Telia 2013 to 2018

A STORY ABOUT DEALING WITH A DUAL CHALLENGE
Telia 2013 to 2018 – a story about dealing with a dual challenge

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1.1 Foreword

1. Telia has gone through profound change in recent years. The way assets were acquired in Central Asia was scrutinized by the media, and questioned by its major stakeholders, was a trigger for change but not the reason for it. It was a wakeup call for many companies to really address the issue of doing business responsibly. The new leadership of Telia had to address the dual challenge of restoring the reputation of the company at the same time as it aimed to carve out a role for itself in a changing market environment.

Telia’s recent history has attracted significant interest among stakeholders. Parts of it has been described in the media, in books and academic papers, but not holistically and not with the perspective of the Telia leadership which were assigned with the task of steering the company through these challenging times. I wanted to tell their story, to capture the complexity of leading Telia during the years 2013 through 2018 and to give an account of how the effort to address the dual challenges has been carried out.

In doing so I have interviewed Marie Ehrling, Johan Dennelind, as well as other key members of the Group Executive management. The reason I have undertaken this task is that I started working for Telia soon after the publicity on Uzbekistan in the autumn of 2012, as head of external communications and media relations, tasked with an operative role in managing the crisis. I dealt first hand with many of the issues described in the document and have had reason to deep dive into many of the others.

My aim has been to give an objective account but there will always be a level of subjectivity in a story told this way. That is why it is important to be transparent about who has held the pen. View it as one perspective on how one of the biggest scandals in Swedish corporate history played a part in reshaping one of the country’s blue-chip companies as the market environment arguably changed more than at any time during Telia’s 166-year history.

Salomon Bekele

1.2 Telia 2018 very different from 2013

When addressing the shareholders at the AGM 2018 Marie Ehrling underscored once again that Telia 2018 is a completely different company than it was in 2013. With the profound change in culture and leadership, and with a new strategy, the company is rapidly changing and becoming a new Telia with a strong base in the Nordic and Baltics. The change in culture and leadership characterizes what its people do and how they do it. Whereas five years ago Telia was seen as a company with an “ethical compass” which could be questioned, today its governance is arguably a model for others to follow.

Since the new board took office doing business in a responsible way is a guiding principle in everything Telia does. There has been a persistency, but also an impatience, when difficult and complex issues that are linked to the history of the company have been addressed. It has not always been easy, but it has been in the best interest of the company. The global settlement with US and Dutch authorities on Uzbekistan in September 2017 was not only a clear reminder that it is costly to make mistakes, it was also an acknowledgement of the efforts of recent years to solve these issues.

A sad chapter of Telia’s history has closed and focus can be put on the future in a world which is changing faster than ever. As the market changes and the competition increases there are also greater opportunities. The demands from customers and co-workers are shifting. Telia’s ambition to face these demands is clear, 55 transactions were completed 2014 through 2018 at a total value of SEK 98 billion. The divestments and acquisitions have

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The Group currently known as Telia Company AB was previously known as TeliaSonera AB, and before that, Telia AB. To facilitate reading it is simply referred to as Telia throughout this text except when necessary for the context.
also contributed to the fundamental change of the company. The necessary conditions to capture more opportunities have been there, the strong balance sheet in early 2018 created the freedom of action and flexibility necessary to capture growth opportunities as digitalization sweeps the region. This was manifested by the acquisitions of GET/TDC and Bonnier Broadcasting in 2018.

The aim is and has always been to create the greatest possible value for the shareholders. Telia is in a unique position in the Nordic region, with a stronger overall market position than any competitor. Telia’s ambition is to be an innovative force in changing society in a sustainable way for all its stakeholders and do everything it can to improve the customers’ lives. That is how a stable profitability and long-term value is created for the shareholders.

Finland is a good example of the change. In 2013 it was struggling, now it is leading the way in delivering on the strategy here and now. The Finnish operations which have been successfully rebranded to Telia have the best network in the country, providing the prerequisite which allows Telia to grow the number of satisfied customers. It has moved into media with content, by purchasing rights to the very popular Finnish hockey league. It will now be packaged as a service on top of the networks providing an even better customer experience. Also, four acquisitions have been made in one year strengthening the offer for corporate customers in the areas of security, cloud services and system integration. Clear deliveries on strategy done at the same time as costs are kept in check. And Lotta, the world’s first smart mailbox, which make surface mail more efficient and smarter in a digitalized world, is a sign of innovation. There will be much, much more going forward.

Even though a lot has happened in the five years since 2013 one challenge that has not changed is the scant growth in the mature markets of the Nordic and Baltics. That said the strategy which took shape in 2013-2014, and was refreshed in 2018, holds true and has come to life in the financial performance with SEK 10 billion in yearly cash flow, which will be improved over time. The culture with the values dare, care and simplify and the purpose of bringing the world closer has raised employee as well as customer satisfaction, which combined with sustainability and cost control is an important prerequisite for future value creation.

In 2018 the Group was branded Telia in all its markets. The change is a story about leadership and the importance of setting the right tone from the top, from the board, from the CEO, from the Group Executive Management and from all the leaders in the company. It’s a story which is relevant for corporations everywhere. Sustainability in every way needs to be integrated into the business, so say the major investors in 2018, they didn’t ten years ago. Telia is a merely an example of a wider change in the way business is conducted.

1.2.1 The starting point
Telia has undergone great changes during its history, but the past few years has arguably been one of the most dramatic periods since then and in Swedish corporate history. This is manifested by the great interest many external stakeholders have taken in Telia’s story. They are curious to know how the incumbent Swedish operator suddenly found itself engulfed in a corruption scandal in Central Asia.

The answer lies in a combination of many factors, but in no small measure the answer is to be found in the way the industry works. It is an industry which deals with infrastructure which is of key importance to all nations. Since the mid-1800’s the communications market has gone through many disruptive faces, one of which was the mobile telephony revolution that swept across the globe in the 90’s and 00’s. It represented a huge opportunity for incumbents who at the same time as the technology changed, were being reorganized from authorities to corporations listed on stock exchanges around the world.

The Nordics was on the front foot in this development. Companies such as Telia, Sonera, Tele2, Millicom and Telenor, as well as the suppliers Ericsson and Nokia, all saw the great business opportunity which lay in capitalizing on their respective know how and skills in other
parts of Europe, Africa, Latin America and Asia; using balance sheets which remained strong even as the home markets matured into more modest growth. As many countries leapfrogged from no telephony to mobile telephony the positive effect on societies were clearly visible to everyone.

These were different times, not only were there different views on the challenges of doing business in corrupt markets with human rights issues, the legislation was also different. That is not to excuse what happened in 2007 on account that laws and public opinion were different then, but it is an important perspective. Focus was on growth opportunities and the very tangible positive societal effects of connecting the unconnected. Ten, fifteen years ago it was seen as possible to do business differently in different markets, five to seven years ago that had changed.

At the same time as the view of these markets shifted, from growth and opportunities to problems and complexities, they also matured. With increased mobile penetration the markets began showing signs of facing the same challenges as operators had experienced for some time in Europe and North America. There the concept of telecommunications as an industry in of itself was and is challenged by names like HBO, Netflix, Apple, Facebook and Google. The introduction of the smartphone has transformed the industry, customers are becoming more and more interested in the services they can access rather than what network, i.e. operator, they use.

This was the landscape Telia’s new board which took office in April 2013, and subsequently new management, had to navigate and this is the story told from that perspective.

1.3 The incumbent merger

There is a saying that history repeats itself. The equity market is no exception. From time to time, often when new technology comes along which investors have a hard time calculating the true value of, there is a tendency for valuations of assets to rise too much creating inflated values which will inevitably have to come down. In the late 90’s this was true of internet and telecommunications stocks. Many of the services we see realized today were talked about then, and they were priced into the share valuations prematurely.

