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Home > Business Intelligence > Innovation: A Conversation With Hans Vestberg

INNOVATION: A CONVERSATION WITH HANS VESTBERG

Business Intelligence



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Vestberg, Verizon's President of Global Networks and CTO, is winner of the 2018 Copernion Tech Pioneers Award. Trends in innovation, and the future of the Telco industry. A must read.

By Alejandro González, Juan Manuel Barrionuevo and Santiago Gutiérrez

Perhaps it's best to not have a Silicon Valley in Lima, Peru. Trying to copy a center for innovation doesn't produce innovation. Verizon's CTO Hans Vestberg sees things differently: "Countries need to find their own cluster or competence of innovation. Creating a Silicon Valley anywhere except Silicon Valley is impossible. Find your own niche!"

Before joining Verizon, Vestberg was CEO of Stockholm-based Ericsson. He recently received the Tech Pioneers award, which recognizes leaders and visionaries in Technology and Engineering. The award is given annually by investment fund Copernion, in partnership with the publications El Economista and Latin Trade.

Vestberg believes that innovation... true world class innovation... should be founded on a strong...

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Vestberg believes that innovation — true world-class innovation — should be founded on a strong ecosystem built in stages. “What I learned through my career regarding innovation is that, of course, at first you need to spend money on research and development. Second, you need clusters, or competences, around what you want to accomplish. You can’t do everything by yourself; others will do other things for you.”

Clusters or competences are vital elements of innovation, but not all invention clusters are created equal. “You would probably not go to Silicon Valley if you were doing innovation on cars. You would probably go to Germany, or to Detroit,” he said.

Clusters bring suppliers together. Vestberg has seen this happen throughout his career, with thousands of people working on the same theme or idea, but not at the same company. “That’s how innovation happens today,” he said.

In Latin America for example, he sees opportunities for governments and the private sector to pool funds to do research, and then build these differentiated clusters.

Collaboration

Innovation has become much more complex, especially for large companies. Hence, collaboration is a necessity, Vestberg believes.

In his experience, trying to do all the innovation in-house is an old-guard strategy. For him, collaboration is a matter of course, and today’s difficult decisions center around what to do yourself versus what to bring in from others.

He expects we will soon see new models of collaboration. Firms should determine what their DNA is, and collaborate on the rest. Use the capabilities of large firms and of the startup community in joint innovation. Startups that do not know how to work closely with large corporations have a bleak future, he said.

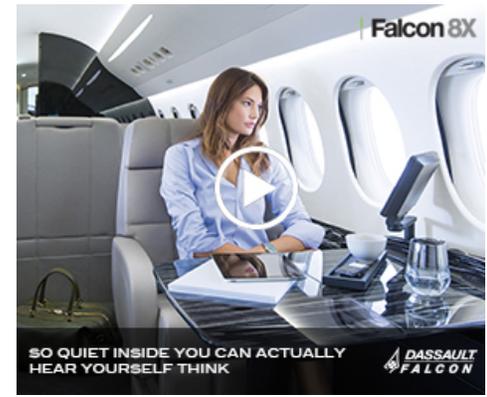
“Ten years from now, because of the way collaboration is evolving today, we will look back and say ‘Wow!’”

Technology

Vestberg witnessed the birth of information and communications technology (ITC). After that, he saw it being massively adopted by consumers, and recently by industries.

As Ericsson’s CEO, he followed these developments in many parts of the world, especially in emerging countries and in Latin America. He lived 10 years in Chile, Brazil and Mexico. Now, as CTO of United States technology leader Verizon, he’s looking at the tech revolution from a different place on the value chain.

“I realized very soon the impact that technology had on people. Starting with fixed networks — when everybody wanted to have fixed lines — and then going into mobility, and handsets.” He is particularly fascinated by the way technology can improve lives. The impact on society, he said, is to make it more equal, to make it fairer. “Everybody has the same rights and the same information.”



Vestberg is convinced of the equalizing power of ICT, but also of the unrealized potential it has in education, healthcare, and as an enabler of global Sustainable Development Goals and efficiency in so many aspects of life. “There is no other technology that became so widespread so quickly in world history,” he said.

Policy-making

New technologies like broadband, mobility and cloud services are changing society, from labor markets to trade. Until now, things were constructed in physical locations, around clear borders. “Our current systems are built upon 20th century infrastructure. We are now deploying 21st century infrastructure, and its use will continue to evolve; it will not stop.”

