

## ICC Finland Business Breakfast

### – Facing the New Global Realities: Finland’s Next Move April 28, 2011 Rajeev Suri keynote speech

#### Key points:

1. NSN’s roots are in Finland, traditionally a model country of modern communication.
2. NSN is a truly global company, but also strongly committed to Finland, where we have valuable assets.
3. Finland was on top of the world in the 1990s and 2000s, but the business environment can change in a period of three years (smart phone and Facebook), or even faster (the Arab Spring). Keys to success are being agile and preparing for surprises and global competition; also a new kind of thinking: networking, partnering... building on the positive, trustworthy image of Finland.
4. Three wishes to the Finnish government and Finnish people: sensible government subsidies; the correct export financing policy; and paying attention to how to attract top talent globally.

#### Opening

My theme today is facing the new global realities. For the next 20 minutes I’m going to talk about changing global markets and political landscapes; a quick update on Nokia Siemens Networks; and how Finland could seize the opportunities presented in this new world.

#### Those were the days

Do you remember what happened on the first of July 1991?

On that date, 20 years ago, the first GSM mobile call in the world on a commercially open network was made by Counselor of State Harri Holkeri from downtown Helsinki to the Mayor of the City of Tampere, Kaarina Suonio.

In a way, this marked the dawn of a new era in the Finnish economy – the beginning of a rise after a period of economic stagnation.

During the following years, Finland established itself as the telecoms laboratory of the world. Reporters flew in from all over the globe to write stories of the astonishing country with people who hardly talked to each other but who had the most cell phones per inhabitant in the world.

At that time we also saw the rise of Nokia and its subcontractors and all those little mobile companies. The information and communications industry was key to the economic growth of Finland in the late 1990's to early 2000's. I was lucky to be part of that boom: I joined Nokia in 1995 and worked in Finland in 1999/2000 before the company sent me abroad.

## Finland today

Today, Finland is still a model country of communications.

Yes, I know that the modest Finns tend to forget that, but let me share the results of a unique comparison among nations sponsored by Nokia Siemens Networks. This annual study is called the Connectivity Scorecard, and it measures useful connectivity in innovation-driven (i.e. developed) and resource-driven (i.e. emerging) countries.

Finland has been doing pretty well in that study and was ranked 6th in the world in the 2010 edition among developed countries, behind only the other Nordic countries, the U.S. and the Netherlands. Finland scored particularly high in business infrastructure and usage, and in all government-related metrics. Finland was very strong in consumer information and communication technology usage and skills; but consumer infrastructure is a weak point in the country – this is due to things like relatively low cable and fibre penetration rates and download speeds.

This year's update of the study will be published next week, and I believe Finland will be again among the top performers.

Though Finland is very strong in business communications, during the last five years the innovations in consumer communications gear and applications, both IT and telecom, have come mostly from outside Finland: the popularization of the smart phone was really Apple's doing, and although Finns invented the Internet Relay Chat (IRC) gallery, Facebook was finally the big hit in social networking.

So, it is not enough to pioneer a technology – giving end users the experience they truly value and creating the right ecosystem around your product or service matters as much, or even more.

## Nokia Siemens Networks

I'm sure you all know something about Nokia Siemens Networks, but let me repeat a few facts about us: we have over 66,000 employees and operations in 150 countries. In 2010 our net sales were 12.7 billion EUR, two thirds of which came from outside Europe. We serve 75 of the top 100 operators worldwide and help our customers to make over 2.8 billion connections every day.

We need to be global, because the markets and the growth are worldwide – but Finland, our home base, continues to be very important to Nokia Siemens Networks.

We have about 7,000 employees in Finland (Espoo 3,800; Oulu 2,200; Tampere 1,000). Our head office is in Espoo, and the Tampere site concentrates on software development, particularly network management.

In Oulu we develop radio technologies, especially the long term evolution to 4G. In the Oulu factory we manufacture radio network base stations, and the New Product Introduction department is located in the same building as the large R&D unit, which ensures direct feedback from production to development and vice versa.

Finland is in fact one of our biggest locations for research and development: over 30 % of our R&D investment is done in Finland, and half of our personnel here work in R&D. We also have long-term collaboration with universities and R&D partners.

### Being global means being agile

Being global means facing global challenges, and some of them will come as surprises. You have to expect surprises in other parts of the world, even if you are headquartered in a safe Western country – in fact, especially in that case!

In some areas of the world, the political climate can change almost overnight, as happened this winter and spring in several Arab countries. Or the government's trade policy can change, like in India in 2010, when we faced trade restrictions that had a serious impact on our results. And every now and then we are all reminded about the power of nature (Iceland last year, Japan now) to affect global business.

I believe it's important to have a mindset where you expect change. Much of the world's business is moving to the eastern and southern hemispheres, so it's vital to be ready to do business differently and adapt to new environments.

One of the things that has helped Nokia Siemens Networks be successful in global markets is the diversity of our personnel. We have a great variety of nationalities, ethnicities, and cultures within the company. At the end of 2010, we had 148 different nationalities on our payroll. We also have a culture where open communication and working together across organizational and geographical boundaries is highly valued...

Another area where agility is important is innovation. The days when it took five years to standardize a network feature and another five to implement it are over – today we must be nimble and respond to the changing world. Five years can now be the lifecycle of a popular product.

In our business, as I'm sure in yours as well, the greatest risk is standing still. So we are upgrading networks for the next generation, creating more intelligent network management systems, and developing better software to enhance the end-customer experience, as well as transforming the way we do business.

## **Facing global competition**

With new nations rising to the forefront, there is also new global competition: nowadays we not only face competitors like our dear Swedish neighbors, but companies from countries like China are an increasingly serious threat to us.

So how do we meet this new competition?

