

Case study, history, and strategic analysis of motorola, inc.

[Business](#)



Case Study, History, and Strategic Analysis of Motorola, Inc. 1. Describe the salient opportunities and threats that exist in Motorola's external environment.

2. Describe the company's most prominent strengths and weaknesses. 3. Describe the advantages and disadvantages associated with each of Motorola's strategic options. 4.

Describe how the corporation's strategy and organizational structure can be designed to solve the company's strategic issues. 5. Explain how Motorola should proceed. Introduction The company that I chose for my strategic analysis is Motorola, Inc. The popularity of cellular phones has made many people familiar with Motorola products, as such service providers as Verizon, AT; T, and Sprint use cellular devices that Motorola creates and manufactures.

The company, however, does more than just produce cell phones, and it is currently trying to focus its current strategic attention on semiconductors (citation needed). History and Financial Portfolio Paul V. Galvin founded Motorola, Inc. in 1928 when he and his brother Joseph E. Galvin purchased a business from the Stewart Storage Battery Company that made battery eliminators used in operating radios using household current and created the Galvin Manufacturing Company. The company started with five employees and grew gradually.

It expanded its business into the automobile industry by introducing car radios that it sold to independent car distributors and dealers. When Galvin

Manufacturing entered the automobile industry Galvin coined the name <https://assignbuster.com/case-study-history-and-strategic-analysis-of-motorola-inc/>

Motorola to link the ideas of motion and radios (citation needed). Daniel E. Noble joined Galvin Manufacturing in 1940 as its director of research. A pioneer in FM radio communications and semiconductor technology, he originated the first hand-held two-way radio for the Connecticut State Police. He brought his designs to Galvin Manufacturing and developed a two-way radio system for the US Army Signal Corps and Galvin Manufacturing subsequently played a significant role with such radio and communications equipment as the walkie-talkie and handie-talkie in World War II (citation needed).

Motorola made its first public stock offering in 1947, which is when it officially changed its name to Motorola Inc. In 1948 Motorola entered the television business and sold more than 100, 000 TV sets in one year, making it the fourth largest manufacturer of them. During the late 1940s it began to supply car radios to Ford and Chrysler plants for installation in their automobiles (citation needed). Motorola took advantage of expanded allocations of radio frequencies to introduce dispatcher radios with aggressive marketing, and its reputation for reliable equipment earned it a leading role in the industry.

Noble then launched a Motorola research and development facility in Phoenix, Arizona. Anticipating the enormous potential of the newly invented transistor, he helped Motorola become one of the world's largest manufacturers of semiconductors (citation needed). By 1950 Motorola's net sales were \$177, 104, 669 and it had 9, 325 employees. Its first color television in 1952 was unsuccessful due to technical problems, a high price,

and the failure of broadcasters to offer an adequate amount of color programming. It pulled the product from the market in 1956 (citation needed). Some of the innovations for which Motorola is famous are pagers, which delivered radio messages selectively to particular individuals carrying them, and the Motrac, which enabled car radios to operate without running the engine.

It was also the first company to use the epitaxial method to mass produce semiconductors and developed the first rectangular picture tube for color TVs in a joint venture with National Video (citation needed). It pioneered in using low-cost techniques for making the silicon rectifiers in automobile alternators. Its Automotive Products Division began producing alternators in place of car generators, inaugurating the company's role as a supplier of under-the-hood electronics. It also designed and made eight-track tape players for the auto industry in collaboration with Ford and RCA. Domestic and foreign car manufacturers soon became customers for them and eight-track players became the Automotive Product Division's second major product line (citation needed). As the cost of semiconductors continued to decline their applications in consumer electronic products increased and created a major new market.

Motorola responded with a full line of low-cost plastic-encapsulated transistors. The entire semiconductor industry eventually adopted these devices' design. In 1967 the company expanded its global presence by adding six plants internationally (citation needed). NASA's lunar roving vehicles used Motorola's FM radio receivers 100 times more sensitive than

any car radio to provide a voice link spanning the 240, 000 miles between the Earth and the moon. Motorola also began manufacturing components for battery-powered quartz and between 1971 and 1979 gained critical experience in producing and supplying integrated circuits, quartz crystals, and miniature motors to such manufacturers as Timex, Benrus, and Bulova (citation needed).

