

## Value creation in Motorola

### Introduction

This is a critical assessment of the two proposed recommendations to maximize the current procurement model and ensure value creation to the shareholders. The assessment will evaluate the pros and cons of the recommendations, along with suggested criteria which will aid the management decision making process.

### Assessment

Up until 2007, Motorola had its procurement activities handled by the various business units; a long tradition probably very efficient historically, when Motorola had a smaller number of suppliers and partners. Increased competition, outsourcing trends, and globalization in today's market have made the strategy inefficient and less flexible.

Identifying the changes and challenges in the market place, Motorola's chief procurement officer adopted a centralized procurement unit, separating procurement from the business units to global category teams that support all business units. This new strategy which is suited for today's challenges however needs proper implementation for Motorola to achieve its benefits.

The centralized procurement strategy is getting more attention from leading organizations today, the key factor for success is the extent to which these companies are able to develop and implement the strategy, which is highly dependent on the attitude and culture of the staff of the organizations. Doyle once stated, "In most situations organizational capabilities and culture are more important than strategy".

### Recommendations

Two recommendations have been proposed to Motorola to enable it to achieve continuous success with its centralized procurement strategy and to enable increased value for its shareholders via collaboration.

### Lunch and Learn Programme.

This interactive and educational programme brings together all stakeholders who engage with the procurement department. The strategic aim of the event is to educate the stakeholders about market orientation and how focusing on the customer's needs and demands help drive competitive advantage and value for Motorola. Understanding market orientation and how centralized procurement can drive organizations to improve their supply chain efficiencies. Motorola with an ever growing number of supply chain partners, understanding market orientation and the centralized procurement process means it can better take advantage of its partners by establishing the right types of relationships, contracts and partnership which will then allow the business units to focus on their core business functions.

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## **Benefits of the Lunch and Learn Programme**

Motorola adopted centralized procurement as a strategic move which allows all business units to get a structured and standardized support from procurement. One of the key benefits the centralized approach allows Motorola to address is inconsistent prices the various business units received from vendors; the centralized approach eliminates this inconsistency.

Educating the business units about early engagement of procurement in negotiations, will help prevent price discrepancies and drive down prices leading to improved bottom line costs.

Another key benefit of the programme is it gets more people in the company to adopt the customer led approach and its importance in creating shareholder value. The centralized approach is a key strategy towards achieving this goal, by successfully reducing development time, while producing better products that deliver superior and highly compelling consumer experiences.

## **Strategic Implications of the Programme**

The adoption of a customer led organization is that it provides Motorola with the flexibility to adopt more differential advantages such as product leadership, service leadership, customer intimacy and brand leadership. The way to get there is to ensure excellent execution for build up strategies such as the centralized procurement approach.

However, the strategic marketing implication is that adopting a customer led strategy needs to be a company wide approach, this means all other business units must adopt the strategy for it to be efficient.

Customer led organizations need to understand customer needs and the sales team are the closest to the customer, so they need to understand how to get the message to the engineering teams to ensure the customer's needs are met. In turn the engineering team needs to define the resource requirements to procurement to ensure right partners and suppliers are selected.

Finally, a key consideration is the cost of executing the programme and campaign, usually expenditure is compared to revenue generated, however due to the fact that customer led organizations approach lead to increased shareholder value, which is not very straight forward to evaluate. The organization needs to justify its investment to its shareholders in a very different approach to other budget requests. This approach will be based on value based marketing and the value delivered by the programme.

## **Let's Collaborate Campaign**

This is a long term campaign grouped into three steps, it aims to position Motorola accordingly for the future by increasing and promoting collaboration amongst its business units, suppliers, and partners. Increased competition in the market place requires innovation and strategic polices which ensure Motorola remains competitive.

## **Benefits of the Let's Collaborate Campaign**

Collaboration is a process which involves getting multiple groups or companies to centralize or share common functions, which in turn help drive down cost, improve synergies, improve standards, and most importantly deliver superior and highly compelling consumer experiences.

One of the key benefits of collaboration is cost control; this is already evident with the centralized procurement strategy. Extending this collaboration to other Motorola business groups will ensure the whole company gains more from a collective approach. A simple example will be in the area of achieving consistent prices and better commitment from suppliers following the size of the opportunity the collaboration creates.

Another key benefit is in the area of quality, having a consistent process of performing a task will drive a new level of expertise and quality. Even collaboration outside of procurement in an area such as marketing will yield benefits for the brand and brand equity, as the consumer will receive a consistent message.

Finally another key benefit of the collaboration campaign, when extended to third party collaboration is in the area of creating strategic partners, these partners open up new markets and opportunities.

## **Strategic Implications of the Programme**

This is a long term strategy where success is linked to successful completion of each step. The first phase which is straight forward will require very little change when compared to the third stage of the strategy. The key considerations in the first phase is educating and getting buy-in for the collaborative approach. This will require some culture change and training similar to the Lunch and Learn Programme.

The next stage of the strategy, which entails taking advantage of partners who have sister companies will also offer some challenges, this includes identifying the appropriate partners, it is important to not select sister companies of partners based on the fact that they are just part of the same group of companies, an example of the implication of just selecting any sister company could be in the quality of the goods, if one bad link is selected in the collaborative effort, all the good work completed by others will be compromised.

The implementation of the final stage of the strategy introduces more challenges, the strategic impact include Motorola's brand, financial position and legality. This collaboration asks for multiple entities to come together and collaborate, in certain markets these might fall foul of competitive laws and be considered illegal, which can have a detrimental effect on its brand and value.

## **Evaluation of recommendations and decision criteria**

The two recommendations focus on getting Motorola to reduce its costs, standardize its processes to improve quality, better control risk, reduce time to market and most importantly satisfy the customers' needs. However, there are challenges to these recommendations, top of the list is the acceptance of the changes by Motorola's staff, with consolidation usually linked to reduction in work and a potential downsizing opportunity for the organization. Marketing and the organization have to convince the staff and communicate properly the real motives of the recommendations.

Also Motorola being an engineering company will have some resistance from staff who previously focused on creating solutions which at times are different from the customer's needs. It is important that this creativity, innovation, and energy are channeled into exactly what customers need.

The third party collaboration raises concern around the execution of the external collaboration phase and the position of the law.

Evaluating the benefits, it is however clear that Motorola will gain from adopting these recommendations in both the short term and long term. However, key steps need to be followed to achieve the desired benefits.

Success of the strategy requires a structured and planned approach, but most importantly of all, commitment from Motorola's management. The commitments need to come in the form of;

- Demonstration of the commitment with Motorola's values
- Adoption by business units as key deliverables
- Inclusion in performance goals of employees
- Reward system for partners.

Finally, the success and progress of the strategies needs to be measured and evaluated periodically to ensure the right value is created for the organization.