There is no secret recipe against global competition – as long as there is a level playing field, you can win if you are better than your competitors, and above all if your customers know it and value what you offer them.

This is why innovation is at the core of our operations, and our customers constantly tell us how much they value our innovative approach to their needs.

We have pioneered the concept of Smart Networks, which help smartphones behave intelligently instead of clogging up the networks.

At our Smart Labs in Helsinki, Dallas, Madrid and Seoul, we are testing all major smartphones, operating systems and application types, in co-operation with smartphone vendors, our customers, and other industry players.

Another very exciting area for us is Liquid Radio, which is a system consisting of certain radio network features that enable network capacity to be directed exactly where and when it is needed.

In the area of software, we have developed a unified charging and billing solution that makes it easy to choose a suitable payment method by service, time, or other criteria. It works for both prepaid and postpaid customers. More than 300 operators are using this solution, serving 550 million end users.

We have more than 30,000 Services people in all over the world who really understand our customers' processes and needs. Our customers value our Services capability, and this is why our Services business keeps growing strongly.

We have pioneered the unique Global Services Delivery model combining local presence close to our customers with Global Network Operations Centers where we manage our customers' networks. Did you know that we are the 3rd biggest operator in the world, managing 150 networks with 570 million subscribers?

## **We need a new way of thinking**

With global economic power shifting to the E7 countries, there will be a new fast-growing global middle class requiring and able to afford a higher standard of living. Companies already present in these markets are better off than those thinking about entering – and that is the case with Finnish industries that have long traditions of foreign business.

In Finland, doing global business used to mean exporting timber and paper – sort of one-way transactions: you sell your products abroad and bring the money home.

But today, success requires a new way of thinking and acting: you must network, share and partner – very few companies are big enough to succeed alone.

Finding the right partners to do business with is essential. I must admit that we at Nokia Siemens Networks have not always been great at this, but we are working on it and improving all the time. I believe Finnish companies should leverage the good image of Finland: safety, honesty, integrity, trustworthiness – these are things that people all over the world greatly appreciate.

Many of the upcoming players come from countries with different cultures and ways of working. If their products are cheap, you might wonder if you can ever beat their price levels. Competing on price can be a successful strategy in the short run, but I firmly believe that over time, people will choose quality products from free and open economies, from companies with good reputations that can stand behind what they sell over the long run.

### **How will Finland stay competitive?**

So, how can Finland stay competitive in the changing world? Nokia was the driver of Finland's growth – should we now wait for a new Nokia?

I do not know the answer to this question, but there are three things that can help.

First, government participation can be an important success factor. In the 1990's, government's public-private partnerships created clusters of companies that together made a winning ecosystem. The right government partnerships with the right kind of companies can also help today – of course in compliance with WTO rules.

I'm not suggesting that we revert to subsidizing industries that no longer can be profitable in Finland, but there are some industries worth paying attention to. Examples could be high tech research, or the mobile phone game industry. The seeds of success are already there – startups like Rovio (the company behind Angry Birds), PowerKiss, etc., and time will tell if there will be successful clusters around these companies.

The government's export credit policy is another important success factor. Financing has always been important to Finnish industry, even more so during the recent financial crisis. While the financial markets have recently been relatively stable, financing and particularly export financing continue to be important.

Many countries, China in the forefront, have increasingly started to use this as means to further their international industries; but this is not limited to the Chinese: Sweden and Germany are examples of countries with a large export sector – and they have lately become more proactive with export financing, using it to support their own economies while creating and protecting employment. Finland has not done this, which has impacted the competitiveness of Finnish companies.

We have to understand that export financing is not a government subsidy – it is meant to be self-funding. A working group has recently come up with a recommendation of how to enhance and improve Finnish export finance capabilities and tools. The new

government must take these recommendations seriously and implement the proposed enhancements. This will help the Finnish export industry and improve employment in Finland.

The third thing I would like to highlight is Finland's ability to attract foreign (highly trained) employees. I say, let's stop complaining about brain leakage abroad and concentrate on brain import! Succeeding in global competition has a lot to do with who hires the best talent.

We at Nokia Siemens Networks have a remarkable number of foreign employees with university degrees working in Finland. They tell me that they appreciate the good quality of life – the society is safe, secure, healthy, and well-functioning overall. They also like your excellent infrastructure, and they say that dealing with government authorities is quite easy, as practically all speak English.

There are nevertheless things you can do to attract top talent from all over the world. For companies hiring people, it is obvious that salary and benefits have to be competitive. But what Finnish society needs to improve most, I believe, is how to integrate foreigners, how easy it is for them to become part of the society. I am talking about everyday life, how you meet foreigners in grocery stores, in the streets, in your own neighborhood. A Chinese lady commented in Helsingin Sanomat before Stockmann's Crazy Days that she always goes there, not to shop, but to enjoy the crowd and the feeling! We all know that attitudes do not change overnight, but think about it – being a bit more open towards foreigners will only do you good in the long run.

One thing one cannot change quickly is the climate, but some foreign workers stay despite the weather – it is not as bad as it might seem, and everything works perfectly, even in rough conditions – remember last winter when they reported in the U.K. how the Finns managed the flights even though there was one meter of snow?

#### **Final remarks**

So I leave with you with the remembrance of July 1, 1991: a future of possibilities was ahead of us then.

Today, Nokia is still the worldwide leader in mobile phones. And Nokia Siemens Networks is number 2 in telecoms infrastructure (and we are aiming to be #1!). And guess what? A whole world of possibilities is still ahead of us. As long as we don't fall into the rut of re-living past victories, or of blaming other countries or companies, or hard conditions. There are always challenging conditions.

The countries that are successful are the ones that both accentuate the positive things they have, that seek the things they don't have, and are willing to grow and change. I believe Finland is still such a country. That's why I'm glad I'm here.