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March 2006

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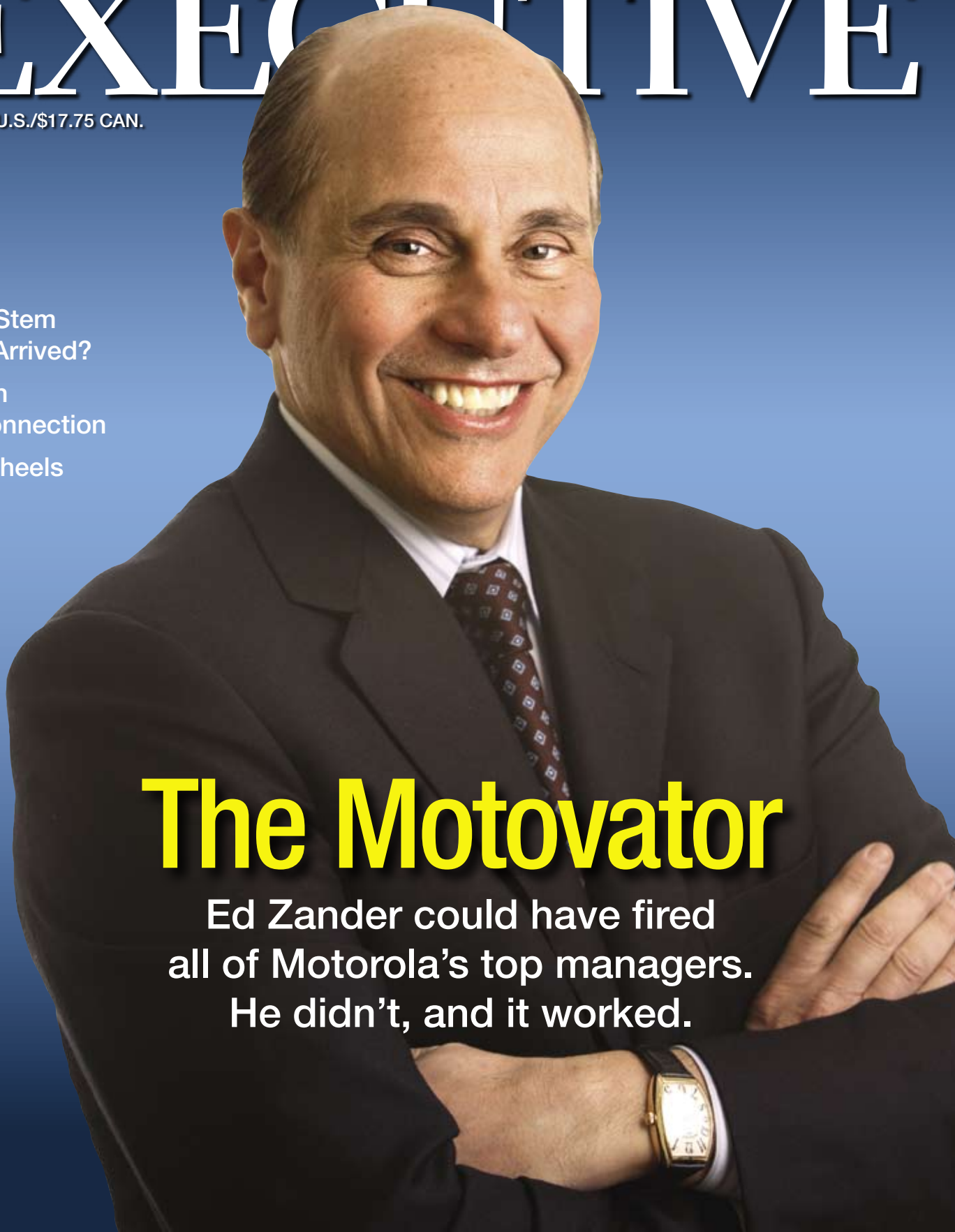
