



## Lessons in telecom strategy from Elisa

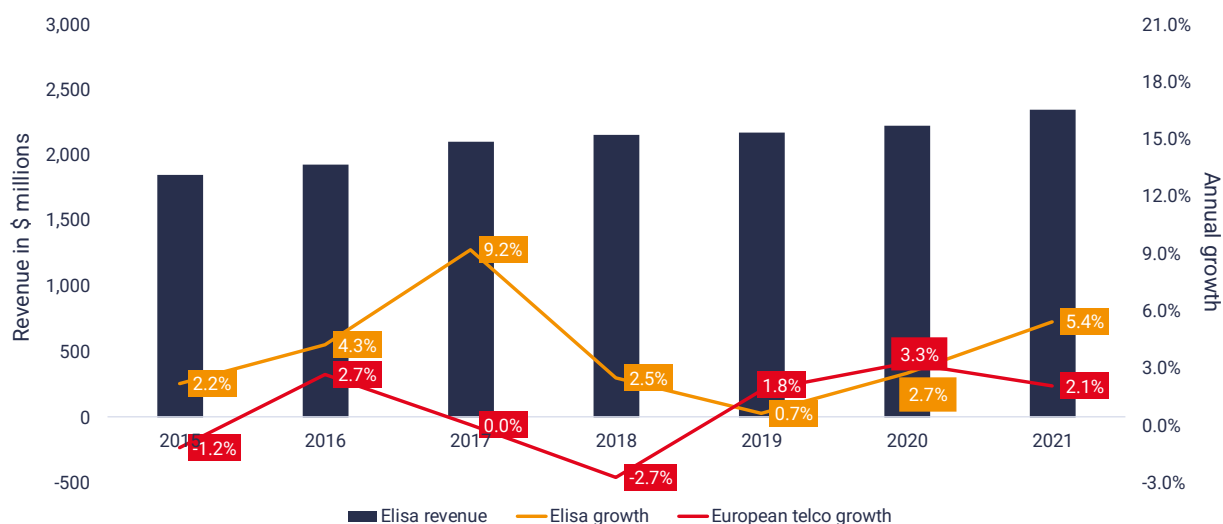
Elisa's distinctive telecom strategy and leadership practices continue to drive positive outcomes for the business. In this article, we look at how they are helping Elisa to respond to sustainability challenges and opportunities.

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# Elisa: Bucking telco revenue trends due to its telecom strategy

Finnish operator Elisa has seen a consistent growth in revenues since 2015. The same cannot be said for telcos in Europe more generally, as shown in Figure 1 below.

**Figure 1: Elisa’s annual revenue growth – 2015 to 2021**



Source: STL Partners, revenue data from Telegeography (excluding Next Alt)

In its [2021 annual report](#), Elisa announced annual revenue growth of 5%. This is an impressive feat in the saturated Finnish market where smartphone penetration had reached 116 percent in [2021](#). It attributed its strong performance to growth in mobile services and “business digitalisation projects” (e.g private networks, cybersecurity, IoT).

## The supporting practices for Elisa’s growth

In late 2019, STL Partners conducted a [survey of 168 telco execs](#) about leadership, culture and purpose in the telecoms industry. This revealed that Elisa employees rated the telco highly effective in these areas. In March 2020, STL published the report [Elisa: Telco leadership excellence – and how to do it](#), exploring its practices in more detail. It identified six critical success factors (CSFs) that are the foundation of Elisa’s effectiveness:

1. **Leadership – Earning shareholder trust:** Elisa’s leadership has been stable, aligned and tenacious over multiple years. Over this time, it has developed a constructive relationship with shareholders. In return for delivering positive shareholder value, its board gives Elisa autonomy to explore innovative concepts through trial and error. Elisa’s strict CAPEX guidelines (compared to other telcos) force it to innovate cost effectively, which reinforces shareholder trust.
2. **Vision and strategy – Striving for excellence:** Three ‘strategic pillars’ support Elisa’s mission to achieve ‘a sustainable future through digitalisation’. These include striving to be the **best in connectivity** in the domestic market, growing Elisa’s connectivity-independent **digital service business** internationally and being a **brand of excellence**. Elisa’s definition of excellence is delivering the best outcome for all stakeholders e.g shareholders, employees, society. The latter (society) is what drives Elisa’s innovation agenda, enabling new revenue streams based on its core strengths.