The company introduced its first 6800 microprocessor, which used only 5 volts of power for the communication and business machines sector, in 1975. In 1979 it introduced its first 16-bit microprocessor, the 68000. Capable of completing two million calculations per second, it ran and wrote programs for scientific, data processing, and business applications (citation needed). In the 1980s Motorola controlled the emerging US market for cellular phones and pagers, but it was not focused aggressively enough on competing with the Japanese, even after Japanese firms began to flood the US market with low-priced, high-quality telephones and pagers. Finding itself pushed into the background, Motorola responded.

Its management was initially unsure how they should respond, so they originally decided to abandon some business areas and even considered merging their own semiconductor operations with Toshiba's. After much searching they decided to fight back and regain the firm's lost market position. Their strategy involved first learning from the Japanese and then competing with them (citation needed). This strategy seemed to work, as Motorola's revenues tripled from approximately \$10 billion in 1990 to almost \$31 billion in 1999.

More problems then arose, however. Its 1996-1999 profitability and growth rate did not match that of 1990-1996. One of the company's key problems was its weak financial position. It had inopportunately chased the dot-com and telecom boom in 2000 and built up a manufacturing capacity and a global cost structure based on planned revenues of \$45 billion revenue, going into 2001, but had achieved only \$37.6 billion in cellular telephone revenues in 2000. Then in 2002 a telecom equipment downturn affecting both landline and wireless technologies occurred, as did the worst semiconductor decline in history, the dot-com busts, a U.

S. recession, the fallout from the September 11, 2001 terrorist attacks, delays in the deployment of next-generation (3G) wireless technology, major customer defaults, and sales of only \$30 billion, resulting in major and painful corporation-wide resizing and increased finance charges (citation needed). The company's 2002 annual report presented these as the principal reasons for its weak financial position, an apparent effort to shift the responsibility from its management to external factors. Some alternate reasons could be (a) rapid technology gains and product innovations by Motorola's wireless-communications competitors, (b) an outdated management style, (c) falling behind in digital cellular phone technology, (d) its focus on a wireless-equipment technology that covered only half of the potential US market, and (e) poor quality and performance in some of its product areas leading to a loss of customers (citation needed). In an attempt to regain its market position, Motorola developed such innovations as multi-media mobile devices using mobile extreme convergence (MXC) architecture. This innovative architectural change eliminated many of the

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existing design limitations to affordable, advanced, full-featured mobile devices.

According to Baron (2002) “ With the Extreme Convergence architecture, Motorola’s Semiconductor Products Sector has found a way to simplify the design of hardware and software and to reduce the cost of components for mobile systems,” said Max Baron, principal analyst, InStat/MDR. Motorola’s technical and business strategy combines DSP and applications processor cores positioning the company to compete in a wide variety of applications that goes beyond traditional mobile devices and into consumer electronics. The rapid delivery of chips and platforms by Motorola for mobile and tethered Attached to a data or power source by wire or fiber. Contrast with untethered. Applications will enable it to secure a solid share in an addressable Reachable. When something is addressable, it can be identified and manipulated independently of its surroundings.

For example, screen pixels and RAM memory are addressable. Each of the screen’s picture elements can be individually turned on and off, and each of the memory’s bytes can be embedded processors market that is expected to consume over 900 million chips by 2007. ” (October 14-17, 2002) Motorola’s two key core values of constant respect for people and uncompromising integrity have set the standard for its employees’ actions since its founding. The company has also considered trust to be part of its competitive advantage. As it developed into a global company it continued to uphold its ethical principles, but it realized that its values were in conflict with how business was conducted internationally, which resulted in it practically

committing business suicide by adhering to them in countries where bribery and other unethical business practices were common and expected (Motorola: Ethical Challenges in a Multicultural Environment, p 1 to 3) To combat the clash of ethics the company's management asked a group of retired Motorola executives to look into the status of ethical understanding and compliance around the world. They created the Motorola ethics renewal process, the chief purpose of which was to " help Motorola at all levels in all countries make ethically appropriate business decisions every day and to get them to take ownership and accountability for Motorola's key beliefs and ethical values" (Kary, 2002,) Local, country, and regional ethics committees enabled employees to discuss openly issues involving the company's key beliefs and code of business conduct .