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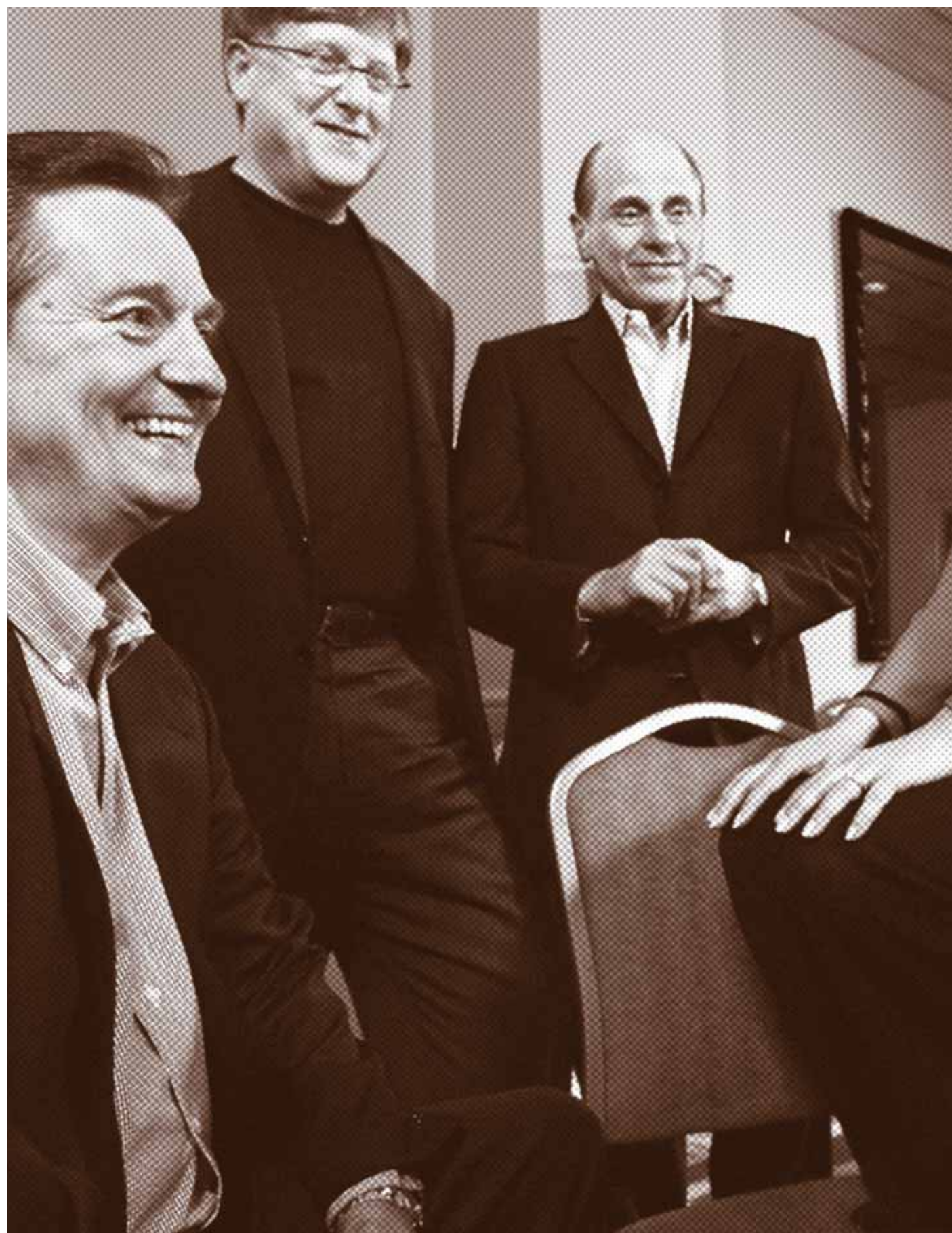
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The Motovator