### Lessons in telecom strategy from Elisa

3. **Culture of continuous and systematic learning:** Two foundational beliefs underlie working at Elisa. The first is that failure should be viewed as a source of learning and the second is that continuous learning and improvement are vital for innovation and competitive advantage. At Elisa, leaders candidly share mistakes and empower employees to take risks in the workplace. Elisa has formalised team-coaching and opportunities for reflection to ensure that learning and improvement is always taking place. This has created a motivating and attractive culture for employees (In our 2019 survey, 65% of Elisans stated that its culture significantly supported success, compared to 27% of other telco respondents).
4. **Customer focus:** Elisa's primary KPI is the Net Promoter Score (it drives performance assessments, as opposed to financials). Customer orientation is one of its core values (demonstrated by anticipating customer needs, delivering customer value and striving for simplicity and quality). Focusing on what really matters to the customer is the basis for brand marketing and for innovation (intensive consumer research is used to validate new services and solutions, co-creation is leveraged to develop enterprise services).
5. **Talent strategy – Giving people the autonomy to experiment:** Elisa has successfully built an internal community of best-in-class software talent at a time of global shortage. It's done so by offering opportunities to pursue interesting challenges with autonomy, flexibility and financial stability. Additionally, Elisa also supports internal mobility to transfer learning. This is especially true of employees who have successfully steered projects from concept to start-up (they can bring its experience to new teams). HR has a strategic role at Elisa to develop structures that enable it to maintain its unique culture.
6. **Partnerships:** Elisa focuses on developing its own intellectual property close to its core business and secures necessary non-core competences and capabilities through market-leading partnerships to deliver the best service. It also scales and expands businesses internationally via acquisitions. Elisa is selective in its choice of partners, engaging with best-of-breed businesses with a global footprint that share its vision and values. It regularly evaluates partners to ensure they align with its definition of excellence (i.e. delivering the best outcome for all stakeholders).

**Figure 2: The six critical success factors behind this telecom strategy**



Source: STL Partners

# Making progress on its sustainability mission with its CSFs

## A new mission statement

Demonstrating its commitment to solving our world’s biggest challenges and reaching beyond the realm of connectivity, in January 2020, Elisa updated its mission statement from “Bring experiences and productivity into everyday life” to “A sustainable future through digitalisation.”

The new mission is completely aligned to its strategic pillar of being a brand of excellence (delivering the best outcome for all stakeholders) – which is a notable component of its Vision and strategy CSF. It focuses on what is important to consumers and business (securing a future) and what is good for society (sustainable development). Under this banner, Elisa is innovating and exploring ways to make its own operations more sustainable (minimising emissions and improving material efficiency), as well as enabling its customers to become resource efficient and supporting them to improve its material efficiency through education..

The new mission statement was developed in collaboration with Elisa employees, which demonstrates Elisa’s openness to learning (enshrined in its Culture CSF) and reflects the fact that its people are encouraged to share ideas and directly influence change within the company (as outlined in its Talent strategy CSF).

