

Edward Zander's Motorola

How a brash new CEO tore down walls – and much of Moto's musty culture

At the end of his first day as CEO of Motorola Inc., Edward Zander sat alone in his office atop the company's Schaumburg headquarters, feeling apprehension descend along with the early winter dusk. Just in from California, Mr. Zander knew the short winter days would take some getting used to, as would his new surroundings.

Resplendent with mahogany paneling, hand-knotted rugs, golden wallpaper and a built-in shower, the sprawling office seemed to embody the culture of entitlement and hierarchy that he'd been hired to uproot – a task that suddenly seemed overwhelming.

"I just remember looking out there in the dark and the cold and it was pretty daunting," he recalls. "I didn't know anybody. I didn't know who to trust, not trust; who was on my team, not on my team; who was subversive – anybody or not."

But starting that day, Jan. 5, 2004, Mr. Zander pushed past his doubts. Within a year's time he had knocked down the wood-paneled walls, and with them much of the elitist culture and cumbersome bureaucracy that had hindered Motorola's progress and profitability for years.

From his sleek new desk in a small interior office, Mr. Zander also plotted an audacious new course for Motorola: First, catch Nokia Corp., the world's leading cell phone maker, and then, remake Motorola as a hybrid of corporate icons, with the creative dynamism of Apple Computer Inc. and the unswerving profitability of General Electric Co.

Mr. Zander, 59, hasn't achieved either – yet. But he has spurred an unmistakable transformation, changing Motorola from stodgy to edgy in just 30 months. For the first time in nearly a decade, Motorola controls more than 20% of the global handset market, although it still trails Nokia's 34% share. Its annual revenues have increased 52% to \$35.26 billion last year; earnings have quintupled on Mr. Zander's watch to \$4.58 billion.

To be fair, Mr. Zander has benefited from an explosion in global handset sales, the smash hit Razr phone – already in development when he joined Motorola – and deep cost cuts enacted by his predecessor, Christopher Galvin.

Still, company insiders, observers and former employees credit Mr. Zander with re-energizing Motorola's marketing, bluntly challenging its stuffy Midwestern traditions and lighting a fire under its workers.

"I do think Motorola has turned a huge corner," says James Schrage, clinical professor of entrepreneurship and strategy at the University of Chicago. "(But) is this a one-trick pony? Did he get lucky once, or did he get beyond the lucky stage, and can he propel himself into a series of products that aren't just luck, but real achievements?"

CARS AND CARDS

Before he could achieve anything at Motorola, Mr. Zander knew he had to rid the company of a culture heavy on entitlements. For three-quarters of a century under the Galvin clan's aegis, Motorola was run like a family business, lavishing perks on middle managers that most companies reserved for top executives. The company provided employees who ranked vice-president or higher with allowances for cars, maintenance and gasoline. It also paid for their home-security systems.

The sense of privilege stunned Mr. Zander, whose immigrant father worked two jobs and who started his own working life at age 15, cleaning restrooms at Buddy's Burgers in Commack, N.Y.

Even after more than 25 years in the corporate world, where he rose through the ranks to become president and chief operating officer of Sun Microsystems Inc., Mr. Zander found Motorola's caste system appalling.

Upon his arrival he noticed that some employees used black business cards; others' were white and embossed. He liked the black ones better and asked his assistant to order a box. When he handed out the cards on a business trip days later, other Moto executives were aghast. The black cards were for underlings; corporate officers used the white cards.

"It was to me, what's going on around here?" Mr. Zander says. "We're not this noble class of royalty: cards and cars. I didn't care about cars and cards, I just wanted to make money. I wanted the people who work for me to make a lot of money."

In his first year, Mr. Zander did away with both sets of business cards; now all Motorola employees get the same two-sided cards. He eliminated the free cars and other perks; executives got stock options instead. (Last year Mr. Zander made \$23.7 million in total compensation. Four other Motorola executives made more than \$6 million.)

Mr. Zander's arrival also put an end to the Motorola tradition of "Galvinizing," which protected employees who'd been at Moto for 10 years or more from being fired without the CEO's consent.

"It's hard to be Galvanized when there are no Galvins around," says Alberto Lopez, a former Motorolan who gained that distinction and left the company in 2004.