The development was not only driven by technical progress, but also deregulation of markets and privatization of incumbent operators. Sweden was one of the first countries to incorporate its state-run incumbent operator in the early 90’s and by the end of the 90’s a merger with the Norwegian counterpart Telenor was almost completed. The merger was halted at a late stage, but the reason why it was considered did not change. There was a need for consolidation in Europe which is still very much the case.

In the year 2000 the bubble burst, the 3G license auctions held across Europe were a final blow. Licenses were acquired at extremely high valuations which would haunt the industry for the better part of a decade. Telia did not participate in that race, it was considered too expensive and risky to compete in large markets in Europe, such as Italy where Telia did have a license. The same reasoning applied when the newly listed company chose to divest its assets outside of Europe. Looking back the reasoning had merit, other operators have tried to compete in huge markets far from home, such as India and Brazil, with mixed success. Consolidating to the Northern European markets was seen to be a safer bet.

Sonera, however, did participate in the 3G auctions, and in 2002 the old Finnish incumbent was in financial trouble, which made the prospect of a “merger” (Telia was the buyer) more attractive. The owners saw a match. Through the merger the joint company got a stronger position in the Baltics and in Russia, but it also gained a foothold in Turkey, Georgia, Azerbaijan, Kazakhstan and Moldova through Sonera’s ownership in Fintur Holdings.

1.3.1 The expansion frustration

During the first five years after the merger not much top management attention was given to the complex markets in Eurasia. At that time Telia was a fragmented company. Its various
parts weren’t as integrated as they are today. This was very true of Business Area Eurasia, which were even more independent as it had its own way of working. It was run by a largely Turkish management out of Istanbul. It was acting as a company within in the company and all of Telia’s global policies and instructions were not the same and fully implemented across the Company\(^2\). That would not change until after the new management which was announced in December 2013 took office (and it would prove to be a big part of the challenge ahead).

A lot of attention was on resolving the ownership situation in Telia’s associate operator Turkcell in Turkey. In 2005 a press conference was held at which Telia announced a binding agreement making it the majority owner of Turkcell (which indirectly also meant an increased stake in Fintur Holdings). Only a few days later it became apparent that the Turkish seller had sold part of the same shares to a Russian company resulting in a deadlock between the largest shareholders which persists to this day. Turkey, with its large young population and on a path to EU membership, was a very attractive market. The smaller Eurasian operations which were owned via Fintur Holdings in which Turkcell was Telia’s partner, did not receive as much attention.

It had been difficult to make deals in Eurasia as Fintur could not agree due to the conflict between the owners in Turkcell, which meant that some opportunities were missed. In 2007 Telia decided to do deals on its own. The Eurasia management got the board’s approval to acquire an operation in Uzbekistan and Tajikistan (from US company MCT), at the same board meeting in which the main topic was the CEO issue. The board took the decision to let the then CEO Anders Igel go.

When Lars Nyberg took office as CEO in September of that year the entry into Uzbekistan (and Tajikistan and Afghanistan in the same transaction) was already underway and there was a plan for how a 3G license, and a strong local partner, were going to be secured. When the transaction with the local partner Takilant was announced early 2008 it made critical headlines in some media. It was suspected that the circa SEK 2 billion Telia had agreed to pay would go to the then president Islam Karimov and his family. Questions were asked about the ultimate beneficiary owner (UBO).

It is interesting to note that in 2008 the reply to questions from the media implying that there was uncertainty as to the UBO, and that it was not important to know who the UBO was, if you abided by your ethical guidelines, did not have the same consequences as it did four years later, in 2012. Also, in 2008 few shareholders had any views on the matter, and none of the largest ones, but this would change. With Uzbekistan, Tajikistan and a year later Nepal, Telia had added markets which would show high growth for years to come, but they would also carry with them difficulties to be faced in the ensuing years.

1.4 The trigger – reactions and actions

In 2012 the sentiment in society had changed, as had the legislation. The UK Bribery act was introduced in 2010 and in 2012 the Swedish law on bribery was changed. Telia’s Eurasian operations were viewed positively in the financial markets as it delivered the growth that was not happening in the Nordics. But the way the operations were run led to reports in media about allegedly corrupt practices in both Azerbaijan and Kazakhstan. On top of that the issue of telecommunications companies’ responsibility for the citizens (lack of) freedom of expression in the markets in which they operated became a hot topic. Early on Telia had identified this as a key sustainability topic to address and it was one of the founders of the Telecommunications Industry Dialogue in 2011 and had worked for some time on drafting a Freedom of Expression policy.


\(^2\) Also, a policy in of itself is not sufficient. It needs to be properly anchored in the organization through training and with the right tone from the top. Since 2013 the policies and instruction and the implementation of them has improved greatly.
That did not matter. Telia’s footprint became a way to make stories about human rights abuses abroad relevant for a Swedish audience, indirectly holding the largest shareholder, the Swedish government, partly responsible for acts carried out by governments and authorities in countries like Belarus (via Turkcell) and Azerbaijan. Many were alarmed by reports that Telia was “assisting dictator’s” in their surveillance of the opposition. In early summer of 2012 the former Telia management were called to parliament to answer questions regarding surveillance equipment (black boxes) in networks in Belarus and Azerbaijan. They committed to take action and report on the progress in recurring sustainability updates.

There was a feeling among some in the company that it had managed to ride out the storm and that it was in a good position to build on a more positive corporate story going forward. It would soon prove to be wrong, Uzbekistan was back on top of the agenda. What was (and is) arguably Sweden’s most influential investigative reporting news organization, Uppdrag Granskning, aired a program in September 2012 which would shake the foundations of Telia, and force the CEO to resign and trigger major change of the Board and management of Telia.

Part of Uppdrag Granskning’s addition to the reports 4.5 years earlier was the identity of the sole owner of Takilant (Telia’s partner in Uzbekistan) Gayane Avakyan. She was a 25-year-old with no experience of telecommunication, who featured along with the president’s daughter Gulnara Karimova in social settings on images easily accessible online, and not credible as a UBO. Along with images from Gibraltar, the post box address of Takilant, this gave rise to a number of highly relevant questions, the most important of which was; Had Telia, with the government of Sweden as its largest owner, bribed its way into Uzbekistan?

The power of television, a change in the general view on how business should be conducted combined with tightening of legislation, had set in motion what a few articles in media couldn’t do in 2008. A week after the program aired a Swedish prosecutor started an investigation which led to the indictment of three former managers, including the former CEO and the former head of Eurasia. The verdict in the Stockholm District Court came in February 2019. They were acquitted as the alleged ultimate beneficiary of Telia’s transactions with Takilant in 2007—2010, was not possible to bribe under Swedish law.4

1.4.1 The reaction and the independent review

When the headlines were screaming “BRIBERY”, the answer in 2012 was “we have not broken any laws”. In 2017 Telia admitted responsibility for wrongdoings in the US/Dutch process settlement, but that was five years later. What was evident immediately after the broadcast in September 2012 was that the story was all about whether or not it was correct to do business in this way – regardless of the legality. Legal matters are important but most who saw the facts as they were laid out felt that this was no way for Telia to do business regardless.

There was a realization that the preliminary investigation would probably take some time (similar investigations had dragged on for years). To show action, and to get a quick answer to the question of legality, the former board decided to assign an independent law firm with the task to do a review which was expected to only take a few weeks. In early October the task was assigned to Biörn Riese at Mannheimer Swartling and the focus on legality was clear in the question he was to provide an answer to; “Does Telia’s investment in a 3G license, together with frequencies and number series, in Uzbekistan in 2007 and afterwards entail that representatives of Telia are guilty of corruption-related crimes or money

3 SORM-like legislation similar in several of the former Soviet Union countries. The main difference between it and other systems is the legal framework by which law enforcement agencies can monitor citizens. Whereas in many countries law enforcement agencies need to ask the operator for assistance, in former Soviet Union republics the legal system often allows law enforcement agencies to bypass the telecommunications operator entirely via the SORM system of direct access.