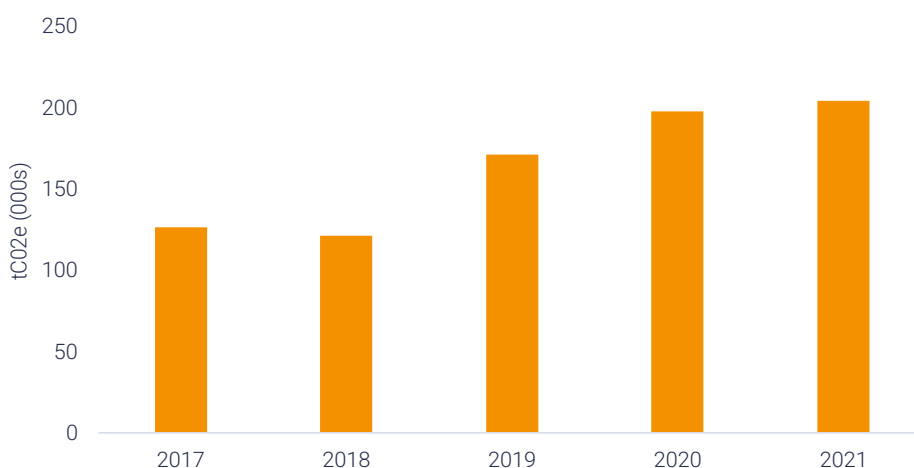
This message and approach to mission development reflect three of the six CSFs (as indicated) and we expect this has improved the motivating power of the statement, as well as increased employee buy-in to its mission.



## The challenge of scope 3 emissions

Despite significant reductions in scope 1 and 2 emissions since they became a focus for Elisa in 2009 , Elisa’s scope 3 emissions have increased (Figure 5). Scope 3 emissions encompass those that are not produced by the company itself, but for which it is indirectly responsible (up and down its value chain).

**Figure 3: Elisa’s scope 3 emission over the past 5 years**



Source: STL Partners, data from [Elisa's sustainability key figures](#)

Elisa has implemented several initiatives to lower these emissions, including Luurit looppiin and supply chain audits.

### Lessons in telecom strategy from Elisa

## The Luurit Looppiin initiative

As one of Finland's largest mobile device retailers, Elisa recognises that the manufacture of device hardware is a significant contributor to scope 3 emissions. In 2021 Elisa launched an initiative called "Luurit Looppiin" to raise consumer awareness of the environmental impact of device manufacture and to encourage them to pass on or refurbish and resell old devices locally in order to save resources and reduce emissions.

**Figure 4: Luurit Looppiin campaign**



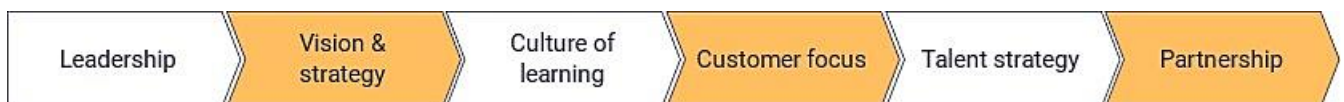
Source: Elisa

Aside from **educational messaging**, customers are invited to recycle old devices easily and without cost (via a "free return" box). Consumers can also return used devices to Elisa stores (and get a discount on a new phone) or take them to Fonum service stores to get advice on whether it is worth fixing or can be refurbished and resold. Luurit looppiin promotes the circular economy.

This initiative is another example of its Vision and strategy CSF in action, focusing on the best outcomes for all stakeholders. It also reflects Elisa's customer focus, as it was born out of consumer responses in a market research exercise (**79% of individuals aged 18-24 were found to be interested in recycling old phones and buying used devices**). The initiative has been designed to deliver customer value (savings) via a simple and free-to-customer process that makes it easy for those customers to "do the right thing".

Elisa also leverages a partner in the initiative (Fonum) to help it close the circular economy loop (Elisa does not have the technical capacity for advice on repairs in Elisa stores).

Three of the six critical success factors are demonstrated in this initiative.



