

<http://www.chicagotribune.com/business/chi-0401040368jan04,1,6494642.story>

Energy, action on agenda for CEO

Zander expected to move quickly at sluggish Motorola

By Barbara Rose
Tribune staff reporter

January 4, 2004

The clock starts ticking this week on Edward Zander's remake of Motorola Inc.

The new CEO and chairman reports Monday to the Schaumburg headquarters of the 75-year-old electronics giant.

"He'll go in and he'll size up the situation, he'll move very quickly and something dramatic will happen," predicted Eric Schmidt, Google Inc.'s chairman and chief executive, and a former Zander colleague at Sun Microsystems Inc.

Investors are looking for results comparable to those Zander helped achieve in the 1990s at Sun, where he was a driving force in positioning the computer-maker for the Internet boom.

Earlier in the decade, he helped transform Sun from a producer of workstations used by engineers into a seller of powerful computers that manage networks.

He takes over as Motorola struggles against bigger and more nimble competitors in many of its major businesses, including its largest, cell phones.

With 2003 sales estimated at \$26.7 billion, the company is profitable. But the 56-year-old must figure out where to invest Motorola's capital and whether to shed businesses in addition to semiconductors, a unit slated to be spun off to shareholders.

Most important, he must transform a chronic underperformer with sub-par profit margins into a much more efficient operator that is quicker to hop on trends.

"There's a world of technology there," said Kevin Rendino, manager of Merrill Lynch Basic Value Fund, which owns 9.6 million Motorola shares. "They were just slow and stodgy."

Wall Street will give Zander little more than six to nine months to make a difference. "He'll have a honeymoon, but it will be short," Rendino said.

Zander is expected to outline a strategy before July, when the company traditionally hosts its annual meeting with financial analysts.

Where will he focus initially? "I'm looking to define, first, Motorola the company and what it stands for and what space it's going to own," he said when he was named CEO on Dec. 15.

Former Sun colleagues describe a hyperkinetic, wisecracking executive whose work ethic reflects his modest upbringing. A native of Brooklyn, he's the son of European immigrants. His father was a furrier.

<http://www.chicagotribune.com/business/chi-0401040368jan04,1,252893,print.story>

Advertisement



The new
**Microsoft
Office
System**

takes
collaboration
way beyond
the conference
room.

See it in action

Microsoft



His tastes run to pizza and hamburgers rather than haute cuisine, friends said, but he dresses with flair in Kiton suits.

He worked incessantly while at Sun, sometimes sleeping on a foam pad in the aisle of a corporate jet on his frequent trips to visit customers.

It was on a trip in 1998, when Sun was struggling to define its spot in the computing world, that the chief operating officer coined a phrase that became Sun's well-known tagline.

"We had papers spread all over the place and we were working on our laptops and he had this epiphany," said former Sun executive Masood Jabbar.

"I know who we are," Jabbar recalled him saying. "We're the infrastructure provider. The way to communicate that is, 'We're the dot in dot-com.'"

His brainstorm became the basis for an ad campaign that helped define Sun as one of the industry's biggest beneficiaries of the telecom and Internet explosions.

Zander's track record suggests he is more than a clever marketer.

"In the technology space, the most difficult skill set to find is a combination of strategic sense--anticipating markets--and operating skills," said executive recruiter Peter Crist of Crist Associates in Hinsdale.

Zander can do both, Crist said. "There's a very high likelihood that Motorola has acquired one of the better players in today's environment to run that company."

One of his chief accomplishments in the late 1990s was to revamp an operating structure created by Chairman and CEO Scott McNealy. Sun's businesses functioned as independent fiefdoms known as the "planets" encircling Sun.

"The problem with the planets is, they tended to compete at cross purposes," recalled Google's Schmidt. "One group would undercut another. It caused no end of internal tension."

Zander created a unified sales force, a common marketing platform and shared manufacturing operations.

"I figured he'd never pull it off, but he did it much more quickly than anyone could have," recalled Schmidt. "He managed to maintain the spirit of what Scott was trying to do but very cleverly structured it so that the business would run very well.

"As a result, the revenue in the company just exploded," Schmidt said.

Sun's sales were lifted by the Internet boom, and its fortunes plummeted just as precipitously after the tech stock bust in 2000. Zander foresaw the market's turn and tried to prepare for the collapse, former colleagues said.

"He was the one who was the voice of reason" during the bubble, Jabbar recalled. "He would sit us down and say, 'We're going to hit the wall.'"

One of his disagreements with McNealy before he announced his retirement in 2002 was over how quickly and deeply to downsize the company, according to Jabbar and others.

"His sense was, this [tech recession] was going to be much longer and much deeper than anybody thought, and he wanted to resize the company a lot faster," Jabbar said.

At Motorola, which has shed one-third of its workforce since mid-2000, Zander's job will be to make the company far more efficient while igniting growth.

The fast-talking executive is expected to shake up Motorola's top management while re-engineering operations,

analysts said.