4 The verdict has been appealed by the prosecutor.
laundering?”, but given the new legislation they needed to take it a step further, and include an assessment of whether Telia could “… be deemed to have complied with its own ethical rules applicable from time to time”. And they would find reason to criticize all involved; the project management, the CEOs as well as the boards of directors. They were all criticized.

The review that the former board solicited was unique in its openness and transparency and remains so to this day. The board could not veto the findings and did not receive any “preview”, until the night before the findings would be presented at a press conference at Mannheimer Swartling. It took longer than the six weeks anticipated which also meant that the pressure on the board and management mounted in the media. When Biörn Riese presented his findings on the evening of January 31, 2013, almost four months had passed.

The consequences were immediate, Lars Nyberg announced his resignation on February 1, the day of the press conference. The deputy CEO and CFO, Per-Arne Blomquist, was made acting CEO. Anders Narvinger, the Chair, had already on December 5 announced that he would not stand for re-election. In the same release he was quoted as saying that he had understood that “…the nomination committee wants to see changes on the Board of Directors, and to create somewhat of a new start for Telia”.

The Board’s initiative to do an external review of their own was welcomed by the owners who needed answer sooner than what could be expected from the legal proceedings. The major owners with the Swedish government at the helm had bided their time and waited for the conclusions of the external review before acting. A week after the review was presented the nomination committee announced that it would nominate Marie Ehrling as Chair of the Board.

By some, especially in the media, the whole process of the review was seen as a whitewash. When the review was finished they would consider themselves proven right, as Biörn Riese, while he could not rule it out, could not conclude that illegal bribery had taken place. But the fact that he did conclude that the company’s own ethical guidelines had been violated was the bombshell that marked a turning point as to how these issues are addressed. Some would argue that the legal firm had to go this route, that a legal assessment of this kind would have to include ethical considerations (i.e. Telia had not been compliant with its own code of conduct). But it was most probably not what had been expected, which is perhaps why this type of review remains unique to this day.

1.4.2 A new board is nominated

Marie Ehrling wanted to take in the findings of Biörn Riese and Mannheimer Swartling before making her decision whether or not to accept the nomination. After she had read the report she accepted the nomination, taking on the dual task of forging a new strategy for Telia going forward and dealing with the issues in Eurasia. Not enough people at head office were as deeply involved in the M&A, and operations in Eurasia, as they ought to have been. That was the way the company was governed. This meant that the task would be more difficult, and would prove to take longer, than expected. Not only would it be about investments into Uzbekistan, but also about truly creating one company. “One Company” had been a mantra from head office, manifested by the adoption of the same symbol, the pebble, and color, purple, but it was far from reality in the operations, not least because the company was not governed in the same way in all geographies.

There were formal policies and instructions in place in Eurasia, albeit in many cases different than for the rest of the Group, but there was not enough implementation and follow up, which was the main issue. The Mannheimer Swartling report gave evidence to this as it based its whole argumentation on what it saw as breaches of the existing code of conduct. There was also a clear need for the much-used line “zero tolerance of corruption” to be followed up by a more thorough compliance effort. An effort more in line with the self-perception, which was not up to par when compared with what was the general standard of the day.

Also, although the Mannheimer Swartling report was thorough it was limited to transactions in conjunction with the establishment in Uzbekistan 2007–2010. It did not go into other
transactions or into details about governance (difference in governance) in the region as compared to the core Telia. These issues, and the task of bringing the core business back to winning, would prove challenging during the course of the following years.

1.5 The AGM 2013 – a new board

At the AGM in April 2013 six (out of eight) new members of the board were elected to take on the dual task of steering a damaged company back on track and find its role in a rapidly changing market landscape. The very public crisis Telia was going through, with a preliminary investigation on top of that, was something which had spilled over on the Swedish government as the major shareholder. Making the story even bigger in the news. For the better part of a year this would split the board’s, and part of the top managements’, focus between topics related to creating a winning culture which could take on the challenges in the market and dealing with Eurasia. The board needed to be active to put things in motion in the right direction. To not deal with the issues that had put the company in the troubling situation it found itself early 2013 was not an option, this was true both of the business and the situation in Eurasia.

Questions that the new board would have to consider was how deep the trouble ran in the company. Was what had transpired “just” a (blatant) lack of judgment among a few top executives or was it part and parcel of the whole culture of Telia? These were important considerations as the new Board took office in April 2013.

1.5.1 Three priorities – crisis management, new leadership, strategy

The new Board wanted to make sure it had the full picture. It announced its intention to “carry out a thorough review of the transactions of the past years with respect to agreements and partnerships in Eurasia." This was an important part of the Board’s three main priorities; crisis management, new leadership and become forward looking by setting a new strategy.

In the release issued on April 18 the aim with the extended review was spilled out; “…to give TeliaSonera’s new Board of Directors a clear picture of the company’s transactions in Eurasia and to perform a risk assessment from a business ethical perspective. TeliaSonera’s present processes and routines will also be analyzed in order to assess whether they are suitable and sufficient for managing the identified risks.” or simply put – open the lid, get a clear picture and act on it. It was important to be as transparent as possible. The task to do it was assigned to a British law firm.

In her speech at the AGM in 2013 Marie Ehrling said that it ought to be an integral part of business and business strategy to ensure that the operations are sustainable. This is recognized by some of the world’s largest fund managers as an important part of value creation now, but it was not comme il faut in 2013. Telia was a case in point that customers, employees and other stakeholders demanded more of companies than what was stipulated by strict legal requirements.

There was a realization that policies and guidelines are necessary, but the recent experiences of Telia suggested that they were not enough. Arguably even more important was a healthy business culture in which all employees know what is the right thing to do as a matter of course. As a first step the new Board announced that a Sustainability and Ethics committee would be established. In addition to managing the review, the key responsibilities of the new committee would be to evaluate the sustainability work done to date and secure the right competence, working methods and focus going forward. This was important in 2013 but the aim was that the Sustainability and Ethics committee would be made redundant with time, when the issues were firmly a part of day to day business. It merged with the Audit Committee to form the Audit and Responsible Business committee after the AGM in 2017.

The overall strategy also formed an important part of the speech. The very clear focus on business became evident later that spring with the approval of an investment program in Sweden of SEK 5 billion per year to provide the same geographical 3G and 4G coverage as
the 90 percent of the 2G network. The growth story in Eurasia had been very much in focus in the past few years. Now it was time to reinforce the position as the unquestioned mobile network quality leader in the Group’s largest market – Sweden.

1.5.2 The recruitment of a new CEO

It was clear to the board that there was a need for a new leadership, and consequently a new CEO. Given recent events it was no surprise that the board looked externally for a candidate. The two main challenges would be to improve business performance as the old paradigm of the industry was challenged, and to clean up after the criticized transactions in Eurasia. As for the business, there was a feeling that there were other ways of tackling the challenges in the industry than creating the best connectivity provider – or bit pipe as some would call it – and combine that with growth in emerging markets. They looked for someone with telecommunications experience and a solid ethical compass to lead Telia.

The Board could present a new CEO, less than three months after taking office. They chose Johan Dennelind, who had started his career with Telia in the mid 1990’s, who was ready for the next step in his career after some ten years as a telecommunications executive in Asia and Africa. He represented a shift in leadership style and even though he was untested at this level, the Board was convinced he could do the job. Also, he could start right away which was important as the resignation of Lars Nyberg on February 1 had created uncertainty in the whole organization. The sooner a new permanent CEO could provide clear leadership, the better.

Part of the decisions which needed to be taken were very difficult. It would prove to be crucial that the board and the CEO had not been involved in the historical issues when taking them. The new CEO faced a fragmented company with untapped potential. Eurasia needed to be dealt with, but so did the Nordic and Baltics.

