

BUSINESS

By ALAN MURRAY



EDITORS' PICKS

Must-reads from today's WSJ.com

A Word to Motorola: Give Us More Than 'Bafflegab'

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Most financial analysts spend their time poring over numbers. Laura Rittenhouse spends hers studying words.

For the past nine years, Ms. Rittenhouse, an ex-investment banker at Lehman Brothers, has analyzed annual shareholder letters from the chief executives of 100 big companies and ranked them based on candor and the information provided.

Her inspiration is Warren Buffett, whose annual opus has a cult following, and who once said every CEO should be required to write his or her own shareholder letter. If they can't explain what they're doing, Mr. Buffett reasons, there's a good chance they don't know.

For the past three years, **Motorola** has ranked near the bottom of Ms. Rittenhouse's list. Chief Executive Ed Zander's shareholder letter was 94th out of a hundred last year, and 98th out of a hundred the year before. "Bafflegab," Ms. Rittenhouse calls it. "Motorola tells you nothing. There are no financial or operating goals," and an immense amount of what she calls "fog" -- spin, jargon, cliché and confusion.

Her favorite line comes from the 2005 letter: "Motorola's going to own Seamless Mobility, where today's hottest technology is converging -- where the Mobile Me lives -- where mobile broadband means everything everywhere and anything anywhere."

"Orwellian," she calls it.

A Motorola representative said the company is "always working to make our annual report letter more useful to our shareholders by outlining our strategy, technology and business goals."



Edward J. Zander

None of this mattered, of course, when Motorola's Razr phone was selling like Tickle Me Elmo. Mr. Zander could have quoted from the Schaumburg, Ill., phone book in his annual letter, and shareholders wouldn't have cared. The company was making money, the stock was going up and he was a genius.

But the good times ended last fall. In its push for market share, Motorola turned the Razr into a money loser. And the company didn't have a phone with the next generation of technology ready

to pick up the slack. As a result, Motorola reported a loss for the first quarter and watched its share price fall from \$26 a share last October to less than \$18 a share today.

Needless to say, shareholders aren't happy. They now want to know how Mr. Zander is going to turn the company around. And the verbal fog isn't comforting.

I sat next to Ms. Rittenhouse at the company's annual meeting in Chicago on Monday afternoon. She had just come from **Berkshire Hathaway's** annual meeting in Omaha, Neb., and the contrast couldn't have been greater. No barbecue, no ping-pong, no celebration. And not much candor.

Mr. Zander put up a PowerPoint screen with the words "Right Strategy, Right Assets, Right People." He urged shareholders to look at how well the company was doing in businesses other than mobile phones. He promised things would be better by the end of 2007. And he promised to unveil some new and compelling products next week.

But I didn't come away with a clear sense of how the company was going to get out of its hole. Nor did Ms. Rittenhouse. "It was all generalities," she said.

The good news for Mr. Zander is that Carl Icahn can't seem to articulate clear ideas for turning around the company, either. When he first launched his campaign against Motorola, his focus was on getting the company to disgorge the huge pile of cash it was hoarding. Mr. Zander has done much of that, agreeing to more than \$7 billion in share buybacks.

On Monday, the issue was whether Mr. Icahn should be given a seat on the board of directors. Shareholders, on balance, said "no." And for good reason: If the question is which of these men can do a better job investing unused cash, I'll side with Mr. Icahn. But if the question is who can fix the mobile-phone business, Mr. Icahn's value is less clear.

In his comments at the annual meeting, Mr. Icahn acknowledged he probably didn't have enough shareholder support to win. As a result, he said, "we'll have to wait six months" to see whether Mr. Zander has a turnaround plan that works.

Six months is probably all Mr. Zander has. While he can take some comfort from his win over Mr. Icahn, the message from shareholders was clear: If you can't tell us, show us. And in today's unforgiving environment, don't expect our patience to last much longer.

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