Ed Zander could have fired
all of Motorola's top managers.
He didn't, and it worked.





Zander the Motovator

For Ed Zander and other CEOs, building a management team is critical. But how to do it right?

BY WILLIAM J. HOLSTEIN

Ed Zander was a Silicon Valley star, having been president of Sun Microsystems before joining a private equity firm. So in January 2004 when he arrived at Motorola, which was seen as a sleepy inward-looking company that had been late to the digital cell phone revolution, many experts expected him to engage in a major California-style housecleaning. “What I heard,” Zander recalls, “is that ‘You gotta come in and fire everyone and get your own team. It is easier if you bring in people you know. You’ve got someone to talk to.’”

But Zander didn’t do it that way. “It wasn’t a company that was completely fractured,” he says. He did bring in Rich Nottenburg, a friend, as chief strategy officer. But otherwise, Zander tried to identify “the keepers” from existing Motorola management. He started an extensive series of meetings with customers, hoping to make Motorola a company that was led more from the outside, i.e., customers, than from the inside. He said to himself, “Let’s start with a clean piece of paper and we’ll see what it looks like in three to six months.” It wasn’t until seven months after he took over that he took the initial step of replacing the human resources chief.

Today, out of his core management team of 12 people, only four have come from outside Motorola. Aside from the chief strategy officer and the new HR manager, he brought in only Stuart Reed, a supply chain expert, and Patricia Morrison as chief information officer. Last November, he did nudge well-respected President and Chief Operating Officer Mike Zafirovski into leaving the company. But he has promoted several other Motorola veterans. For exam-

ZANDERING

His team includes (from left) Adrian Nemcek, Networks; Richard Nottenburg, Strategy; Ruth Fattori, HR; and Ron Garriques, Mobile Devices.

THOMAS ALLEN

ROUTE TO THE TOP

ple, Zander reached down two levels of management to tap Ron Garriques to become president of the company's key mobility division, which makes handsets. "My board is a little surprised that I didn't replace more people quicker," says Zander.

But the slow-and-steady strategy worked: Zander and his team recog-

nized the profit potential in a new Razr cell phone that a couple of engineers were working on in a side project. They rushed it to market by October 2004.

Today, the ultrathin Razr is rocking the cell phone world, and the company reported an 86 percent surge in its most recent quarterly earnings. More-

over, after years of being on the defensive, the company seems to have stolen a technological lead over archrivals Nokia and Samsung Electronics and is regaining lost market share. Its global market share was up to 19 percent at the end of 2005, up three full percentage points in a year.

In short, Motorola is coming back—and some of the managers from the "old" dysfunctional Motorola helped make it happen. "It took a little longer, but I managed to blend the new with the old," says Zander. "I think it's harder to do it my way. But it was a 75-year-old company with a history and culture and before you go trigger-happy, there might be some gems here."

Even a modest shift in culture and strategy seemed to unlock hidden potential. "Ed found that some people who might not have been considered the stars in the prior regime absolutely unleashed their energy and creativity" in a different climate, says James Citrin, of executive search firm Spencer Stuart, who placed Zander in the position.

With the era of the charismatic Lone Ranger CEO long gone, the issue of how leaders build their management teams is hot these days. There's no question that boards are assessing an executive's team-building capabilities in deciding whether to elevate him or her to the top, as in the case of Bob Iger rising up the ladder at Disney. (See sidebar, page 28.) As a result, team building is the central theme of this year's "Route to the Top" analysis, done in cooperation with Spencer Stuart for the 9th year. (See "CEOs At a Glance," page 29.)

Building the right management team is a fascinating challenge—because there isn't a single formula

Zander's Management Lineup

Veteran	Name	Title	Year Joined
	Gregory Q. Brown	President, Government & Enterprise Mobility Solutions	2002
	Patrick J. Canavan	Senior Vice President and Director of Global Governance	1980
	David W. Devonshire	Executive Vice President and Chief Financial Officer	2002
	Ron G. Garriques	Executive Vice President, Mobile Devices	1998
	Ruth A. Fattori	Executive Vice President, Human Resources	2004
	A. Peter Lawson	General Counsel and Secretary	1980
	Daniel M. Moloney	Executive Vice President (Connected Home)	1983
	Patricia B. Morrison	Chief Information Officer	2005
	Adrian Nemcek	Executive Vice President (Networks)	1970
	Richard N. Nottenburg	Executive Vice President and Chief Strategy Officer	2004
	Stuart Reed	Senior Vice President, Supply Chain	2005
	Padmasree Warrior	Executive Vice President and Chief Technology Officer	1984

Source: Motorola

that works, whether a CEO comes from outside the company or rises from within. “Clearly, shaping the management team is one of the first critical steps facing a new CEO taking over,” says Citrin, who studied CEO transitions in his co-authored book, *You’re In Charge—Now What?* (Crown Business, January 2005). “We studied 100 of the best and worst, and there is no pattern that distinguishes one from the other.”

There are so many kinds of industries and so many management structures—whether a divisional system or a matrixed operation, for example—that management experts can’t point to a single secret that spells success in team building. Companies also face different strategic challenges at different points in their histories, and therefore require different management strengths at those times. Ed Breen, for example, replaced every single top executive at Tyco, the troubled conglomerate, when he took over, a stark contrast with Zander’s approach. Yet in view of Tyco’s ethical lapses, Breen’s draconian measures may have been necessary.

The only unifying principle seems to be that a CEO has to have enough instinct and experience to mold a team to reflect a company’s current reality and the direction that the CEO and board want to chart.