1.6 A new CEO is presented

Just before presenting the new CEO, a Swedish parliamentary committee called for a meeting after renewed critical media coverage. They were comforted to hear about the steps taken to deal with the issues and give Telia a clearer direction for the future. A few days later, on June 17, the press conference was held. As a matter of course, the questions focused more on how he would deal with the Eurasia debacle rather than on the strategy for the company as a whole. That was not a surprise and both agendas would prove to be complex.

Johan Dennelind was able to start quickly and took the opportunity to start with a two month “internship” before assuming office. Meeting with co-workers across the organization and listening to what they had to say. It was important as a signal and as a way of gathering information for the ensuing intensive decision-making process. He met with more than 500 colleagues in six countries.

He saw a company that had flip flopped between a belief in convergence and a belief that focus was improved by operating Mobile and Fixed separately. In 2013 it was divided into three main business areas; Mobility Services, Broadband Services and Eurasia, plus Finland, which was an anomaly in that mobility and broadband reported to a country manager. There had been a trend for some time that customers didn’t care what technology was used to provide them with the connection, as long as it was good enough. That was not going to change, convergence was the way of the future and Telia was organized as if that was not the case.

On top of being fragmented and organized from a technology rather than a customer perspective, Telia had lost market share in most of its markets. There were two to three companies in each country and no one in charge of the overall operation. Associate holdings in Russia and Turkey made up a quarter of market cap, needed more of a plan (that said, MegaFon had been a very good investment and the IPO 2012 a success). The company purpose – why people came to work – would also benefit from more clarity. Getting the
purpose and the values right were an important part of the work the people of Telia needed to do together going forward.

These were action points on the to do list along with the need to improve Telia’s financial as well as its ethical and compliance performance. As one of its first decisions the Board had not only initiated the search for a new CEO, it had also, along with the acting CEO, initiated the search for a Chief Ethics and Compliance Officer charged with the task of setting up an ethics and compliance function. Both positions were filled the same day, September 1, 2013. A cultural change journey was in the cards.

1.7 Taking on the dual challenges

1.7.1 Kick starting the new generation telco

The British law firm tasked with the extended review reported and advised the Board continuously, the first actions as a result of the review were taken already during the summer of 2013. In the board there was a realization that the situation was far more serious than they had thought. What emerged then and during the autumn was a pattern of conducting transactions that were not in line with sound business practices. It was a very sensitive issue and how to handle it needed to be well thought through.

At the same time there was a business to run. Financially, Eurasia was still seen as the star, delivering revenue growth and EBITDA margins at a level un-matched by the other business areas. Broadband Services was big in headcount and cost, with a highly profitable old legacy network with a dwindling customer base. It had a budding fiber and TV business, but largely it was seen as problem. Mobility Services was in a much better position, it was the true star of the Group generating a cash flow that remained strong even though growth had slowed in recent years, as data growth challenged the old voice revenue model. Soon it would become apparent that strong growth and EBITDA-margins in Eurasia far from automatically translated to cash in the parent company’s coffers, it was quite the opposite.

In addition, the organization was complex. In Sweden there were effectively three country heads, one for Mobility, one for Broadband and one for Enterprise. The advantage was focus on an area with specific need, the downside was that with time the different areas needed to work together to cater to customers more and more interested in converged offerings. To make matters even more challenging customers were accustomed to (in practice) “all you can eat” mobile data plans which meant a fixed price for unlimited use of data. Customers used more and more capacity, streaming video on the go using services such as Netflix, HBO and YouTube.

The problems of getting data pricing right were most pressing in Mobility Services. The customers were used to paying a fixed fee for what was sold to them as “unlimited data” (most customer never came near the cap), it was a legacy from the late 00’s when 3G data took off in earnest with the introduction of new devices and pricing plans. For years the networks had been virtually “empty”. There was capacity to transfer data that far exceeded demand in the days before smartphones. The introduction of iPhones changed all that and in 2013 it was clear where things were heading; a growing customer demand for data, which did not translate into revenue growth.

It was time to carve out Telia’s position in a new converged world in which it was less and less relevant to talk about telecommunications as an industry. Sure, the quality of the networks mattered, but the feeling among customers was that quality was good enough with all providers. As long as they got access to their favorite over the top services; e.g. SVT Play, Facebook, WhatsApp, Google, Snapchat, Kik, etc. customers did not care about the network. And convergence was largely about offering customers one of their services; Mobile, Broadband, fixed telephony and TV for free if they subscribed to all of them, not about offering customers a combination of services they would be willing to pay more for.
There was a need for Telia to carve out a new path in a competitive landscape that was changing dramatically and in parallel deal with the consequences of the previous management’s wrongdoings in Eurasia. The fact that Eurasia showed good results but much of the cash was trapped locally added insult to injury at a later stage. It would become even more apparent for all that there was a need for new type of telecommunications operator.

1.7.2 Managing the fall out of the debacle in Eurasia

The autumn of 2013 was arguably the most intense period in Telia's recent history. As the new CEO started his tenure a “dawn raid” was carried out by the police, new issues to do with the operations in Eurasia emerged, the extended review initiated by the new board required attention and decisions, including letting some of the managers go because of the transactions which were being investigated by the prosecutor. At the same time a new operating model was announced, a new organization with a new management team was put in place.

Having to let go of people who had acted in what they thought were in the best interest of the company was difficult. In some cases, it was more about what they had not done rather than what they had done. Mannheimer Swartling seriously criticized all the boards, all the CEOs, and the project management, which had been involved in the Uzbekistan transactions between 2007 and 2010. This was never about just one person or one incident, it ran deeper and was more complex.

The extended review the board had initiated was important also for decisions taken on an individual level. It corroborated the picture which had emerged already in the Mannheimer Swartling report. For the board and CEO, it was vital to conduct a thorough analysis before making decisions of this magnitude. Whatever course of action they chose, and how they chose to carry it out, would be questioned. Therefore, it was of paramount importance that the decisions taken were well grounded.

Four senior employees had to leave company that autumn, including the CFO and the former head of Eurasia. In a short period of time those who had been involved in what had happened or had been able to do something to stop it, had left the company. A new team was being put in place.

1.8 Diagnosing Telia – the worrying 4Cs and the ABC strengths

In parallel with the hard work of getting things right in Eurasia, Johan Dennelind started to communicate his findings on the overall performance of the company, which generated 80 percent of its revenue in the Nordic and Baltic region. Three main strengths to build on were identified, they spelled ABC; the Assets, such as the networks, fixed and mobile, and TV; the Brands, with strong market positions in the premium segment of most of the markets; and the Competence, the passion and experience among the staff.

There were also four challenging areas which would live on as the four areas which the work streams for the journey ahead would address. The four insights spelled 4C; Customer, Competitiveness, Culture and Complexity. At a later stage a fifth C would be carved out of the other four to get more attention – Cost. Cost consciousness was always a pre-requisite for being efficient and staying Competitive and adding value to the Customer. Cost was and is one of the key issues to address when improving Culture and reducing Complexity.

1.8.1 The Journey Ahead – back to winning

The all-important overarching objective was clear – to create an open, innovative culture which would render Telia better able to seize opportunities and get back to winning. ‘Back to Winning’ was the most in focus work stream of the ‘Journey Ahead’, which was the name of the effort to get everyone involved and give everyone the opportunity to contribute to the process of defining a new way forward. The other three work streams were Revive innovation, Simplify and Clarify structure and accountability, and Rebuild Reputation.
The presentation of the four work streams was the grand finale of the first management summit with the top 100 leaders of Telia held in late September 2013. The work streams would be the next step in the Journey Ahead and the top 100 got until the end of the year to deliver their findings addressing four areas – the 4C’s. The introduction to the summit had laid out the competitive landscape – in which ecosystems were increasingly challenging the old proprietary telecommunications operators. Not changing was not an option, those who were there finally had clarity on the next steps which they could spread to their teams.

One very important thing remained, the answer to the questions; who will be my boss? And how will I be measured? This is a necessary condition to get any organization working in any direction, and the co-workers would be involved in ironing out how the challenges would be met, and the strengths put to optimal use, in the next couple of months.