Despite its unrelenting attempts to become an internationally ethical company, however, it continued to have problems with staying profitable and increasing its market share

Analysis of Current Industrial Environment

Nokia has the largest market share in the communications industry, with Motorola having the second largest. The economic conditions for most global industries have in general reached a point of stagnant or declining sales. In the world of the twenty-first century businesses need to forecast the outlook for global economies somewhat accurately and then make investments and decisions accordingly. The communications industry depends on vendor financing and has suffered because " vendor financing is an important part of the purchasing decision for buyers. Vendor financing helps equipment makers capture large contracts even when capital is scarce

while allocating carriers to build out their networks more quickly and cheaply” (activemediaguide.

com, 2010, n. p.). This reliance on vendors means that the communications industry bears substantial risks, so failing to stay technologically ahead of the cable companies would threaten Nokia and Motorola’s position in the market seriously, as “ The biggest threat to telecommunication hardware vendors may be the growing clout that cable companies have with high speed Internet access using cable modems” (activemediaguide. om, 2010, n. p.

). Communication hardware companies have been benefiting from the global deregulation of telecommunications services and intense competition within the industry. Deregulation of the industry gives companies more freedom in their decision-making processes. Market pressure and demand for emerging technologies, furthermore, is intense, and communications hardware companies need to ensure that their products are compatible with the newest features (activemediaguide. com, 2010).

Many try their best to differentiate their products from their competitors’ with such features as voicemail, two-way text messaging, email capability, digital photography, and internet access. Competitive advantage in this industry comes from making versions of such features that are superior to the competition’s, which has led the industry to implement a transition from copper wire to fiber-optic transmission. The high cost of installing fiber-optic cables means that it will take years for global markets to become saturated.

This change in the industry includes such benefits as being able to send

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voice, data, video, and text messages simultaneously over the same line without the signal distortion and degeneration of copper wires (Johnston, 2002). Operating environment.

Motorola is a main supplier of wireless infrastructure products, the support equipment that makes pagers, two-way radio systems, and cellular phones operate. Its main source of revenue has tended to be from major telephone companies that place large orders for updating or expanding their network infrastructure. These customers seek innovative technologies that require significant investment in research and development (R&D). Economies of scale provide such larger equipment manufacturers as Motorola with a competitive edge in pricing when filling such large orders. It also receives a significant amount of business from individual or personal subscribers. Motorola's main competitors in the wireless infrastructure sector are Nokia, Erickson, Lucent, and Nortel. The competitive environment for communications equipment requires that vendors offer attractive financing terms to their customers as an important part of their sales packages.

Motorola leads the cable modem market with a 41% share, followed by Toshiba with 18%, and Thomson Multimedia with 13%. Intense pricing competition was as strong as ever in 2002 in such markets as wireless handsets. Such new competitors in the industry as Samsung and Siemens have helped to speed up the pace of innovation by pressuring established companies to protect their market share. Rapid technological gains and product innovations by Motorola's wireless-communications competitors, combined with a downturn in demand for semiconductors and pagers, an

economic slowdown in parts of Asia, and its lack of a competitive digital product in the Asian market, where digital phones did not work on the global standard for mobile communications (GSM), contributed to lowering Motorola's revenue and profitability. It has also lost several contracts and customers due to its digital equipment's poor switching capabilities, and its management has made poor decisions in focusing on the wrong products in these markets. In order to improve its market share and earnings, Motorola reorganized into three major enterprises to reduce interdivisional competition, encourage the sharing of ideas, reduce development costs, and coordinate actions between its business units.

