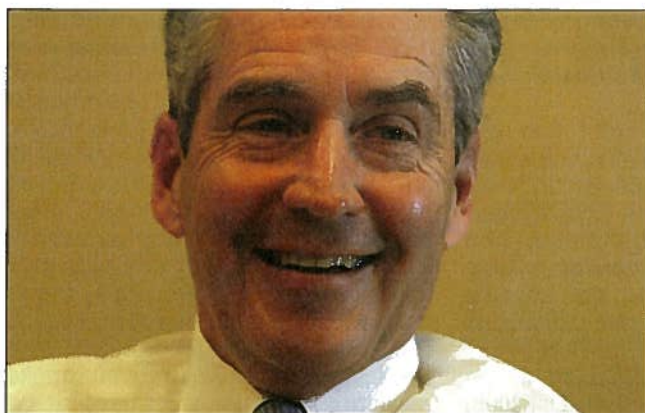


Q&A WITH CHRISTOPHER GALVIN

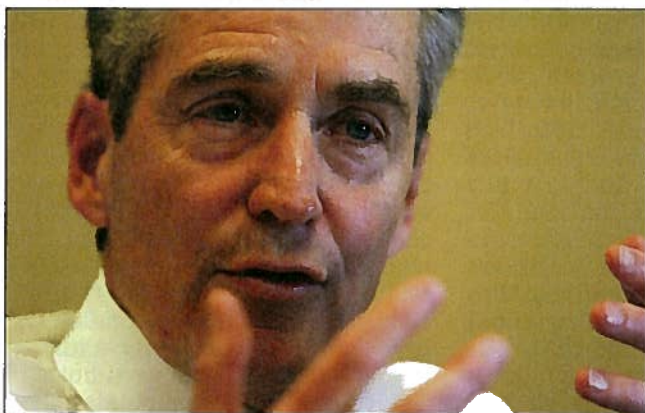
A family calling has new direction

Christopher Galvin has moved on. In an interview with **Tribune reporters Greg Burns and Wailin Wong**, he details his family's plans for a comeback in the business world and, for the first time publicly, details his 2003 ouster from the top job at Motorola Inc., the technology icon his family founded.



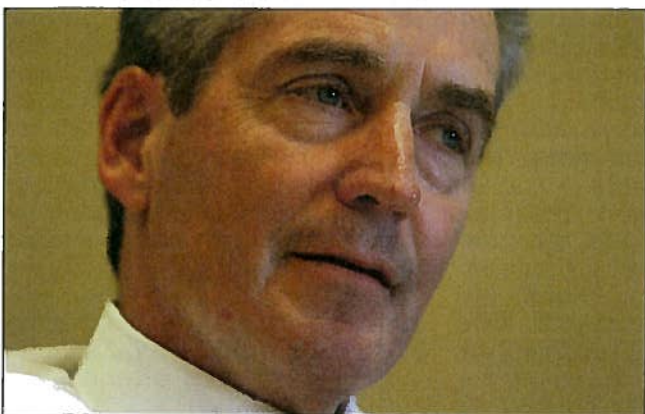
ON COMPETING WITH MOTOROLA

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ON APPLE'S STEVE JOBS

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ON DUTIES OF MOTOROLA DIRECTORS

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Tribune photos by Heather Stone



IN THE WEB EDITION

To see a video of Christopher Galvin's interview with the Tribune, go to chicagotribune.com/galvin.

Christopher Galvin's thoughts on ...

... the (planned) split of the cell phone unit:

"It's stunningly sad. Just four years ago in the first quarter, mobile devices sales grew 67 percent, made \$398 million [an operating margin of 9.8 percent], almost a year before the Razr kicked in. The Galvin-led Motorola had rebuilt the mobile devices unit into a two-stage growth rocket ship by January 2004, first with the GSM 'triplets' then Razr. It's why I argued against my removal as CEO. Nearly four years later, Greg Brown, as CEO, inherited the same cell phone unit that had reported a 38 percent decline in revenue, a loss of \$388 million. It appears like a move to salvage Motorola's remaining three businesses."