1.9 A new management and new model

The ambition was to build an organization that would allow the company to thrive in the new landscape. A company focused on customer needs, a company which could carve out a space in which it could provide even more value as part of an ecosystem rather than as to date, in an ego-system of its own. The core elements of the strategy for doing this was developed during that first year, and it still held true 2018 – to develop the core operations in the Nordic and Baltics and explore (now execute on) opportunities close to the core, through investments in areas that complement and strengthen the core operation.

In order to do that there was a need to change the operating model and put a new executive management team in charge of its various functions. This needed to be done at the same time as the outside world (primarily in Sweden) were focusing on the clean-up operation in Eurasia. It was a complex task. That said, all the pieces of the organizational puzzle fitted nicely together. Eurasia needed a fresh start and so did the rest of the organization.

In fact, Eurasia was already organized in line with the new organization. What it needed was implementation of the same policies and instructions, and a fresh tone from the top. The latter was most urgent. It was no easy task, especially given the fact that none of the assets in Eurasia were wholly owned, but it was hard work in progress. The belief from the top down was strong that it was and is possible to do responsible business in complex markets.

An important part of the journey that had begun was business as usual. Back to winning, revive innovation, simplify/clarify and rebuild reputation while at the same time do the right thing here and now, that was what was required to excel going forward.

The key objectives of the new operating model were; Ensure all countries are fully accountable, ensure all countries become truly customer centric and, in strategic areas, expand group value add and control. There was a simple logic to it. Make the most use of the ABC’s that had been identified. The local strength of the assets and brands and the global strength of the Groups collective competence.

In practice it meant a few key changes, the first one being to make the countries the leading dimension. In addition to that, establish regional head positions in Sweden and in the new constellation called Europe, in addition to the already existing regional head of Eurasia.

Introduce the new functions with the aim of capturing economies of scale, and to strengthen governance. One important step was to create a CEO Office, with resources close to the CEO, to which the responsibility for the large stakes in MegaFon and Turkcell were moved. This meant better control of the risks involved with large ownership in companies of key importance for Russia and Turkey respectively. The CEO Office was also tasked with securing a continuous presence for Telia as a corporate citizen in the local markets, a role which had previously fallen on local management and local partners. These were all important elements with leadership positions to be filled.
1.9.1 A year of uncertainty comes to an end

The changes made sense to most, but the important thing was the end of the uncertainty. People could get down to business in addressing the four C’s; Customer, Competitiveness, Culture and Complexity. On December 16, after three and a half months with a permanent CEO a new organization was presented, as well as a new operating model, in effect from April 1 of 2014, as well as a new management team. Effectively putting an end to the months of not knowing who my boss is and what I will be measured on. The building blocks for Winning 2018 were in place and in that framework 2014 was a year of stabilizing and shaping the company. By the second half of the year all the members of the new Group Executive Management team were in place, all of them key players in the transformation journey that had begun.

During the first half of 2014 much work was done on setting up the new model, which had to be done at the same time as the old model kept delivering. As Eurasia was already organized in the new way it meant that it could get on with business right away under new management.

In just a few months most of the local CEO’s and key parts of local management had been switched and the hard work of introducing Telia’s Group governance framework had started. It was not only about text on a piece of paper, it was about training and giving local colleagues the proper backing to do the right thing in a complex environment. Previously Group headquarters was fine with not having full insight in key compliance issues in all parts of the organization, that was no longer the case.

The introduction of new governance in the form of Group policies and instructions in Eurasia were important, but as important was to properly implement the policies and instructions that were in place already. One very important part of this was the introduction of regular so-called GREC meetings at Group, regional as well as country level. Group GREC’s are led by the CEO and the regional and country GREC’s by the regional and country heads respectively. The acronym stands for Governance, Risks, Ethics and Compliance, issues that were now broken out to give them full focus in meetings where the regular members of the various management teams take part.

As Eurasia embarked on a change journey the GREC forums were important. All would not be fixed overnight, what was important was to start identifying problems and deal with them properly, that was the big change. Through the years changes were implemented which were previously seen as impossible; e.g. discontinuing any participation in cotton picking in Uzbekistan, make Freedom of Expression policy escalations, responsible sourcing. It was possible to do it right.

By putting best in class governance in place, including ethics and compliance, Telia could have even more of a positive impact in its countries of operations than it had already had. A paradox for some perhaps, given the negative publicity around Telia’s Eurasian operations, but nonetheless true. And regardless of what course of action would be chosen in the future – divestment or development – taking Eurasia’s governance to the next level was a necessity.

1.9.2 Building a New Generation Telco

The New Generation Telco became the internal buzz word which encapsulated all that was being done to create the new Telia into three succinct words. In of themselves they meant nothing, but on the back of the strategy and the actions taken they meant everything. It was about creating a new culture, about getting a 160+ year old start-up into a shape that was relevant for a new generation. With the advent of services, made possible in no small measure thanks to Telia’s excellent networks, the value of these very networks themselves had fallen out of scope for customers.
It was understandable that the networks were taken for granted, they were excellent, but they were placed right there in the middle of one of the greatest shifts in human history – the 4th industrial revolution, the digitalization of everything in society, which would not be possible without them. Telia was seen as having the best networks, and with Telia International Carrier included the reach was global. Together they provided a natural starting point when aiming for the position as the digitalization hub in people’s lives.

On the back of the networks Telia could be the hub in the web of services which taken together provide customers with added value no single provider could ever offer – true convergence. Whereas before, convergence had been about bundling services like mobile and fixed telephony, TV and broadband and selling it at a discount, true convergence has a different logic. It is not about offering discounts, it is about offering customers a new combination of services which they feel it is worth more to them.

1.10 Eurasia still on top of the agenda

1.10.1 A letter from America (DoJ/SEC)

In March 2014, as the creation of the New Generation Telco was initiated, Telia received an e-mail from the US authorities at approximately the same time as a “dawn raid” was carried out by the Dutch authorities at Telia’s Rotterdam office. It was part of an investigation, formally named “Vimpelcom et al”, of the transactions that had introduced new owners in the major operators in the Uzbek market. Vimpelcom, with Telenor as a major shareholder, and Telia, had entered the market in similar ways, through transactions with Takilant. Both the Americans and the Dutch claimed jurisdiction.

When the letter arrived Telia was already cooperating with the Swedish prosecutor and continued to do so with all the authorities during the next 3.5 years, resulting in a global settlement of USD 965 million announced in September 2017 which brought an end to all known corruption related investigations or inquiries into Telia. In retrospect, it is clear that Telia’s decision to enter into the Eurasian markets led to significant losses. Having said that, entering the region was a result of multiple decisions at different times concerning individual investment and divestments. It is a rough number, which of course does not include the reputational damage and the lost alternative opportunities through the years.

The settlement included an acceptance of the company’s responsibility for the wrongdoings of its representatives historically. Telia had committed wrongdoings, regardless of whether or not the individuals who acted on its behalf thought they did what was in the best interest of the company. The settlement was a painful reminder to all employees of what can happen if you do not do the right thing all the time.

By the spring of 2014 the board and management were already very much aware that the company had conducted business in a way which was not in line with sound business practices. A couple of weeks after the news of the American and Dutch interest the Chair of the Board, Marie Ehrling, would present the findings and conclusions from the expanded review that the board had initiated a year earlier, and it was a candid reckoning with what had transpired.

1.10.2 AGM 2014: conclusions from review presented

A year had passed since the new board took office, and it had been a very intense year. A year in which the board had held 19 meetings plus 40 meetings with the audit, remuneration and not least the sustainability and ethics committee. An exceptional year which was matched five years later, with 20 board meetings, but in 2018 the work was focused on building the new Telia, rather than cleaning up from the old.