SET THE BAR LOW, BUT DELIVER

But even as he was attacking some Motorola traditions, Mr. Zander made an effort to connect with the company's 65,000 employees. He spent his first 90 days on the job addressing groups of workers in town hall meetings, trying to learn Motorola's strengths and weaknesses.

Mr. Zander says the meetings were designed to change priorities at Motorola and shake the company out of its defeatist posture. The previous December, sales had been lackluster after supply snafus left it without any camera phones, the hot item in the 2003 holiday shopping season. Still traumatized by the loss of 60,000 jobs after the 2001 telecom crash, employees had lost their focus on innovation and beating the competition.

"It was like this company would make a quarter, miss a quarter; get a product out, miss something," Mr. Zander says. "So I said, 'Can we get back to doing what we say we're going to do? Set the bar low if you want, but deliver.'"

Mr. Zander's brash silicon valley style unnerved some. Strolling the halls to the company cafeteria, he would stop passersby and ask them their names and what they did at the company.

"Some people could respond, some had no idea how to respond," Mr. Lopez says. "He was very open and very direct."

In early meetings with senior executives, Mr. Zander would startle the group by interrupting executives' rehearsed presentations in mid-sentence, ordering them to switch off PowerPoint slides, turn on the lights and tell him their conclusions.

"He didn't care for pomp and circumstance," says Gregory Brown, president of Motorola's networks and enterprise business. "He was looking for people to net it out, get to the point, tell me what's on your mind."

But current and former employees say Mr. Zander won over Motorolans – many of whom remain loyal to the Galvins – with his wisecracking style and his vigor.

CrainsZander.txt

"Zander always jokes when he talks," says Albert Lin, analyst with American Technology Research, a California-based market research firm. "In reality, there's this practical side to him about the immediacy of generating sales and enthusiasm that you'd never see with (Chris) Galvin."

Mr. Galvin was out of the country and could not be reached for comment.

Mr. Zander admits to being a smart aleck at the office – "I'm an equal opportunity insulter," he says – but insists he's an introvert, painfully shy in social settings. After globetrotting business trips, he'll hole up for the weekend at either his apartment in Streeterville or home in Carmel, Calif., shutting out everything except his family and his golf game, says Masood Jabbar, a former Sun executive and close Zander friend.

The future's so bright: Edward Zander has made Motorola's marketing hip again – in part by scoring co-branding deals with hot consumer brands like Apple and Oakley, which makes Razrwire sunglasses, with a wireless earpiece attached. AP/Wide World Photos

OLD STRUCTURE WAS 'A POISON'

The changes in the company became evident within two months of Mr. Zander's arrival, says John Pepper, a Motorola director at the time who is now chairman of Walt Disney Co.

"It was very clear to me that the top management group and the company as a whole were responding to his sense of energy, decisiveness, of getting on to regain momentum in the cellular phone business," Mr. Pepper says. "It was literally happening after he made his first rounds in the company."

Mr. Zander also moved fast on structural changes. Motorola during the 1990s had made its business units (known as sectors) into mini-companies, each with its own sales team, human resources, purchasing, information technology, performance measures and pay scale. The setup kept employees from teaming up on sales calls or jointly developing new technology. Mr. Zander saw it as "a poison inside the company."

So, he centralized administrative services and cut Motorola's six business units to three. He has created a sales council and formed joint sales teams for its 10 largest customers. Mr. Zander also instituted a company sales contest – the first in Moto history. This year's top sellers will win a trip to Hawaii, with Mr. Zander, in 2007.

These moves have won Mr. Zander plaudits from industry analysts and longtime Motorola critics. But such praise makes him uneasy. He's not ready to declare victory yet.

"We haven't turned anything around," he says, citing frustration with the pace of change at Motorola and the time it takes for decisions to get made. "I have tired days of saying we're not moving fast enough."

Investors remain skeptical that Mr. Zander can follow up with hits as the Razr's luster fades. Moto shares closed Friday at \$19.81, down 12% for the year.

And indeed Mr. Zander may face his greatest obstacles in the months ahead, especially in Motorola's \$6.33-billion networking business, where rapid consolidation seems to be pushing him toward some critical decisions.

By now, though, it's clear that Motorola's hope lies not only in the CEO's strategic moves, but in the new life he has breathed into the corporate ranks.

"The good news," he says, "is there's a willingness and a want to win of the people we put in place."

CrainsZander.txt

©2006 by Crain Communications Inc.