

Illustration 5.1

Motorola: an analogue history facing a digital revolution

The bases of a firm's success may in turn be a cause of strategic drift.

In 1994 Motorola had 60 per cent of the US mobile telephone market. Founded in 1928, it was known for its technological innovation. It introduced the two-way walkie-talkie radio device commonly used in the Second World War, it marketed the first television to sell for under \$200 in 1948. By the 1950s it had developed capabilities in printed circuit, ceramic substrate technology and electronic system design. By the 1970s it was a leading producer of microprocessors and was regarded as a world leader in technology.

However, even in the early days it was evident that the emphasis was on technology, rather than the market. Critics suggested that the firm put technology before consumers.

Mobile phones had been developed by Bell Labs in the 1970s. By the mid-1980s Motorola was the leading producer of cell phones using analogue technology, but none the less a logical progression from its military walkie-talkie systems using the post-war technology it had developed. However, these devices were bulky and expensive, targeted at business managers who were on the move and could not use landlines. The phones were not widely known or available.

By the mid-1990s Motorola was highly successful. From 1992 to 1995 sales revenue grew at an average of 27 per cent a year to reach \$27bn (€22bn) and net income 58 per cent a year to reach \$1.8bn.

However, by the mid-1990s digital technology for mobile phones was being developed through what was known as the Personal Communication System (PCS). This technology overcame some of the shortcomings of analogue technology. It reduced interference, allowed security codes to be encrypted and could deal with more subscribers than analogue. It was a technology that supported mass market development. The demand for digital phones grew rapidly, not amongst business people alone, but amongst a wider consumer market.

These consumers were much less concerned about functionality and much more concerned about ease of use and aesthetic appeal.

According to a Motorola chief executive of the time, Robert Galvin, the company 'was at the forefront of the development of digital technology'. However, it chose to stay with analogue technology for many years, licensing its digital to Nokia and Ericsson through which it earned increasing royalties. Indeed Motorola launched a new analogue phone, Star-TAC, and embarked on an aggressive marketing campaign to promote it.

Not only was it clear from the growing royalties that digital phones were taking off, wireless carrier customers were lobbying Motorola to develop digital phones: 'They told us we didn't know what we were talking about. . . . These were not friendly conversations. But Motorola didn't do it. Instead we launched with Ericsson, then Nokia.'

By 1998 Motorola's market share had dropped to 34 per cent and it was forced to lay off 20,000 people.

Source: Adapted from S. Finkelstein, 'Why smart executives fail: four case histories of how people learn the wrong lessons from history', *Business History*, vol. 48, no. 2 (2006), pp. 153–170.

Questions

- 1 Identify on a timeline between 1928 and 1998 the major events identified here. What does this analysis tell you about the reasons for the resistance of Motorola to new technology?
- 2 Given that Motorola had the technology and knew that the digital market was developing, give reasons as to why it persisted with analogue technology. (See Chapter 11 and the Commentaries as well as this chapter to help with this question.)

Illustration 5.2

When in China . . .

As Western firms move into China, understanding Chinese ways of doing business becomes crucial.

David Hands has operated in Beijing for real estate firm Jones Lang Lasalle (JLL), where he had to develop the business in China. *Management Today* reported an interview with him:

There are a huge number of opportunities in China but it's crucial to sort the wheat from the chaff and you need to work on efficiency to do that. For example, we had problems with time management in the early stages. Imagine trying to set up a meeting where everybody is turning up at different times, and where nobody has thought to specify an agenda for the meeting. Or there will be three multi-hour meetings for a client who barely gives us any business. It was tough to make people understand the importance of breaking down costs versus benefits.

It took time to get the Chinese to value the advice that JLL could provide because, whilst they are accustomed to paying for goods, paying for services came as a culture shock:

You have to learn to go step by step and give a little. You can't turn up at someone's office and say: 'Pay me a large amount of money in advance'. And you have to really show them where you can add value to their operations.

There are also problems of understanding hierarchy:

You may think you are dealing with the top guy and he is asking you for a discount. You give him one. But then you meet up with another five managers in gradually ascending order and they all ask for discounts. So beware!

The symbols of hierarchy are not the same either. Unlike in some Western countries where status symbols such as car and clothing brands may signify status, in China senior management are likely to dress 'more drably':

Cheap clothing is important in a culture plagued by corruption: dressing down diverts attention from any ill-gotten gains, but the head honcho still wants to assert his authority and one way he does that is by having an

entourage of flunkies. . . . I learnt early on that if I didn't reciprocate by going to meetings with one or more assistants, people would just take me less seriously.

To the Westerner there may also seem to be a lack of courtesy: 'They basically think they own you, in the same way as they own a car or luxury watch after they have paid for them.'

Staff relationships to the boss are also more important than staff relationships to the company: 'That's why you'll find staff cleaning their boss' cars on the weekend. We have to teach staff that this will not earn them promotion . . . '.

Another interviewee had experience of Chinese bureaucracy:

When you are negotiating with the government you need to find somebody who feels you can help him personally benefit from the deal. Once your interests are aligned, he can then guide you through the maze. . . . It's not a matter of getting somebody's name card and going out for a drink. In China you have to earn that person's gratitude and trust and you do that by doing them favours. The bigger the favour, the more they will help you professionally as well as privately.

Source: D. Slater, 'When in China . . .', *Management Today*, May (2006). Reproduced from *Management Today* magazine with the permission of the copyright owner, Haymarket Publications Limited.

Questions

- 1 On the evidence of these interviews identify how the cultural norms and taken-for-granted assumptions of Chinese managers differ from those of Western managers.
- 2 If you are seeking to operate in a country with a very different culture, other than talking with people experienced in that market, how else would you set about trying to understand the culture and its underlying assumptions?