Marie Ehrling, the board and Johan Dennelind had uncovered a situation which, in many ways, were much worse than they had expected. The year before, it had all been about Uzbekistan, now that the findings of the review which had been completed in March 2014 were presented, it was evident that Uzbekistan was part of a pattern, and even though it
made things more difficult that was an important fact to face. During the year the board had focused on; recruitment of a new President and CEO, review of transactions and agreements in Eurasia and Telia’s future strategy.

Of those focus areas the second point made up the bulk of what Marie Ehrling had to say in her address to the AGM, which was natural as this was when the findings of the extended review were to be revealed. She said that “… several transactions, and actions … have been conducted in a manner inconsistent with sound business practice and Telia’s ethical requirements”. So, it was not only about single transactions, it was about a pattern of deficient transactions having been repeated on different levels.

Also, “… substantial payments had been made to advisors and intermediaries for, among other things, lobbying activities” and there had a been lack of control of business partners as well as inadequate handling of warning signs. One area that stood out she said, was the inadequate governance of the Eurasian operations. Among other things Telia had failed to ensure that the culture and leadership that characterized the operations in Eurasia were in aligned with Telia’s ethical requirements, the quest for growth and profitability were given precedence.

What emerged was an image of two different companies within the same group. To be fair it had been and still was fragmented in other parts as well, but not on this level. The head office lacked in-depth knowledge of the operations, and that was a problem which needed to be fixed. The new board and management did not accept it, nor did external stakeholders in 2014. Even though it was not the Board’s role to assess whether what had happened was illegal Marie said that it could “… not exclude that some actions have been criminal.”

Many stakeholders wanted details, names, companies, specific transactions, but that was not possible. Any Board’s main responsibility is to protect the interest of shareholders, and transparency on that level would expose Telia to possible lawsuits. External disclosure would also expose individuals, including employees, to risks. Going forward the review provided a map of what needed to be done but it also put high demands on the company. Marie Ehrling reiterated that the Board still firmly believed that it is possible to operate in the region. That opinion remains unchanged. One way – the right way – of doing business is possible, throughout Telia’s footprint, Eurasia included.

1.10.3 The opportunities going forward

While Marie Ehrling spent most of her speech on the Eurasia review, Johan Dennelind spoke more about the overall market opportunities and challenges and Telia’s strategy for navigating them, while also giving the shareholders comfort that the new management of Telia were on top of the key challenge of restoring their confidence in the company. It was inevitable, the foundation must be solid for the full story to be credible, and in 2014 showing that Telia did its business the right way was a precondition for its “license to operate”.

Johan Dennelind listed what had been done the first year; the introduction of a new operating model, clarifying responsibilities, a new group executive management team, new functions for increased focus on strategy, control and compliance, new and clear shared code of conduct, a new and strengthened anti-corruption policy, a new and strengthened documented process for mergers and acquisitions, a speak-up line and a new and unique policy of Freedom of Expression and Privacy, and a new sponsorship policy.

One important point was that even though serious wrongdoings had been uncovered most of the company worked fine. The Freedom of Expression policy was a case in point, it had been in the works since before the new board and management took office, and was the first of its kind. That was a key learning. Good policies and instructions are a prerequisite for doing the right thing, but they are not enough. They need to be implemented and in the spring of 2014 six employees were dedicated full time to ethics and compliance at the head office alone, in addition to regional and country E&C officers.
And another important point was that no matter how hard you work to do the right thing, flaws will be detected, it is not possible to guarantee that mistakes will never be made or that all employees will follow the policies and instructions. What could be guaranteed was that the company would do its utmost to avoid them. It is the way mistakes and irregularities are addressed that distinguishes good companies from bad ones.

1.10.4 Exit Eurasia

Even though exiting Eurasia was part of a strategic shift it also had to do with taking the consequences of historical mistakes. There was too much historical baggage to motivate staying on when the focus of the company shifted towards creating a new generation telco in the Nordic and Baltics.

It was a big shift and a decision that was not taken in haste. In the autumn of 2014 a project team of people from across the company started a concerted effort to thoroughly go through every aspect of business area Eurasia; the financial performance, the politics, economics and business opportunities going forward, in addition to the risks. This was one part of the holistic decision to change the strategy and no longer include “take Eurasia to the next level”. Even if you did not consider the risk, or the historical wrongdoings, it had become increasingly evident that others, with a stronger presence and more long-term vision for their presence in the region, were better placed than Telia to execute on it.

Having said that, an important part of the decision to make this strategic shift was of course the way Telia had entered its Eurasian operations. The complexity of the markets meant that the way you originally entered them were of key importance. The way you conduct yourself and the choice of partners you make on day one defines how you will be seen locally as well as globally. Telia had experienced the hard way that what was (almost) seen as ok in 2008 was not at all seen as ok in 2012. And part of the reason that it passed in 2008 was a lack of transparency on the way the transactions had been carried out.

So, there were reputational issues regarding this in Sweden as well as locally in the respective markets, but there were also financial issues which were becoming more and more of a problem. When entering the markets, a way to repatriate cash once the operations became cash flow positive had not been secured.

In the markets with the highest growth, Nepal and in Uzbekistan, repatriation of cash had always been a problem, and as the businesses grew so did the captured cash. Money was piling up in local bank accounts and what looked as a healthy profit in the reporting did not translate into free cash flow that could be invested in other parts of the operation or used for dividend to shareholders. In Uzbekistan the law had been clear from the beginning, operations which trade cross-border can exchange local currency for dollars, whereas operations with no cross-border operations could not. In Nepal, once one formal administrative issue was resolved to allow repatriation of cash, another appeared.

The way Telia had conducted itself as a corporate citizen after entering made it difficult to “turn the page”. The old way of working had not solved the problem, it was the root cause of the problem. And as Johan Dennelind and the new management wanted to focus on building a strong operation in the Nordic and Baltics, which required time and effort, it was obvious that time and effort would be better spent in the markets closer to home.

1.10.5 Getting exits right – regardless of public opinion

The date to announce the strategic shift was set for September 17, 2015. Two years had passed since Johan Dennelind had assumed office. The big issue with Eurasia had always been the way the transactions were made when entering some of the markets. Having said that, of course a lot of issues emerged when the new board and management decided to enforce the same policies and instructions in Eurasia as in the rest of the group. This created
what was called a backlog of work which it took the better part of two years for the organization to get its head around.

After two years the local CEO’s in Eurasia had all been replaced, as had many others in the management teams in Eurasia. The local sourcing had been revamped, meaning discontinuation of suppliers that did not meet the new requirements stipulated by the global policy and instruction. Two years of great focus on taking Eurasia to the next level had brought substantial improvements in many areas. Thanks to those two years of hard work to improve the operations, not least from a corporate governance and sustainability perspective, Telia had better and more well-managed companies which were possible to divest. The realization that this was a complex task that would take time was made clear in the release, but it would prove to take longer than what most people expected in 2015. The fact that the operations could be run successfully in parallel with the exit process was in no small part thanks to the governance model put in place whereby it was run as a separate entity with its own board, allowing continued commitment from the Group Executive management and Johan Dennelind.

The operations were controlled through a complex (not uncommon for companies invested in this part of the world) web of companies at the top of which was a holding company in the Netherlands. The complexities were never a reason to exit, but combine them with the legal process regarding Uzbekistan, which was ongoing in various jurisdictions, and the general deterioration in the economies of some of the markets, and it is not very strange that the completion of the exit would take some time. Even so, announcing the intention at a later stage was not really an option either. Once the decision to shift focus to creating a New Generation Telco in the Nordic and Baltics had been taken, it would be very difficult to keep out of the public eye that the intention was to leave Eurasia.

Also, it was paramount that Telia carried out the exits by the book given its history of complex transaction which had been questioned. The board and management had to carry out the transactions against the backdrop of an on-going preliminary investigation in Sweden and legal proceedings in the United States and the Netherlands. It went without saying that Telia, with this recent history, would seek the best legal, financial and tax advice possible and to be 100 percent confident that the transactions from now on, were done in a correct manner.

