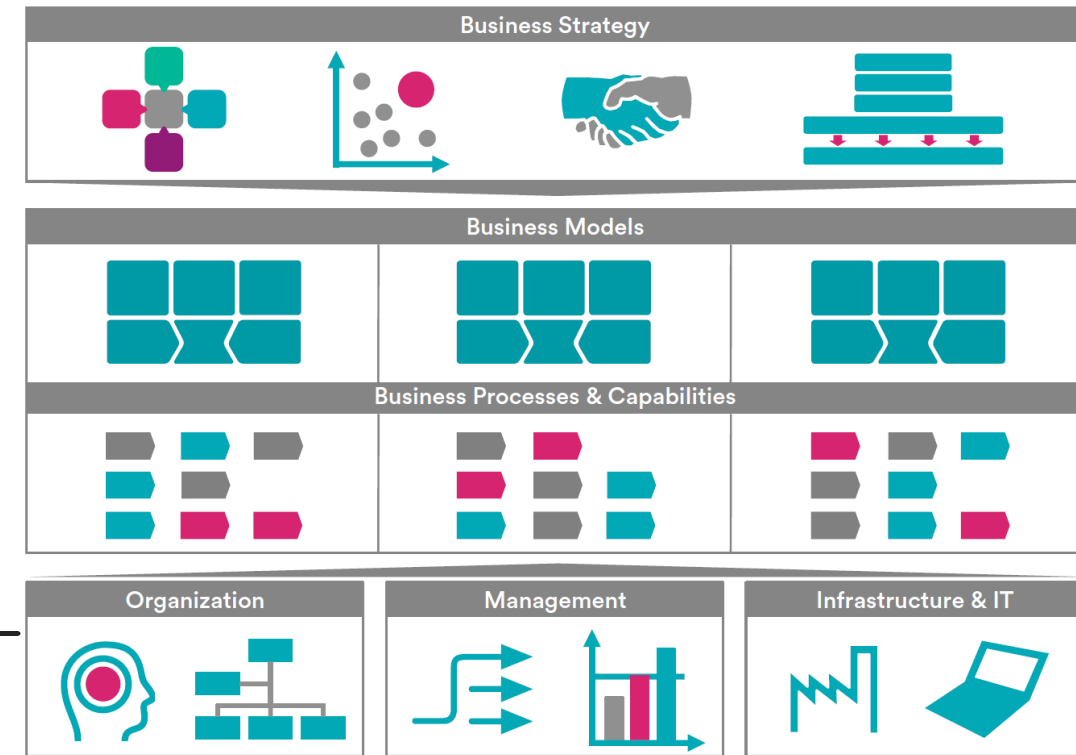
Interview, Managed Services Chief Operating Officer, Ericsson Bangladesh

... we have devised a **template** that would **enable tracking of Erlangs and its financial value**, from its estimation stage through to Purchase Order's and Invoices and eventually to installation and utilization.

Bharti MC Contract - Information Requirement for Revised Revenue Recognition Principle, Ericsson Internal document