Many predict that Motorola's well-liked president and chief operating officer, Mike Zafirovski, who was passed over for the top job, will quit after helping with the transition. When asked by analysts how long he would stay, Zafirovski said, "It's way too early" for a commitment. But he added, "The only priority is Motorola. ... There's a lot to be done."

Zander will surround himself with executives who are comfortable with his demanding and free-wheeling style, analysts said.

At Sun, nothing was out of bounds during his marathon monthly staff meetings, where topics ranged from metrics-driven operating reports to tactics and strategy.

"A lot of his thinking was done by talking," Jabbar said.

When he is unhappy with performance, "he tells you what he thinks right in front of everybody else," recalled a Sun executive who asked not to be named. "If he has to make a point, he blurts it right out."

Yet his sense of humor rarely deserts him, former colleagues said.

"There was some yelling, there's a lot of laughing," Jabbar said. "You get mad, you get upset, you'll yell and he'll yell back, but it is all pretty healthy. He has an uncanny ability to leave all the unpleasantness in the conference room."

It was not uncommon for him to invite staff over to his home on weekends to work on a problem, former colleagues said.

"He would call me at 10 p.m. to have a quick conversation," said the Sun executive who asked not to be named. "The motor doesn't stop running. You can call him at 6 in the morning and 10 at night and he's pretty much at the same energy level."

Zander likes smart, "outgoing people" who question the common wisdom, Jabbar said. "He has a lot of room and a lot of time for people who push him."

He made a habit of walking the halls and talking to everyone, former colleagues said. Trained as an engineer at Rensselaer Polytechnic Institute, he enjoyed hanging out with Sun's top engineers, going toe to toe on technical matters.

His drive is legendary. Sun employees recount the time when Zander refused to miss a quarterly earnings teleconference with analysts, even though he was white-faced, clammy and shaking with pain.

He laid on the floor on his back in a conference room in Cupertino until it was time for analysts to ask questions, then propped himself up to answer.

After the call, he was rushed to the hospital where he learned he was passing a kidney stone.

"He's very intense but he goes the whole spectrum," the Sun executive said. "He'll pop into your office and hang out and talk sports."

An avid golfer, he kept a putter and chipping wedge in his office, as well as hats bearing logos of some favorite teams: Red Sox, Patriots, Boston Celtics--loyalties forged when he earned his MBA at Boston University in 1975.

His outgoing personality contrasts with the more reserved style of his predecessor, Christopher Galvin. But his leadership style will not be the deciding factor in pushing Motorola on a more profitable course.

"The key is what kind of strategy he can manufacture, not what kind of personality walks in the door," said James Schrager, a strategy consultant and professor at the University of Chicago's Graduate School of Business.

His challenges are huge. Motorola, with 90,000 employees, has nearly triple the workforce and one-third more sales than Sun had when Zander was chief operating officer.

"Motorola is far more challenging than Sun," said Bain & Co. partner Gib Carey. "Even with semiconductors spun off, Motorola is still a relatively complicated set of businesses."

They include cell phones, wireless networking gear, emergency communications equipment, broadband communications and integrated circuitry for cars and appliances.

Carey said Zander will need to take a "Jack Welch approach, getting great leadership in each of the businesses and cultivating them."

The problem: "That takes time, and there aren't too many Jack Welches."

When the chip business is spun off, cell phones will comprise more than 50 percent of sales. Yet Motorola is a high-cost producer, reporting low single-digit profit margins compared with margins in the 20 percent range by market leader Nokia.

Zander must pick up where Zafirovski left off in driving down costs, Carey and others said, by simplifying phone designs so that Motorola can buy components in much higher volumes.

He also must improve Motorola's ability to speed its innovations to market in a consumer electronics sector where trends that start in one corner of the world rapidly sweep the globe.

"The game is moving very quickly against highly focused and highly competent competitors," Schrage said. "It's good he's from Sun, because he's faced that before."

Longtime Sun watchers predict Zander's performance will be worth watching.

"This is our chance to see what he could do if he didn't have Scott [McNealy] to overcome," said Rob Enderle, a San Jose-based technology analyst. "A lot of us thought that he could do some phenomenal things."

- - -

Nothing bland about Zander

What former Sun colleagues say about Edward Zander:

"The motor doesn't stop running. You can call him at 6 in the morning and 10 at night and he's pretty much the same energy level."

"He's ultimately a family man. If one of his kids calls during an important meeting, no matter what's going on, he'll step out."

"He's got style. He dresses so well, everybody around him started to dress better."

"He knows what 'sizzle' is. That's a lot of his marketing prowess."

"He likes people who are even smarter than him. He has a lot of room and a lot of time for people who push him."

Copyright © 2003, *Chicago Tribune*

Improved archives!

Searching Chicagotribune.com archives back to 1985 is cheaper and easier than ever. New prices for multiple articles can bring your cost as low as 30 cents an article: <http://www.chicagotribune.com/archives>