... criticism of his tenure as Motorola CEO:

"We Galvins define leadership as 'taking people elsewhere.' No question I made mistakes as CEO and I had to correct them. Personally, I took the risk upon myself in late 2000 to invest heavily in R&D, and engage a massive restructuring [including a regrettable 55,000-person force reduction and closing 42 percent of worldwide facilities] over three years instead of three quarters, which the short-term thinkers wanted. I took a longer view in order to not destroy the core Galvin-defined principles imbued in Motorola, such as constant respect for people, its instincts for breakthrough innovation, and continuous renewal in thinking and process rigor. I spent most Tuesday mornings in Libertyville for two years helping create the GSM 'triplets' and the processes that enabled Razr. There was loud squealing for how long it was taking, but I stuck

to my five-point plan. The Galvin management team, and the innovators I had the honor to serve with, installed the substantive change to earn 10 record quarters in financial results. I got fired for it."

... whether the board's decision to fire him was wrong:

"It's not mine to say. I lost the argument when the board chose to lose faith. The Galvins did not own enough shares. The board then made two CEO decisions in late 2003, one to remove me, one to hire from the outside. The 2003 board's report card comes in the timing of financial results, market-share shifts and shareholder sentiment. In my last year as CEO, 2003, Motorola Inc. earned \$1.2 billion before tax [adjusted for reorganizations and other items]. In successor management's last year of 2007, Motorola lost \$34 million after making \$4.2 billion in 2005. Cell phones made an operating profit of \$1.7 billion in 2004 and lost \$1.2 billion in 2007 after making \$2.7 billion at Razr's peak. These are almost \$3 billion and \$4 billion negative swings in earnings. Market share in cell phones is no different, 14.1 percent in 2003, 13.9 percent in 2007 after achieving 21.4 percent in 2006. And shareholder activists like Carl Icahn never showed up at Motorola to agitate until the Galvin regime's innovation of Razr ran out of gas."

... how his father, former Motorola CEO Robert Galvin, views the firm's decline:

"My father and I were sitting on his porch in July 2004, just six months into my forced retirement, when the \$30 billion Motorola reported its first six-month 2004 financial results: up 41 percent in

sales, up 454 percent in operating earnings and \$1.8 billion in net cash added to the balance sheet. Thought to be in trouble nine months before, Motorola was then the very fastest growing company in all of corporate America among those ranked 65 or higher on the Fortune 500. In cellular, an industry Bob Galvin inspired, the infrastructure business grew in sales 38 percent as earnings jumped 581 percent, and in cell phones, sales leaped 67 percent coupled with a 286 percent increase in earnings. I gave support to Motorola's invention of the cable modem, which drew us into broadband in the 1990s, and its sales moved up 24 percent along with a 144 percent increase in earnings.

"Paul Galvin's 1930s start-up, two-way radio, grew more slowly than the other multibillion-dollar businesses at 15 percent in sales but improved its profits 105 percent; integrated electronics, a steady entity, grew 26 percent in sales with 24 percent growth in earnings; and semiconductors, which took 3 years to transform, grew 26 percent in sales and finally achieved a \$408 million swing from loss to profit; in all, the best ever for Motorola. Dad turned to me and said, 'I am proud of our Galvin leadership principles. You led, as a global CEO, one of the great large-company, high-tech turnarounds of our lifetime. But Chris, I am not going to let those people on the [2003] Motorola board of directors ruin the rest of my life.' He paused. Then continued, '... nor should you.' I thought. Then I said, 'Dad, you are right.' We shook hands and the Galvins decided to start over."

Excerpts from e-mail exchange between the Tribune and Galvin

Rebuilding for long term

During his nearly seven years as Motorola Inc. chief executive, Christopher Galvin's critics viewed him as something of an enigma.

