

Motorola Sets Its Phone Unit Free

The spin-off could breathe new life into the business, especially if a top-notch executive takes the reins

by [Roger O. Crockett](#)

Motorola's ([MOT](#)) mobile-phone business has turned from dynamo to disaster in just a few short years. With no hot products to follow its popular Razr, the onetime industry leader has rapidly lost market share and sales. The situation has grown so rocky that CEO [Gregory Q. Brown](#) has struggled to find a qualified executive to run the business—or any viable bid to acquire it.

But Motorola's move on Mar. 26 to spin off the mobile-phone unit could change the division's fortunes. The Schaumburg (Ill.) company plans to set up the business as a separately traded public entity, and the board has retained executive search firm [Russell Reynolds Associates](#) to recruit a new CEO for the company. Brown is now likely to find it much easier to attract a top-flight candidate, since the new chief will have a free hand. "That changes the dynamics of the search," says Peter D. Crist, head of executive recruiter [Crist Associates](#) in suburban Chicago. "Top execs at key players such as Nokia and other rivals would not have been interested [if the phone unit were not separate]. Suddenly they perk up and say: 'I can run that business.'"

ANY UPSIDE IS A WIN

What looked like "a poisoned chalice," as one analyst called the phone unit, has suddenly become a golden fount of opportunity. As a part of Motorola, the phone business was slowed by a bureaucratic corporate culture. Even though the mobile-phone business makes up half of the company's sales, its executives have not always been able to operate independently. Their investment, supplier, and operational decisions have been intertwined with those of Motorola's other divisions. "This looks a lot less unattractive than the encumbered, politically mired entity that existed at midnight on Mar. 25," says Yankee Group telecom analyst John Jackson.

Expectations are also at rock bottom. American Technology Research is forecasting that revenues at the phone division will slide to \$16 billion in 2008, down from \$19 billion last year. So almost any improvement in the unit's financial performance will be seen as a sign of success.

Sources close to the search say Brown has been actively considering candidates in recent weeks, and he has set the bar high. Managing a global phone manufacturer is no easy task, especially with the rocky economic outlook and Carl Icahn battling Motorola for board seats. The business struggled under the previous two CEOs, Christopher B. Galvin and Edward J. Zander, who handed over the reins to Brown in January. "We want someone who is a proven leader with a results orientation," Brown told *BusinessWeek*. Someone "who preferably has technology awareness and a consumer-electronics or customer background in the wireless space."

Motorola would not comment on specific names. But recruiters and analysts say executives in the top two or three posts at Motorola rivals or its chief customers make likely candidates. Among Motorola's customers, Verizon ([VZ](#)) COO [Denny Strigl](#) and former Sprint Nextel ([S](#)) CEO Gary Forsee are considered possibilities. A Verizon spokesman says Strigl is not a candidate for the Motorola job; a spokesman at the University of Missouri, where Forsee is president, says he remains committed to his role there.

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