Once the right team is put together, how should it be managed? Again, there’s no one style that works. “Most CEOs would like to get to the place where they have the core day-to-day operations running very smoothly, so that the top leaders can have some unstructured time to dive down in particular issues,” says Citrin. “But you can’t just start that way. You have to get people thinking the same way

and focused on the same small number of goals and a general understanding of how the organization is going about achieving those goals. Once that’s done, you can have a little less formal structure.”

Some tools such as offsite management meetings and formal speeches are seen in some quarters as hackneyed. The experts say that making

“Before you go trigger-happy, there might be some gems” in a 75-year-old company’s management. —ED ZANDER

solid choices and communicating consistently and clearly are essential. So, too, is avoiding the appearance, or the reality, of being driven purely by ego. Citrin says Zander’s style is almost Socratic in terms of asking questions, rather than making policy pronouncements from on high.

Getting the right balance between formal processes and informality appears to be key. Although Procter & Gamble is known as a very process-oriented company, CEO A.G. Lafley has placed an emphasis on informal contacts among his top management team. His office on the top floor of P&G’s Central Building in Cincinnati doesn’t have any doors or walls to prevent other members of the top management team from dropping by. The physical layout of the suite of offices is designed to encourage informal contact, the equivalent of water-cooler conversations. “We set it up this way so that we wouldn’t have as many formal memos,” Lafley explains to visitors.

Having “quality” contact with team members is also important for Rick Wagoner at General Motors,

Fred Smith at FedEx and Sam Palmisano at IBM. But they differ on just how many people should be on those teams. Lafley has a larger-than-usual number (10), including a chief external relations officer, which is atypical. Palmisano is CEO of a larger company, yet he has a team of only six executives at headquarters in Armonk, N.Y.

Another source of ambiguity in managing team members is whether the CEO should defer to others with more expertise or should, in effect, give orders. Once again, the answer seems to be: It depends. “You have to have the ability to treat them as peers or colleagues, but also as subordinates at the appropriate time,” says Disney’s Iger. “You have to earn their respect by demonstrating business acumen and an interest in what they’re doing.”

Even if there are more riddles than definitive answers about the best way to build and run a management team, there’s little question that it’s absolutely key. The job of CEO has grown ever more complex as companies expand globally and as reporting requirements imposed by the Sarbanes-Oxley Act require more detailed focus on internal controls. Brutal competition and disruptive technological change add to the challenge.

If ever there was a time when a single person could genuinely manage a corporation of any size, it is long gone. And as Ed Zander discovered, the right team can unleash major flows of innovation that transform industries. ▲

For Iger, The Team Is Key

The new Disney chief built a management team that was ready for action.



It takes a pretty confident CEO to engineer a deal that puts Steve Jobs on his board—where Jobs could emerge as chairman.

But part of the reason Bob Iger may have felt so self-assured was the faith he had in his management team. Iger, as Disney's president and chief operating officer, had been working quietly for years to build a team that bore his imprint. When it became clear that the controversy-prone Michael Eisner would leave Disney, directors spoke with members of Iger's team to get a sense of his management style. "The support of the team that I helped build was essential to getting the top job," says Iger. "The board turned to that team for input about me."

So when he became CEO on Oct. 2, 2005, he didn't need to shuffle his team and suffer a period of drift. Managers were ready

for one of the boldest actions Disney has taken in years, namely the purchase of Jobs' Pixar Animation Studios. "The senior management had already reported to me," Iger explains. "I spent five years helping to form that team. By the time I was made CEO, the team in place to run the company felt very much like my team."

After years of strife, James Citrin, of executive search firm Spencer Stuart, says that today he sees "the highest morale at Disney among the top management team in 10 years." Iger says his top team consists of about a dozen people, including heads of business units such as its broadcast properties, Walt Disney Studios, consumer products, parks and resorts, and an Internet group. They are joined by the general counsel, chief financial officer, human resources chief and executives in charge of com-

munications, government relations and international affairs.

In terms of management, Iger's biggest move while still CEO-elect was a restructuring that greatly reduced the role of a powerful 15-year-old central strategic planning group, prompting the departure of its head, Peter E. Murphy. "That was a really important signal that Bob was going to be pushing accountability in the decision-making into the divisions, rather than everything going to corporate," says Citrin.

And even though "off-sites" may not be the flavor of the moment, Iger took his top 200 managers to Orlando for a meeting in November. "I really believe there's a value to socializing," says Iger. "Having people in one place getting to interact is a good thing, getting to know each other and making relationships across businesses." He also has launched an infor-

mal project to analyze the U.S. media landscape through the year 2015, an effort to unleash his management's creative and entrepreneurial spirits.