He was personable but distant, aggressive but indecisive, intellectual but in over his head. He delegated when he needed to be hands-on, and vice versa, they said, and he poured money beyond reason into losers like Iridium satellite phones.

As the third generation of his family to head the company, he inevitably was measured against grandfather Paul, who founded it, and father Robert, who built it into a giant during three decades as CEO.

Galvin's firing in September 2003 prompted cheers from Wall Street, and many tech-sector experts still defend it: "At the time, Motorola clearly needed fresh blood," says Roger Entner, a senior vice president at IAG Research. "The correct decision, even in hindsight, had been made. The changes since then are more than unfortunate."

Others, however, consider ousting the founding family premature and, ultimately, self-defeating. Motorola lost "the sense of being willing to go against the tide," says Wally Scott, a management professor at Northwestern University's Kellogg School of Management, Galvin's alma mater. "There was a willingness to make major bets on major opportunities."

Now, to hear Galvin tell it, the family is picking up where it left off.

"We said we'd just start over and have at it again," says Galvin, 58. They are starting an investment fund open to outsiders known as Harrison Street Real Estate Capital. With family money, they have launched a private-equity fund, Harrison Street Capital, aimed at buying and holding companies, a separate endowment-style fund to manage their personal wealth and a family-funded think tank, Galvin Projects, to mull big ideas such as reorganizing electrical power grids.

The goal: "Rebuild a set of institutions that we hope 25 years from now will again be role models, as was Motorola."

Q&A CHRISTOPHER GALVIN



Galvin sat down at his Loop office with Tribune technology reporter Wailin Wong and senior correspondent Greg Burns. Excerpts from the session follow:

Q: Now that your non-compete agreements with Motorola have expired, the Galvin family is no longer restricted from investing in rival businesses. Is that the plan?

A: It's not our philosophy to actually go back and compete with Motorola, or go head-on and compete with any large established company. That's never what we've done. It's just not the Galvin philosophy. Because historically, every time we tried that, it ended up in less-than-optimal returns because we define leadership as taking people elsewhere, and therefore it's always continuous renewal. It's always the next market; it's always something new.

Q: You're not going to get into handsets?

A: Those markets are established and they're mature, so you want to go to the next new thing if you can find out what that is. That's been our pedigree, anyway.

Q: Is there an allocation of capital from your family to Harrison Street Capital?

A: It is essentially, effectively, a 25-year private-equity fund. We like to say it with a wink that we don't think in quarters, we think in quarters of centuries. That's the Galvin marque. So that's our orientation, to allocate a dimension of capital where we can make investments, and reinvest the profits, build the business over a long period of time, invest in the people again, seek to build businesses and have fun doing it.

Q: Do you think longer-term activities such as developing businesses, leadership and R&D are undervalued in the public marketplace?

A: When does your next idea come? You don't really know yet, and therefore there's a lot of uncertainty associated with innovation companies. Most often, the true innovators have to stand all by themselves at the beginning and predict that the world will be different. ... The way that Wall Street works is most people like very steady quarterly earnings, and they like to be very popular instead of unpopular and they don't like to be the nail that sticks up, as they say.

Q: That seems inconsistent with public ownership. Do you feel that way?

A: Well, I think it doesn't have to be if you have the right board of directors. ... What most people don't understand about failure in innovation is that it's an investment. It's actually an investment in experience — that once people have tried to do something they think is uniquely innovative and it doesn't work, they're actually now more valuable because they know what not to try the next time, or what to try differently.

Q: Are you trying to convey that you need the ability to change as times change?

A: The issue is that if you want to be an innovator, you have to take risks. And sometimes things work and sometimes they don't work. ... Actually, leading innovation can be a uniquely lonely and unpopular thing because most of the time, you have to stand by yourself saying, "Everybody sees the world this way. I see the world another way." Steve Jobs did that. Bob Galvin did that. Chris Galvin did it with the cable modem.