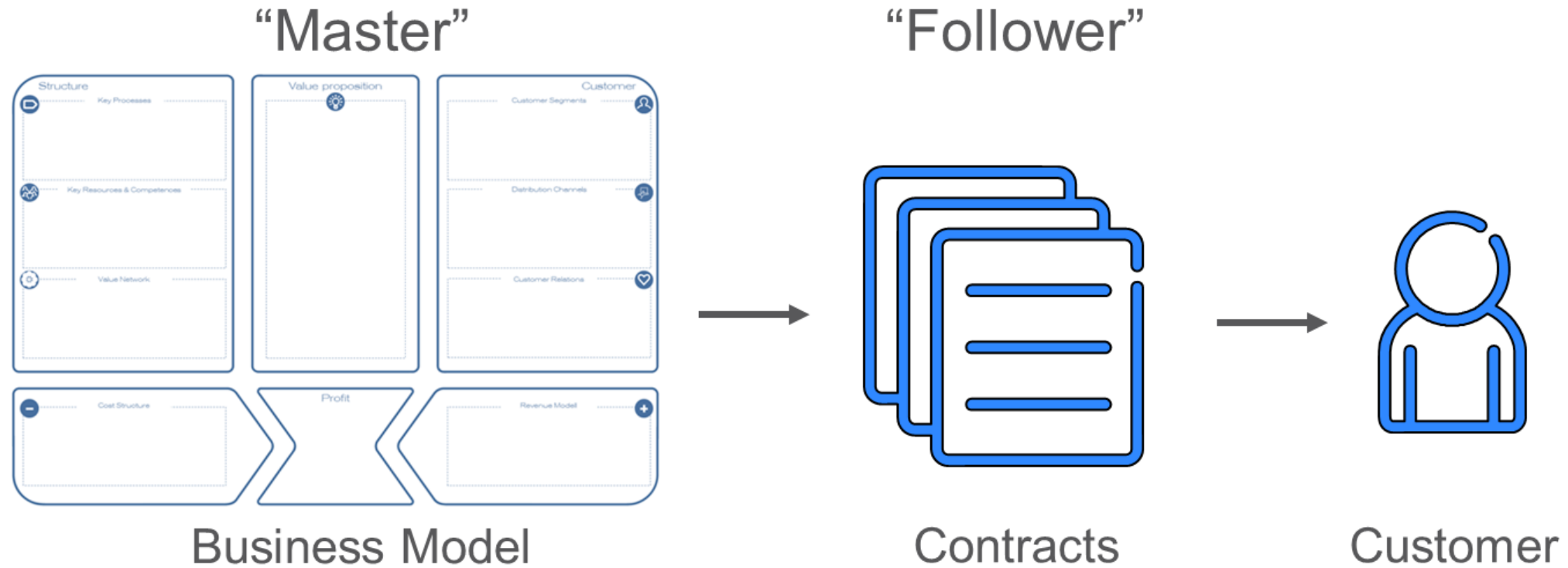
"Our accounting and financial systems were not capable of taking care of this new model so initially, the revenues were being recognized on the shipped equipment"