A major problem it faced, however, was a decentralized approach to running its different businesses and divisions. It had approximately 90,000 employees speaking more than 50 different languages and belonging to as many or more cultures. It had to educate these employees about other cultures' beliefs, customs, and ways of life. Along with many other companies in the industry, however, it had to make workforce reductions to remain competitive and laid off 32,000 employees, or approximately 22% of its entire workforce, in 2001. Most of the major communications infrastructure manufacturers maintain significant operations globally. Motorola, along with other companies, is subject to foreign economies and currency risks.

Firms based in the US with overseas sales convert those sales from local currencies into dollars, so a strong US dollar hurts reported earnings and a weaker US dollar helps them. Motorola must also keep a careful watch on

such other specific risks as the effects of protectionism, fluctuations in economic growth, and political instability when investing in foreign countries. The Foreign Corrupt Practices Act is another concrete law that Motorola must follow to its fullest extent, even with the knowledge that what are considered unacceptable business practices in the United States are considered acceptable elsewhere. (motorola-2001-summary-annual-report) Internal organizational factors. One key problem that surfaces in analyses of Motorola's organization is its decentralized approach to running its various businesses and divisions. Divisions are by Strong managers generally head its divisions and operate them almost as fiefdoms, pursuing their own agendas and priorities.

Divisions are often not cooperative or responsive to the requests and needs of other divisions, and have been seen as "warring tribes" (James, 2003,). Another characteristic of Motorola's leadership culture involves its engineering base. Most of its key executives have been well versed in technology, and over time the company had developed a high level of technological and engineering expertise. For many decades this appeared to be an advantage, as it enabled Motorola to stay at the cutting edge of technological advances. By the beginning of 1990s, however, some observers viewed its technology and engineering-based culture to be a liability in a world that they saw as increasingly driven by marketing.

Others considered the company's top executives to be insular and tradition bound. In 1998, 67% of its top executives had been with the company for more than 20 years. This, to numerous critics, was a sign that it was out of

touch at the top. Marketing factors. Motorola markets its products in six different segments. These are (a) personal communications, with 32% of its 2002 sales, (b) global telecommunications solutions, with 20%, (c) commercial, government, and industrial solutions, with 13%, (d) broadband communications, with 9%, (e) integrated electronics systems, with 7%, and (f) semiconductor products, with 15%.

It concentrates most of its marketing resources, however, on wireless communications products. It manufactures cellular telephones based on the three of the major digital standards of GSM, TDMA, and CDMA (motorola-2001-summary-annual-report). Motorola changed its marketing slogan to Intelligence Everywhere in 2003 (Motorola, 2003). They wanted to be able to offer communication solutions everywhere a potential customer can be found. Its intelligence-everywhere solutions included software-enhanced wireless telephones and messaging, two-way radio products and systems, and networking and internet-access products for consumers, network operators, and commercial, government, and industrial customers, end-to-end systems for the delivery of interactive digital video, voice, and high-speed data solutions for broadband operators, embedded semiconductor solutions for customers in wireless communications, networking, and transportation markets, and integrated electronics systems for automotive, telemetric, industrial, telecommunications, computing, and portable-energy-systems markets (motorola-2001-summary-annual-report).

Motorola's personal communications segment designs, manufactures, sells, and services wireless subscriber equipment. Its wireless subscriber products

include wireless handsets and personal two-way radios with related software and accessory products. The company markets its products globally to carriers and consumers through direct sales, distributors, dealers, retailers, and, in certain markets, through licensees (motorola-2001-summary-annual-report). MXC architecture changes. The MXC architecture has totally redesigned mobile telephone architecture to combine functions and to provide high performance. Manufacturers can develop affordable mass-market mobile devices on a platform the size of a postage stamp, at the time they were developed one-sixth the size of any other chip.