Back in Burbank, Iger also has established a new style. "We have pretty much an open door policy—people have the ability to walk in and chat with me any time they want and vice versa," Iger explains. "I make it a point to walk around offices and visit people in the middle of their day sometimes."

So even though Iger's changes have been modest, the whole tone at Disney seems to have changed. "Because of how diverse this company is or how large it is, it can't really be run by one person," the new boss says. "The buck stops here in many respects but in terms of the operations and directions, a team effort is required."

Iger says he doesn't see his job as managing each business unit, but rather managing the connections between them and tending to the brand name. "Even though they operate independently, a lot of these businesses are rooted in the Disney name and the Disney brand," he explains. "I have to spend time as the brand steward creating connectivity and shared values and brand definition, not only to protect the brand but to grow it. Any CEO of a large company has a challenge of creating a balance." All of which is a far cry from the tone that prevailed just a year ago.

—W.J.H.

CEOS AT A GLANCE

57 The average age of CEOs included in the Standard & Poor's 100 largest companies is 57. That has decreased by two years over the past 25 years.

3 The CEOs of the largest 100 companies are on average three years older than the CEOs of the bottom fifth.

5 After holding steady since 2001 at four years, the median tenure for the top 100 CEOs increased slightly in 2005 to five years, but that is still a decrease from seven years in 1980.

39 percent of all S&P 500 CEOs have a Masters of Business Administration degree. That has increased from 37 percent to 39 percent over the past two years.

3 percent of S&P 500 CEOs received their undergraduate degree from the University of Wisconsin or Harvard. The two schools tied last year as well:

Harvard	3%
Wisconsin	3%
Princeton	2%
Stanford	2%
Texas	2%
Yale	2%

20 percent of the undergraduate degrees for S&P 500 CEOs were in engineering.

Engineering	20%
Business Administration	15%
Economics	11%
Liberal Arts	9%
Accounting	7%

Source: Spencer Stuart

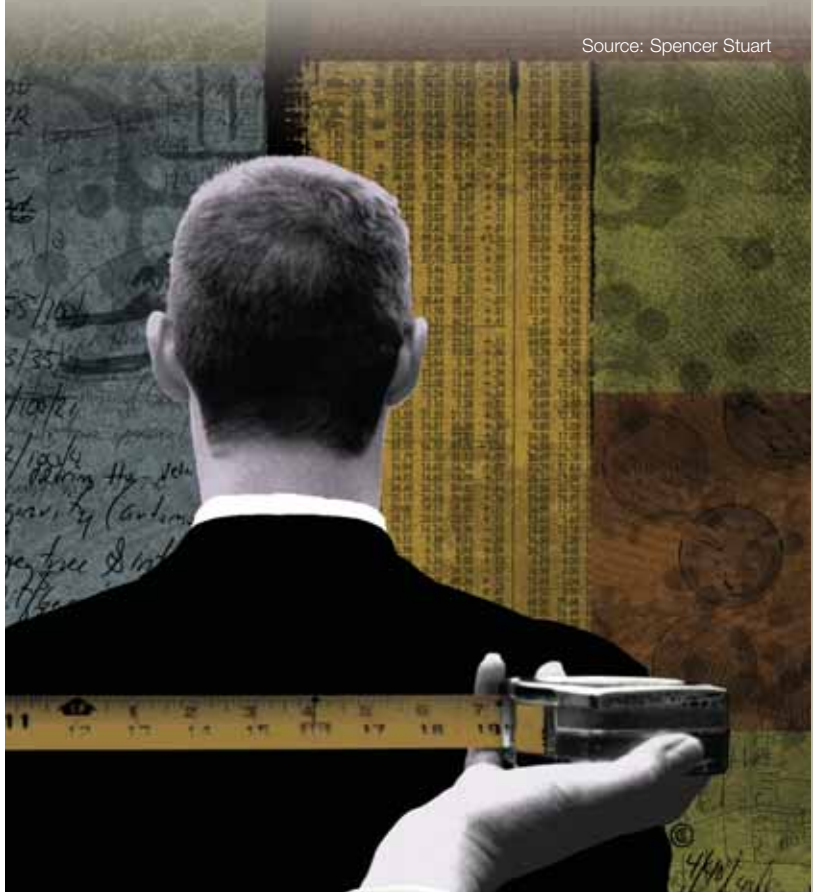


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