## Conducting audits on supply chains

Another mechanism that Elisa deploys to control/reduce scope 3 emissions is the supply chain audit. As an organisation, Elisa strives for transparency on supply chain sustainability issues, in order to work with suppliers and improve sustainability overall. Elisa's has a "**responsible sourcing**" working group that promotes sustainability and coordinates sustainable development in supply chain initiatives. In 2021, the group performed 71 supplier sustainability audits. And it met four times across the year to highlight potential consequences for its own equipment and products, as a result of the supplier issues. Elisa is part of the **JAC**,

## Lessons in telecom strategy from Elisa

an association of telecom operators aiming to verify, assess and develop the CSR practices of suppliers in the ICT industry. JAC helps Elisa by providing guidance on how to conduct audits and identify weaknesses in its supply chain.

This initiative showcases Elisa's commitment to learning and continuous improvement (its Culture CSF) in pursuit of its mission. It is determined to surface weaknesses/failures in its supply chain, to work together with suppliers towards sustainability improvements. Opportunities for reflection come in the form of meetings to discuss the consequences for its own business.

Its willingness to partner in areas beyond its core competencies (Partnership CSF) is illustrated by its collaboration with JAC which ensures that it can leverage the latest telco thinking/best practice to increase sustainable working within its organisation (JAC encourages telcos to come together and share strategies in this regard). Elisa and JAC are aligned in what they are trying to achieve. Both Elisa and JAC share a vision of creating a sustainable future. By working with organisations that share similar visions Elisa can progress its own.

The audit process demonstrates two of the six effectiveness CSFs.



## Sustainability-driven innovation

At the Total Telecom Congress in early November 2022, Henri Korpi, EVP International Digital Services at Elisa, outlined how Elisa was using sustainability as an inspiration for innovation. 18 months before, it had come to Elisa's attention that the telecoms sector is the second largest user of batteries in the world after the automobile industry. This is because batteries are installed next to base stations to provide back-up power. It began to ask itself how telcos could be greener about that. At the same time, it became aware of a challenge faced by the electricity grid, which has a need to continually balance electricity supply and demand to avoid damaging equipment connected to the grid. Elisa spotted the potential for its battery storage capacity to be used to help regulate the electricity grid.

- It could use a necessary telco asset (batteries) to solve a new customer pain point and secure a new revenue stream.
- It had the advanced analytics and AI capability to back a large-scale optimisation problem of this type.
- It would enable a more sustainable result for society

Its ability to pursue this idea showcases its autonomy to innovate granted by its shareholders (Leadership CSF). This idea reflects two of Elisa's three strategic pillars – as well as its Vision and strategy CSF more broadly - pillar one, to achieve (international) growth in its connectivity-independent digital service business, and pillar two, to be a brand of excellence. While the opportunity does not initially appear to be an international one, Elisa is in discussions with telcos beyond its borders to deploy similar distributed energy storage systems in their own markets.

Elisa appointed an enthusiastic 'right-minded' founder and set up an internal start-up to take this idea forward and determine if it was viable for further development (its process for successfully developing new ideas is explored in a previous [STL report](#)). Elisa's Talent strategy (CSF) ensures that it can deploy competent, experienced people into new business areas swiftly. It also empowers employees to experiment and innovate on the frontline to determine how to develop operations as it scales. Its culture of systematic learning and tolerance of failure as a route to learning supports this approach (Culture CSF).

Four out of six of its CSFs are demonstrated by this initiative.

### Lessons in telecom strategy from Elisa



Elisa plans to make storage capacity available at more than 2,000 of its base stations when fully deployed and will earn a revenue stream through the automatic Frequency Restoration Reserve (aFRR) market in Finland. For more on this, please see STL's report [Should telco's dive deeper into energy?](#) (November 2022).

## Conclusions

From a telecom strategy perspective, Elisa's critical success factors enable it to:

- Adapt quickly to respond to opportunities and challenges.
- Innovate and leverage capabilities beyond its core connectivity business.
- Make progress on its mission to deliver "a sustainable future through digitalisation".

STL will continue to monitor Elisa's sustainability achievements via our [sustainability scorecard](#).

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