“Before, we built roads and railways. That was the infrastructure that connected the world.” The new infrastructure is even more important, as those who do not have it have come to realize. “Societies have seen that ICT infrastructure is even more important because it’s transformative. It brings equality.”

Regulation is a driver, but also a potential hindrance to this change. What is important, Vestberg believes, is that regulation does not stifle innovation.

There are new regulatory challenges for the future. “Countries are built on physical trade today. This trade will become digital. What is the impact of that?”

He feels that regulation has to evolve, and that it should be smart enough to allow the benefits of ICT to reach the most people. “If I fast-forward 25 years, I assume that governments will have digital relationships with their citizens. It’s going to be more efficient. Governments will be more service-minded to citizens. Everyone can be included: you can get education wherever you are, healthcare wherever you are.”

“I have a firm belief that, through the efficiency of this technology, this world will become a much better place for many more people. I have a long-term aspiration that we can do it, but it will take a lot of hard work.”

Vestberg hopes that in future decades, almost everyone will be connected. With the help of new complementary inventions around ICT technology, all will be able to reap the benefits of the technological revolution that is just starting. “This is not a steady state,” he said. “It is just the beginning.”

The industry of the next 25 years

The future envisioned by the executive has a greater chance of becoming a reality because competition among major industry players is pulling them in different directions – and fostering innovation.

“Some 30, 40 years ago, the telecommunications industry developed with one simple service: voice. We found it was fantastic that people could speak to each other wherever they were.”

Then came the mobile disruption, and after that, data. “That transition was extremely painful because others could use the data to do even smarter things. In the beginning of the GSM (Global System for Mobile communication) era, there were 10 to 12 companies in the world that could sell GSM equipment for voice. When you passed the hurdle, when it became data, there were three left. That brought brutal changes for all, including carriers.”

Besides having a smaller ecosystem with fewer suppliers, Telcos in the past also had similar business models.

But now, Vestberg said, there's a broader ecosystem developing among more players. Companies are moving in different directions. Depending on the type of assets they have, some are focusing on infrastructure, others are developing autonomous cars, still others are focusing on IoT (Internet of Things). "All carriers do not act the same anymore," Vestberg said.

This is an important, because it means the ITC industry will grow in different ways. Until now, Vestberg said, the wireless industry has mainly impacted individuals. "It is gradually moving to impact industries, and lastly society itself will be impacted."

Vestberg sees more industry divergence in the years to come, and that trend is already visible. Verizon owns Yahoo and AOL. Other carriers are investing in traditional cable TV companies. "There is no right or wrong. There are many opportunities," he said. And all of these, he believes, are opportunities to improve people's lives.

The Woodrow Wilson Center and the Vidanta Foundation are sponsors of this series on innovation.

Why it matters

Innovation requires private and government money for R&D and capacity building. A 100% in-house innovation process is passé. Collaboration is a must.

Innovation will largely benefit from the spread of ICT technology and from the development of new areas pushed forward by large wireless players.

Hans Vestberg

Hans Vestberg is executive vice president and president of Global Networks and Chief Technology Officer, with responsibility for further developing the architecture for Verizon's fiber-centric networks.

He oversees Verizon network assets consisting a country-wide 4G LTE network, the largest 5G testbed in the United States, the nation's biggest residential fiber network, a global internet backbone and undersea cable network carrying much of the world's internet traffic, and fiber assets in 45 of the top 50 markets in the U.S.

Vestberg served for six years as president and CEO of Ericsson, the Swedish multinational networking and telecommunications equipment and services company. It provides 35% of the world's 2G, 3G and 4G mobile network infrastructures.

For more than ten years after joining Ericsson in 1991 he gained broad international experience with leadership positions on three Europe, Asia and Latin America, starting in Chile, moving to Brazil and Mexico.

After that he was instrumental in developing Ericsson's industry-leading services organization, which grew three-fold during his five years of management. In 2007 he became Ericsson's chief financial

officer, and he was named CEO in 2009. As CEO, he led more than 115,000 employees as the company transformed from a focus on hardware to software and services.

Vestberg is a founding member of the International Telecommunications Union (ITU) Broadband Commission for Digital Development, where he is leading climate-change and digital health initiatives. He is also Chairman of the Swedish Olympic Committee and a member of the Leadership Council of the United Nations Sustainable Development Solutions Network. Since 2015 Vestberg has also been a board member of both the UN Foundation and the Whitaker Peace & Development Initiative.



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