

Views on the news - Special edition CTIA 2008

Title: [Motorola Splits Out The Mobile Devices Business](#)

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Motorola splits out its underperforming handset business. We've seen this kind of move in the past...and it could be a prelude to other moves to come.

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This organizational split sets up better possibility for the merger of Motorola's networks division to another player, following the same strategy adopted by Nokia prior to its combining its networks business with Siemens Communications, a move that is now gaining momentum. The new entity would surely be more adequately prepared to compete for solutions against market leaders such as Ericsson, NSN and Alcatel-Lucent.

Recent rumors had hypothesized a merger of Motorola's networks business with Nortel, which still seems a logical partnership if not merger. The split strengthens Motorola before such a potential move by eliminating the financial loss of the handheld devices business, where Motorola has not been a particularly strong player of late.

We suppose that in any case Motorola would maintain strong relationships between the networks and device organizations in order to provide end-to-end solutions. So far, we have witnessed that a strong network-device relationship has helped key competitors such as Nokia Siemens Networks (Nokia) and Ericsson (Sony/Ericsson).

Background

Motorola has decided to split itself into two independent, publicly traded companies, referred to as **Mobile Devices** and **Broadband and Mobility Solutions**, in an effort to recovery of its struggling mobile devices business. Motorola's fourth quarter device revenue last year was down 38 percent compared to the same quarter in 2006.

The Broadband and Mobility Solutions business will include Motorola's enterprise mobility, government and public safety, and home and networks businesses.

The transaction is not expected to be completed until sometime in 2009, but Motorola states its belief that the structural change will help get the device business on the road to recovery.

Details about the two new companies are scarce at this point, and Motorola says it has not yet decided on major issues such as the branding strategy.