Q: So when you look at Apple's iPhone, do you see a lot of Motorola in that?

A: I see Steve Jobs in that. You have to give credit where credit's due. Steve has been probably the single

hardware/software forward-looking-thinker and executor in our lifetime as an individual. He's quite a brilliant innovator, so he deserves the credit for it.

Q: In light of his contact with Motorola, is there some of its technology in the iPhone? (In 2005, Motorola and Apple jointly developed the Rokr music phone.)

A: Steve was invited in. The subsequent management team after me did allow one of the smartest innovators of all time to get his really thoughtful, imaginative nose under the camel's tent. He learned a lot about cell phones. He might have been able to learn quite quickly, because he's a very quick learner, so from an enable-your-competitor standpoint, that might have been something I wouldn't have done. But that's the choice that they made.

Q: What's the difference between a Midwestern culture and a Silicon Valley culture? Is one faster than the other?

A: I think the issue is really more an individual leadership style, rather than trying to categorize it, because look at the spectacular innovation that comes out of Silicon Valley. Just take any example: spectacular computing companies, spectacular semiconductor companies, spectacular Internet companies. The innovation in Silicon Valley is stunning — Apple, and what Steve has done to rebuild the business. And right here in the Midwest, when led properly, Motorola was a stunning innovator.

Q: Leading up to your departure, one of the pressure points for the Motorola board was reading about

all of the warring factions, the sense of entitlement. ... You know what was being said about the company in the years leading up to 2003. It was extremely critical ... two groups trying to compete internally and banging heads. That created a lot of tension, didn't it?

A: If you take the issue of warring tribes, the person who made that famous was George Fisher, who was CEO in 1990, almost 20 years ago. And by the way, when he said it, it was brilliant. And it was spot-on because there actually was a need, when we were the premier leader in all of our businesses, because we didn't have as good a competition at that stage in time, to create internal competition. ... But by the way, that was totally gone in the company by the late 1990s.

Q: Wasn't it always techs and engineers versus programmers and marketers? The engineers always want it to be perfect and the marketers always want it a year before it's ready. There's always a tension, isn't there?

A: If there isn't, people aren't taking risk. And if there isn't, you don't have an open environment where people can express their opinions.

Q: But it was expressed as a real problem leading up to 2003.

A: That's unfortunately a fallacy.

Q: What was the reality?

A: What's interesting about when people fight is that people fight more when things are really, really good. When things are really terrific, people come to believe that what they're doing is really good and there's no reason to change and therefore they can get more intractable. When the

business is in trouble, like it was when we were transforming it in the 2001 through 2003 time frame, most people said: "Hey look, what we were doing before, and if you look at the financial results of the company, they're not acceptable. We have to change." So the work we did in 2000, up to 2003, turned out to pay off in 2004, 2005 and 2006. And then the decisions that were made by the subsequent team of leaders in the business in 2004, 2005 and 2006 delivered to the shareholders the results of 2007. And they're quite different results.

Q: And that's also a board function, as you see it? The board only has so many levers to pull, and the principal one is picking the CEO?

A: Selecting the CEO and approving what businesses the company is in ... [and] doing a lot of compliance work are sort of the three things that boards do now these days. ... I think we've seen the consequences of the choices made, and the results of the company in 2007.

Q: What's next for the Galvins?

A: The Galvins like to think about certain things that most people think are impossible, and then we like to engage a process to try to make them possible. And by the way, many times they remain impossible. ... But we're patient and we know the philosophies work. And if we make a mistake, we'll change it. We'll fix it and we'll move on and try to make it better. And that's what we enjoy going about doing. That's what we're up to today, and we think we can go about the process of making it work. We won't know until the mid-teens or 2020 or something like that. We'll have to see how it all turns out.

MOTOROLA'S SHARE PRICE
Weekly averages, adjusted for splits
SOURCE: Bloomberg

