

Motorola Rises as Rumor Zaps Zander

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Motorola (MOT) shares jumped 2% on rumors that CEO Ed Zander may soon be out.

Zander managed to prevail in a proxy battle earlier this year with shareholder activist Carl Icahn, but the executive continues to take heat for the abysmal performance of the company's mobile phone unit.

"While we fully expect Zander's departure this year, there is no visibility on when," Charter Equity Research analyst Ed Snyder wrote in an email.

Motorola declined to comment on the rumor.

The stumbling wireless tech titan has reshuffled its executive ranks this year, replacing its CFO and naming an operations chief to help with the restructuring effort. In May, the company said it would fire 4,000 more employees in a second round of cuts. The first round of 3,500 cuts was not yet completed when the new phase was announced.

Zander has seen some dramatic ups and downs in his three-plus years at Motorola. His heroic arrival happened to coincide with the introduction of an innovative new ultra-slim phone called the Razr. The design caught on with phone buyers and helped elevate Motorola's earnings and recapture its worldwide market share.

But when Razr's allure dulled, the company's operational woes resurfaced. By April, the company had posted a full year's worth of disappointing numbers, and astonishingly, the handset unit plunged into red ink. Motorola has since given back crucial ground in the mobile phone business to rivals **Nokia** (NOK) and **Apple** (AAPL).

To observers and shareholders, it appeared that Zander failed to make significant changes to the company or find new designs that would get Motorola through the post-Razr era.

"We believe the board is increasingly critical of Zander's performance, and there is little chance of a turnaround in phones for at least a year," Charter's Snyder says.

Investors see a chance for a pop in the stock if the company pushes Zander out.

"If Zander is out, even if the quarter stinks, I think the stock goes up," says one hedge fund manager who does not own the stock. "That's how angry people are with him right now."

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