It has simplified and reduced development times, driven new applications, increased carrier margins, and speeded the adoption of mobile devices by rethinking the architecture for removing design roadblocks and reducing costs, complexity, size, power consumption, and part count. It opened new markets for the next generation of smart mobile devices and consumer electronics (freescale.com/files/wireless_comm/doc/brochure/MXCWP.pdf).

SWOT Analysis Strengths.

Motorola's strengths include (a) brand recognition, (b) Big Brand. -One of the best R&D facilities. -Solid manufacturing. -Variety of products to keep them in the game. -Excellent marketing.

-Six Sigma. Weakness -Declining monetary resources due to non-profitability. -Products lack the slick and fashionable appeal. -Too much reliance on their phone Moto Razor. -Products lack user-centered design.

Opportunity -Extremely big Asian Markets. -WiMax has a huge potential and Motorola is one of the first few movers. -The American broadband market. - Cell phone sales will exceed one billion handsets a year by 2009. Threat Competitors of Motorola are more dominant in the industry, which is really a big threat for Motorola because this situation can be worst in the future if Motorola doesn't try to increase its sales and attract and retain the customers. Promotional activities of competitors are stronger than the Motorola.

As in the past some of the Motorola products declared as faulty which impact badly on the Motorola's image so the consumer's perceptions about Motorola is not very good which is a serious threat for Motorola. (<http://www.slideshare.net/adamkasi/motorola-swot-analysis>) Core Competencies Motorola has the two core competencies of integrated communications and embedded electronics. Its " core products include wireless, broadband and automotive communications technologies and embedded electronic products" (Motorola, 2010, n.

p.). Wireless Motorola offers three wireless platforms, 2G, 2. 5G, and 3G total systems solutions. The systems feature: fully integrated hardware, software, and support services [and their] platform enables the rapid development and deployment of cost-effective GSM handsets.

The platform is flexible and scalable: it can support the high-volume production of economical phones as well as the use of higher-tier feature sets, and it provides a seamless migration path to the i. 250-20/i. 250-21 platforms and next-generation technology. (taxonomy. jsp, year?) These <https://assignbuster.com/case-study-history-and-strategic-analysis-of-motorola-inc/>

platforms use the i. MX and Dragonball Applications processors used in such wireless devices as smart phones and wireless PDAs.

Broadband. “ Motorola’s Broadband Communications Sector has a vision for the future. This vision is strategically focused upon the potential of broadband solutions for the delivery of voice, video and data over HFC networks” (Motorola, 2010, n. p.). They have the ability to deliver digital video, high-speed Internet access, and end-to-end solutions for wireless, cable and satellite networks (Motorola, 2010).

Automotive. Motorola’s automotive products consist of telemetric, automotive, and global positioning units. According to its website: Motorola combines automotive-grade wireless communications, GPS technology and embedded computing to deliver the smart solutions, up-to-the minute information and peace of mind that drivers demand. With more than 1. million telemetric systems shipped worldwide to date, Motorola is leading the charge to take you further into the future, faster than ever before.

(Motorola, 2010, n. p.) Embedded electronic products. Embedded electronics can be found in Motorola’s automotive, network and wireless products. “ As the world’s #1 producer of embedded processors, Motorola’s Semiconductor Products Sector creates DigitalDNA ; system-on-chip solutions for a connected world.

” (Motorola, 2010, n. p.). Technology Innovation Motorola’s strategy is “ to become a global leader in wireless, broadband and automotive

communications technologies and embedded electronic products” (Motorola, 2010, n. p.).

It has been able to accomplish this goal by maintaining a continuous focus on R; D and dividing this product sector into smaller business units. Its semiconductor product sector is divided into five business units. These are (a) technology and manufacturing, (b) wireless and broadband networking, (c) transportation and standard products, (d) global sales and support, and (e) Metrowerks. Reference: http://www. slideshare. net/adamkasi/motorola-swot-analysis share. freescale. com/files/wireless_ comm/doc/brochure/MXCWP. pdf activemediaguide. com, 2010 motorola-2001-summary-annual-report Motorola: Ethical Challenges in a Multicultural Environment, p 1 to 3