Telia’s most recent acquisition, Ncell, was the most attractive of the assets. It enjoyed a strong market position in a country with a young population and with a lot of growth opportunities still to be tapped. It would be the first one out and everyone realized that it was important to get it right. Telia controlled Ncell through a complex holding structure in the Netherlands, Norway and the British Virgin Island company Reynolds.

Telia had established itself in Nepal through an offshore transaction and when the exit happened, it was done through that same structure. It was always on the cards that it could be criticized, and perhaps even more so as it was done responsibly by the book. As in many other countries tax is a big political issue in Nepal and making the case that Telia should pay capital gains tax scores points, regardless of the facts of the matter. The Nepal exit was scrutinized as it should be, but it is much easier to sustain scrutiny when you can stand firmly and transparently by what you have done.

Exiting Eurasia would prove to be complex and take time as that first press release indicated. A big reason was that in 2015 Turkcell was a buyer of Telia’s stake in Fintur, later it switched to be a seller which prolonged the process. Selling the assets in Fintur holdings in one piece was evaluated but it turned out to be difficult, so they were divested separately.

At the time of writing Telia has exited all Eurasian operations baring Moldcell in Moldova. Ncell in Nepal was exited in 2016, Tcell in Tajikistan in 2017 and in 2018 exits were carried out in turn in Georgia (Geocell), Azerbaijan (Azercell), Uzbekistan (Ucell) and Kazakhstan (Kcell). In addition to that the stake in Russian operator MegaFon has been sold as have
Yoigo in Spain and the directly held shares in Turkcell. Slowly but surely Telia has concentrated its operations to the Nordic and Baltics.

1.11 People and culture a prerequisite for success

It is often said that culture is more important than strategy for a business to succeed, it does not help how good your strategy is if the culture is flawed. The question WHAT to do lay in the strategy, the HOW – doing it the right way – lay in the culture. In 2013 the company did not have a coherent strategy, but rather a bottom-up collection of plans and actions based on headlines such as 4G, data pricing, fiber, and to boot the culture had been flawed, which ended up costing the company billions of Swedish crowns in penalties alone. It would become apparent that the financial return on investment in Eurasia, all ethical and sustainability aspects aside, had been poor.

Eurasia, and the way the management handled mergers and acquisitions was the most severe symptom of a dysfunctional culture, but the 4C’s – Customer, Competitiveness, Culture and Complexity – which had identified as general problems were arguably more severe in the core Nordic markets and perhaps most severe in the biggest market by far – Sweden. A new sustainable strategy, a new operating model, a new management team combined with global policies and instructions followed up by a best in class ethics and compliance, these were all necessary conditions, but they were not sufficient without a cultural change.

1.11.1 Reshaping culture based on values

When he reflected on his first year at the management summit in September 2014, Johan Dennelind spoke of a culture of fear. To take an initiative was to invite criticism rather than a fruitful discussion about the way forward. It was safer to do what had always been done while waiting for instructions. Many high-profile initiatives had been tried before and failed and so among many there was a feeling of having seen it all before so why try it again. The culture of innovation, which had historically been an important part of Telia, could be improved to capture the opportunities in the rapidly changing market environment.

This was an important action point. A lot of work was being done early on to take the first steps toward a new culture and that lay in the formulation of the purpose and the values. That they were key was clearly visible in the strategic framework, in which they were part of the foundation, but the finalization of them had yet to take place. Up to that point, mid-2014, stability in HR had been a priority given the rapid changes in the operating model, the organization and the staffing. It was time for a change.

In parallel with the work of ironing out the values work was done on the purpose. It would have been more logical to do it the other way around. Having said that, the most important part of the process would always be the implementation – the creation of the culture – that was the big job. The purpose “Bringing the world closer – on the customer’s terms” was the result of an ambitious effort involving many layers of the company. The same was true of the values Dare, Care and Simplify. The fact that Telia aspired to dare to…

- lead by engaging with our customers and challenging ourselves
- innovate by sharing ideas, taking risk and continuously learning
- speak up by expressing opinions and concerns

... care for...

- our customers by providing solutions that are adapted to their needs
- each other by being supportive, respectful and honest
- our world by acting responsibly and in accordance with our ethical standards

... and simplify…
• execution by taking actionable decisions and deliver with speed
• teamwork by transparent communication, active collaboration and knowledge sharing
• our operations by efficient processes and clear ownership

… did not mean that the co-workers at Telia actually lived that purpose and those values. There was a need for something more to really get the job done. A brand would not be loved by customers if the people in the organization were not part of a strong culture aligned with it.

1.11.2 The brand is in the people and the culture

Value workshops were not a new thing at Telia nor was rebranding to illustrate the message across the organization. Through the years Televerket had become Telia which changed logos and then became TeliaSonera, which housed different brands with different look and feel across its footprint. The fragmented brand presence manifested a variety of corporate cultures in different countries. In an effort to create One Telia the leading brands in all countries shared the same pebble logo and the same purple color, but the names had to a large part not changed. When Orange was acquired in Denmark it was rebranded to Telia Denmark, but in Norway Netcom had kept its original brand name. It is very difficult to develop one strong culture with different brand names.

The time had come to create a true One Telia culture, with the same brand in all countries, which would facilitate the building of the New Generation Telco. The new strategy was in place. To go with it, it needed a culture which would enable people at all levels in the organization to do the job, and a purpose and a set of values which, if people embraced them, would help the company to fulfill the strategy. The objective was to create a culture which was so strong and so deeply rooted that it would not really matter who were in the lead for it to move in the right direction in the right way.

Since 2013 that is arguably the most profound change. The atmosphere and culture in the Group headquarters has completely changed, in no small part due to a new tone from the top with its invitation for dialogue and initiative. To make this happen leadership values were of the essence. In 2014 the decision was made to go for engagement, clarity on expectations and clear feedback. That way people would be able to deliver on targets. During the course of the work a series of four Purple Boosts with the 200 top managers of the company were held, one for each of the three values; dare, care and simplify, plus a sum-up session. This way the values were given a concrete meaning which was then cascaded to the rest of the organization faster than would otherwise have been possible.

Self-leadership was introduced, trusting co-workers to take responsibility for their respective part of fulfilling the purpose themselves. In practice it meant that a new way of working with target setting and YouFirst, a structured way to follow-up performance. There would no longer be a follow up of targets carved in stone once a year, which might already have been met or become obsolete, instead agile targets would be agreed and they would be developed in continuous dialogue between co-worker and manager. The Younite initiative to enable and encourage co-workers to engage in society is also important in this context – what you do matters.

1.11.3 Opportunities close to the core

With this new way of working the competence, initiative and drive of each and every individual is brought to bear more effectively. Self-leadership based on a clear purpose and values that everyone can connect to and use every day, it did away with most of the culture of fear. It created an open culture of opportunity and excitement, which in of itself has been a necessary, albeit not sufficient condition for success. In the Winning 2018 framework 2015 and 2016 were years of transformation. The transformation has been harder and taken longer than expected, which also means that delivering on the potential, set for the years 2017, 2018, took longer. For it to succeed exploring and executing on opportunities close to
the core is an important part, and in this effort the Purple plus and Division X initiatives have key roles to play.

To set up separate entities to work with innovation and investments in new businesses was not new to Telia. It had been tried with mixed success several times, but this time around they were one of two elements of the strategy; enhance the core and explore opportunities close to the core. Finding a way to embrace disruption and invest in promising young companies is a necessary condition to realize the full potential of digitalization.

Spotify and Zound Industries are just a couple of the companies Telia have invested in. The cooperation with and investment in Spotify has been a real success. When Telia sold its stake in Spotify ahead of the New York listing in the spring of 2018 it received a total of 272 MUSD, which was 157 MUSD more than it paid in June 2015. The acquisitions and partners all provide, and have provided, important pieces to the puzzle of creating services for the future today.