Manager Business Control at Customer Unit Bharti, Ericsson India

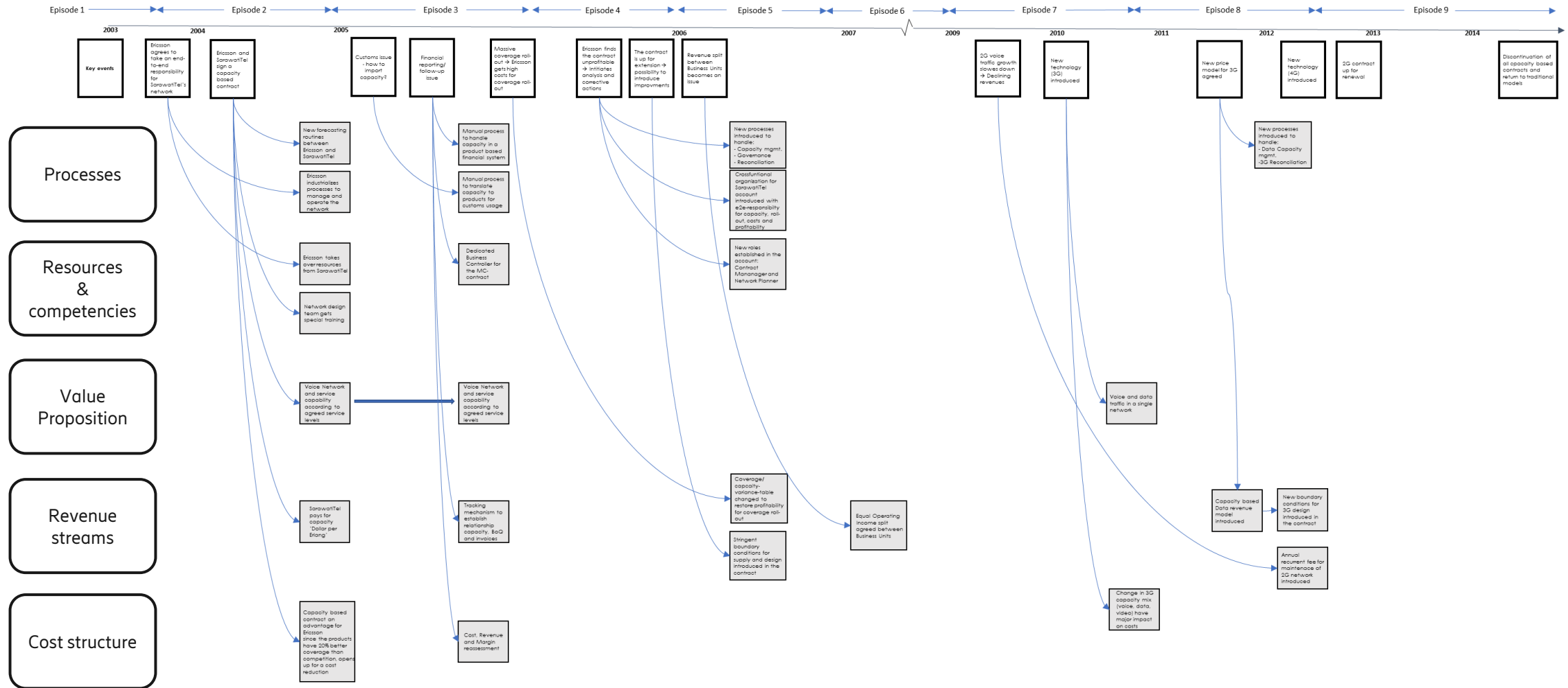


Source: Cordial

The contract needs to reflect the business model



Findings – The Bharti India Case



Iterative Business Model Adaptations



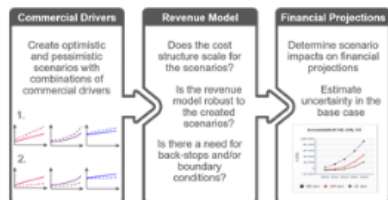
Business model
Screening

Business model component	Screening questions
Value proposition	Does our performance offering solve the customer problem? Do we need our structure to contain problems and risks, who are performance based value proposition?
Revenue streams	Do we need to create new type of revenue stream to improve the performance, eg. equity and financial assets? Do we need to follow up our revenue differently than today? Do we need our revenue stream to be different? Do we need our revenue stream to be different? Do we need our revenue stream to be different?
Key activities and processes	Do we need to create new activities to improve the performance? Do we need to follow up our activities differently than today? Do we need our activities to be different? Do we need to create new activities to improve the performance?
Key resources	Do we need new resources to improve the performance? Do we need to create new resources differently than today? Do we need to create new resources differently than today? Do we need to create new resources differently than today?
Customer relationships	Do we need to create new relationships to improve the performance? Do we need to create new relationships differently than today? Do we need to create new relationships differently than today? Do we need to create new relationships differently than today?
Cost structure	Do we need new costs to improve the performance? Do we need to create new costs differently than today? Do we need to create new costs differently than today? Do we need to create new costs differently than today?

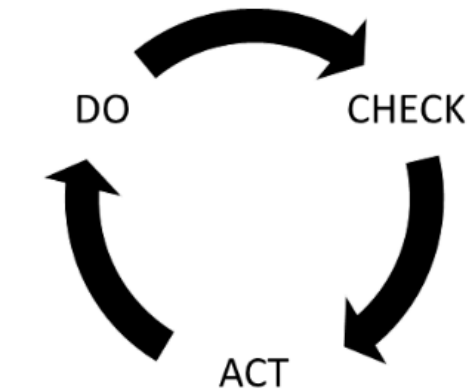
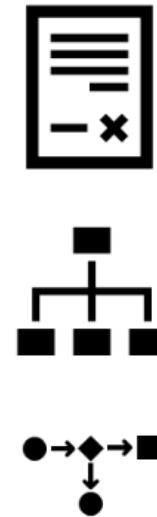
Extended risk
analysis



Financial/scenario
analysis



Pre-launch evaluation



Post-launch evaluation

[Servitization – not for all product companies | MGMT \(imit.se\)](https://www.imit.se/)

The background image shows a large commercial airplane on a tarmac. In the foreground, the large, blue, circular engine cowling of a Rolls-Royce engine is visible, featuring the company's logo. The airplane's wing and tail are also visible in the background.

Rolls-Royce blames supply chain woes and Covid hit to aviation for £111m loss

Shares fall 10% as outgoing chief Warren East says jet-engine maker has 'post-Covid indigestion'



Rolls-Royce has been **particularly hard hit during the pandemic** because its revenues are closely tied to the number of hours its engines are airborne. It provides engines for aircraft such as Airbus's A350 that are used primarily for long-haul travel, which has not recovered as quickly as shorter journeys.



ERICSSON