

## Motorola to slash 4,000 positions

Analysts: Cuts could make matters worse

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Motorola Inc.'s decision to cut an additional 4,000 jobs by the end of the year may improve its bottom line short term but will not solve the most pressing problem: coming up with new hot-selling phones, analysts said Wednesday.

The latest cuts -- combined with 3,500 announced in January -- will eliminate nearly 11 percent of the company's global workforce of 71,000. It is the biggest reduction since the dark period following the technology stock market's collapse in 2000, when Motorola shed about 40 percent of its workers.

The latest round of cost cutting is expected to save \$600 million annually, in addition to the \$400 million in savings targeted in January, Chief Financial Officer Tom Meredith said Wednesday.

"Long-term, sustainable profitability is -- and always has been -- Motorola's top priority," he said.

Motorola's stock headed up on the news in after-hours trading after closing Wednesday at \$18.28, down 2 cents per share from the previous day's close.

President and Chief Operating Officer Gregory Brown said the company is taking steps to ensure that customer service, product quality and research and development programs won't suffer.

But analysts said eliminating more jobs is not likely to help and may even hurt the company's fight to regain momentum in its key cell phone business.

"It looks good on the surface but to get back in the game they need to come up with a very compelling phone platform very quick," said Charter Equity Research analyst Edward Snyder. "If you're not careful and judicious about where those cuts come from it could end up hurting more than helping."

A Motorola spokeswoman said the cuts will be spread out among "all businesses, functions and regions."

"We have made the very difficult decision to reduce our workforce by approximately 4,000 through normal attrition and some involuntary separations," she said. "At the same time it's important to note that we are continuing to hire top talent in critical areas."

Motorola employed 66,000 at the end of last year but gained 5,000 with its acquisition this year of Symbol Technologies Inc., a maker of hand-held mobile computers. It employs about 15,000 in Illinois, primarily in the Chicago area.

The company has struggled since it slashed prices last year on its top-selling Razr to gain market share, turning the premium product into a commodity. Meanwhile, Motorola lagged in developing new high-end phones.

"Essentially their employees are paying for the pricing misjudgments," said analyst Casey Ryan of Nollenberger Capital Partners. "Getting rid of employees doesn't really solve the problem. The company is going to need better products, not fewer people.

"This seems like a good near-term fix to help [profit] margins, but it looks like it's probably going to hurt morale and be somewhat of a negative overall," Ryan said.

Lawrence Harris of Oppenheimer & Co. said "you start to get diminishing returns" from job cuts.

"Certainly cost controls are important but it's really the product portfolio -- having the right features at the right price" that matters, he said. "If you have a hot phone consumers will pay premium prices."

A lot is riding on the phones Motorola is expected to announce in July for the holiday selling season, he said.

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