Fundamentally transforming a company is difficult, and even though it has taken longer than expected there is a culture in place with the potential of bringing all the pieces of the puzzle together. The year 2015 marked the start of the transformation, it was the year in which the foundation was laid for the creation of One Telia in 2016. Moving to a new headquarter in Solna was one important step in the process. The newly constructed premises in one of the most expansive parts of the Greater Stockholm region, is a tool for change in that it allows new ways of working, but it is also a manifestation of change for all stakeholders. The same is true for the moves to new premises in other parts of the Telia footprint.

These were logical actions in line with the new strategy. All companies, big and small, face challenges, and any large cap companies will be complex with a need to fulfill several objectives at once, objectives which are sometimes in conflict with one another. The more complex the challenge the more pressing is the need for a clear strategy with which to navigate. The strategy makes the company well positioned to capture opportunities. The main building blocks has remained the same throughout, but one big change did happen, the geographical scope shifted.

**1.12 Focus on the Nordic and Baltics**

As touched upon in the Exit Eurasia segment, with time it had become increasingly apparent that Telia had an opportunity to build on its unique scope in the Nordic and Baltic region. No other player had as wide, broad and deep a footprint in the region as Telia, and that footprint offered Telia the opportunity to be even more relevant in people’s everyday lives. As a provider of truly converged services such as the smart car and smart home which many had been talking about for years – now it was possible for all to purchase that from Telia (e.g. Telia Sense, Telia Zone).

Digitalization is reshaping society and as it does so it creates more possibilities to more people in more ways than they can appreciate. And as the world goes through a more profound change than the industrial revolution customers look for someone to show the way and guide them. Change is rapid and slow at the same time. The possibilities grow exponentially but the ability for people to embrace them shape a more linear curve.

Many of the most disrupting innovations in recent years have come on the back of technology which was available long before. The revolution the iPhone put in motion was not based on cutting edge technology but on cutting edge intuition to customer demand. Telia’s opportunities close to home lay in that only a small fraction of the full potential of digitalization has been realized – even in a region which is arguably the most digitalized in the world. Capitalizing on the opportunities on the markets close to home, which made up 80 percent of the revenue, required as much as possible of the board and executive management’s attention. The realization grew that this required consolidating the footprint by divesting
assets outside of the Nordic and Baltic, thereby freeing up management time and financial capacity to deliver on the strategy in the markets closer to home.

Actions speak louder than words and in just a few years assets worth some SEK 50 billion were divested (predominantly assets in business region Eurasia, the stake in MegaFon in Russia and the directly held shares in Turkcell) and at the same time acquisitions worth roughly the same have been announced. Most notably the GET/TDC acquisition in Norway and the acquisition of Bonnier Broadcasting in Sweden (expected to close second half of 2019). The deal in Norway makes Telia a fully convergent player in that market, which is an important part of the strategy, as is owning content which is what the acquisition of Bonnier Broadcasting will bring Telia primarily in Sweden and Finland.

In the puzzle that is being laid, Denmark remains a challenge. An attempt was made in 2015 to form a groundbreaking JV with Telenor in Denmark, but it did not get the green light from the European Commission. Latvia is a smaller market where efforts to find a value creating converged solution based on Telia’s ownership in the mobile operator LMT and the fixed operator Lattelecom continue.

1.13 The journey continues under one brand

To facilitate success work also had to be done on the brand. Already in 2011, the 18 brands of then TeliaSonera were united under one common brand identity, but the local brand names remained the same. As the divestments started in 2016 the time had come to let the brand reflect, as well as help, to achieve the cultural change that was happening. At the AGM in 2016 TeliaSonera became Telia Company, which kicked off a process of change in the countries.

The name change visualized the Group’s new strategy and the journey that had started two and half years earlier toward become a new type of telecommunications company, a New Generation Telco. This was a natural next step. There was a new strategy, organization and operating model in place, operations had been acquired and divested, and there had been ventures into new areas.

The change was important to manifest that Telia was in fact building a new digital society, empowering people, companies and societies to stay in touch with everything that matters to them, but it was also important as a sign of its people having embraced a new culture in its core Nordic and Baltic operation. Today Telia is the brand of the main operations in all markets with exception of Latvia where the ownership situations prevent it.

Telia’s footprint in the Nordic and Baltics, the world’s digital sandbox, is unmatched. This is a strong position to build on and a lot has been achieved through the years. Having said that a lot remains to be done. Telia is still struggling in growing its share of the markets, which is only natural given its size, but the mindset has changed. When in 2013 the Group were losing market share in 14 out of 18 markets that was accepted in a way it is not in 2018. Today’s footprint is more focused and when comparing the numbers Telia is winning shares in 4 out of 7 markets (annual report 2013 compared to 2018).

1.14 Creating long term value – the statement of materiality

The tone from the top was important in building a strong culture and consequently a strong brand. As the work with the annual report for 2016 was proceeding Johan Dennelind was considering whether to recommend to the board of directors to include a statement about the company’s commitment to sustainable business practices. At the time only one other company in the world had taken that step.

The experiences of Telia historically and the work that had been done in the years since 2013 suggested that sustainability was indeed part of building a successful business long term. The change program that had been required to regain the trust of the market and investors was in fact a value driver, and an integral part of the corporate strategy, so it was
not a big leap to put it in writing at the top of the corporate governance part of the annual report.

Telia’s long-term-oriented corporate strategy contains a digital impact approach to sustainability with two elements; Shared value creation and responsible business. Both elements help build the purpose of the company into the fabric of the organization, so that all employees understand the role Telia plays in the societies where it operates. And the strategy is aligned with several UN Sustainable Development Goals (SDGs).

A formal statement of materiality and significant audiences would be a way to put the company’s pursuit of profits and shareholder value into the broader context of Telia’s engagement with stakeholders and society. The discussion centered around the issue of if this conflicted with the purpose of a corporation, which is to generate profit for shareholders.

The conclusion was that the board and management have the right and obligation to think about how profit is generated in a sustainable way and that the statement makes very clear the work Telia is already doing to make its business successful. In that context the statement, which is completely in line with the Swedish Companies Act, explicitly communicates the company’s commitments to its stakeholders in a way that is still rather unusual.

The board agreed, and starting with the annual report for 2016 published in March 2017, a 360-word Statement of Materiality and Significant Audiences is included in the company’s integrated Annual and Sustainability Report. It states that it is Telia’s “firm belief that the best way of ensuring sustainable growth and profitability is by integrating sustainable, responsible business practices into all parts of business and strategy, to create long-term shared value for the company, its stakeholders, and society.”

It is a natural next step given what Marie Ehrling said in her speech in 2013 – that sustainability ought to be an integral part of business and business strategy. The statement plays a very real and important part when the board establishes guidance for executive management on creating a sustainable corporate strategy in a world of changing expectations about the role of companies in society.

1.15 Afterword

Telia has been through a crisis which have cost the shareholders billions. The crisis was a consequence of series of decisions taken in (what was seen as) the best interest of the company. There is a lesson in that. Telia is stronger today for having had to learn that lesson first hand, having had to face it openly and transparently. We owe it to our stakeholders and to ourselves, to keep this lesson fresh in the corporate memory and to make sure it never happens again.

Since 2013 Telia has undergone a major transformation. Then it was a fragmented, troubled operator in 17 countries, in need of a clearer strategy on how to address the new digital era with its ecosystems. Today it is a focused Nordic & Baltic integrated digital operator – a New Generation Telco if you will – active in one of the most attractive and digitalized regions in the world with clear value creation opportunities and with sustainability at the core of its DNA.

This journey has not been easy, it has come at great expense, but inevitably so. The last year has shown that Telia is back on the value creation arena. Confidence has been gained for the strategy and execution amongst all major key stakeholders, the staff, the customers and the shareholders. Having said that, much remains to be done, the next few years will show how robust and sustainable the New Telia is. Whatever happens in the future, these past few years have been the most challenging and rewarding part of my professional life to date, and I am sure that I am not alone in saying that.

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