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Ringling Start for Motorola Chief

The right man for Motorola.
By MARK VEVERKA

IT LOOKS LIKE THE MOTOROLA BOARD FINALLY MAY HAVE found its man in new Co-Chief Executive Sanjay Jha.

Unfortunately for the directors and shareholders, it's probably a couple years too late. The former [Qualcomm](#) (ticker: QCOM) executive, who was hired in August to turn around Moto's brain-dead handset division, seems to be making headway. But he's playing catch-up with few resources.

Last week, [Motorola](#) (MOT) missed earnings, announced it was laying off another 3,000 employees and admitted that it wasn't going to be able to spin off the beleaguered handset unit on schedule -- a condition of Jha's employment that could reward him with about \$100 million. Of course, he still gets around \$30 million without a spin-off, which isn't bad work if you can get it.

Regardless of the board's determination, the odds were slim that a spinoff was plausible even before credit dried up. Now the odds are even worse. The unit is a long way from becoming profitable again. The handset unit lost \$840 million in the third quarter -- more than double the company's total loss -- on \$3.1 billion in cell-phone revenue. Motorola shares were trading at \$5.34 Friday afternoon, up about 7% for the week.

Jha appears to have a sound plan. He's cutting the operating systems that Motorola uses from six to three: Windows Mobile, Google-inspired Android, and its own P2K, which is the software behind the once-popular RAZR.

Right now, Motorola is without strong product offerings at the extreme high and low ends, where most of the growth is. It is without high-margin smartphones to compete with [Apple](#)'s (AAPL) iPhone, [Research In Motion](#)'s (RIMM) BlackBerry and **HTC**'s (2498.Taiwan) Touch Diamond, which is based on the open-source Android OS. Jha hopes to have an Android smartphone by Christmas of next year. HTC unveiled its Android device just recently. At the lower end, Jha hopes to build a device platform based on the P2K OS to address key emerging markets.

JHA ALSO WANTS TO REDUCE the number of chip suppliers, relying more heavily on his former employer, Qualcomm, which is the leader in 3G chips, and [Texas Instruments](#) (TXN). Motorola's former in-house semiconductor unit, Freescale Semiconductor, appears to be the odd man out.

Handset manufacturers make their money in the design phase. When they use fewer platforms -- guts that rely on the same operating system and chipset designs -- it allows

for more efficient manufacturing and higher margins. Nokia streamlined its platforms and manufacturing processes earlier this decade. Apple has a single platform.

The new handset chief is winning over skeptics. Charter Equity Research analyst Ed Snyder was pleased by Jha's candor on the post-earnings call.

"Sanjay nailed it. He articulated exactly what is wrong and exactly how to fix it, and he provided specifics," Snyder told *Barron's*. Snyder said the roadmap is "hugely encouraging, [but] it's very late in the game."

Motorola has slipped from second in total global handset market share not long ago to fourth, with 8.5% -- behind Nokia, Samsung and Sony Ericsson -- and it is facing one of the worst financial meltdowns in history. Other than that, saving the board's bacon should be no trouble at all.