The Beginnings of Digital Transformation at Motorola

Efficiency – *cut costs … FAST*

Effectiveness – *improve delivery*

Transformation – *re-imaging technology*

Authors: Keith Leust and Sam Desai

Abstract

The economic challenges of the first decade of the 21st century have required organizations to cut costs, and _fundamentally_ rethink and transform how they do business. This has affected companies of all sizes, and those which are publicly traded are under even more scrutiny to deliver improved cost management which directly impacts margin and earnings.

This was the beginnings of IT which then became Digital Transformation. Most efforts began with a cost cutting challenge followed by the redesign and ultimately re-imagining the role of technology in organizations. The Motorola story illustrates the beginnings of this evolving journey that continues today.

The IT organization within Motorola recognized this challenge and embarked on a three-year program which dramatically changed how IT services and processes were delivered, while fundamentally changing the cost model. Underlying the transformation were the principles and approach inherent in Business Architecture. Using this holistic approach IT moved from being a cost burden to a strategic capability for Motorola. The journey was not without its challenges, but in the end tremendous business results were realized.

Call to Action

In early 2000, the global economy saw the boom and bust of the dot com era. Within Motorola the economic turmoil resulted in a dramatic slip in sales. As sales dropped, internal cost-cutting could not keep pace, creating a domino effect resulting in the shrinking of already narrow profit margins.

This perfect storm negatively impacted Wall Street's confidence in Motorola, and its stock price slipped from $48 a share in the spring of 2000 to $9 a share in the fall of 2002, with a drop in market capitalization of over 80%. Driven by a critical imperative to improve profitability, Motorola's Chief Executive Officer (CEO), Ed Breen, challenged the Information Technology (IT) community to: "…_reduce the cost and improve the effectiveness of IT globally or external consultants will be brought in to do it for you_."

In early 2002, the newly appointed Chief Information Officer (CIO), Sam Desai, a 33-year veteran of Motorola with experience in growing global businesses and managing costs and a reputation for turning lemons into lemonade, took up the challenge. He embarked on an aggressive plan to dramatically reduce the global cost of Information Technology while at the same time ensuring that Motorola retained the technology capability to deliver products and services to its customers. The efforts of Sam and his leadership team built upon several cost management initiatives launched a year earlier and put things into overdrive.

Mr. Desai had deep relationships with each of the division CEO's and had their fullest confidence that he would deliver.

The Plan

A plan was created to compel change across five key dimensions of the global IT organization. The changes spanned IT **Strategy** (the value proposition which includes focus, differentiation, and cost leadership to provide a sustainable competitive advantage), the IT **Business / Finance Model** (what and how services and solutions are delivered and at what price point), the global **Operational Model** (the business processes and underlying technology which deliver goods and services), the **Organizational Model** (how the business is structured, where functions and people report and how they are staffed, and the underlying culture which binds people and the organization together), and finally the **Governance Model** (how decisions are made and enforced, and standards are defined).

Strategy	Business / Finance	Operations	Organization	Governance
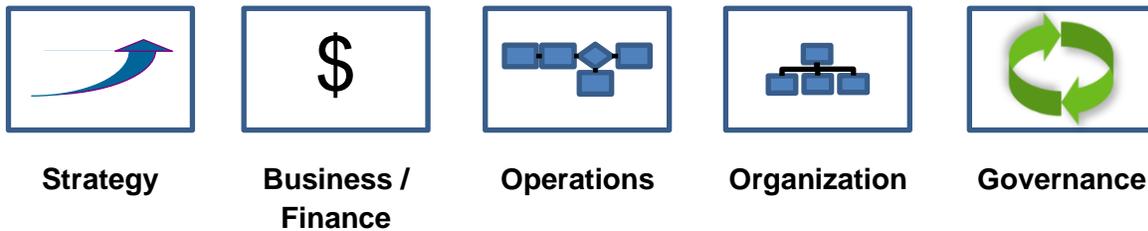
Understanding and communicating this approach, and to create change with leadership and the staff of IT, became a core pillar of the transformation.

The first change was the articulation of a new IT strategy by the CIO and his leadership team; "Simple, Common, Global and *FAST*". From this came a new business model that differentiated IT service delivery based on need and linked it to associated cost. Next, every function of IT was evaluated in the context of a global operating model to determine if the capability was
   a) strategic to Motorola and as a result must be retained internally, or
   b) a commodity service (e.g. management of server farms) and could be delivered more efficiently by a third party.

A new organizational model was then put into place, which called for fundamentally different core competencies than in the past and demanded a different kind of IT leadership - - one which emphasized business acumen and the ability to lead and drive change first . . . then IT savvy. Finally, the way in which IT was governed was modified to streamline decisioning, enable management of resources on a global basis, and establish standards to create a common baseline of infrastructure technology and business applications.

For this aggressive plan to work, Mr. Desai recognized that it needed the full support of the presidents of each of Motorola's six business units (BU's). After all, they are the customer of the IT organization. Without their commitment to accept and embrace a different IT delivery model, despite his best efforts, it would not be possible to achieve the results for which Mr. Desai strived. Fortunately, Mr. Desai had strong personal and collaborative relationships with each of the BU presidents, and they assured him of their confidence in him and his ability to deliver services while transforming IT into a world class capability.

Thus began the transformation of Motorola's Information Technology organization and a three-year journey of change. In the end, costs were reduced by over 35% and the organization is now lead by IT professionals who not only deliver IT solutions but participate in strategic decisions and are even involved with the sales process to customers. The IT infrastructure has been refreshed with new technology, IT has established and enforces standards across the enterprise and, most importantly, Information Technology is now a Motorola Strategic Capability.

MY CAREER
TRANSFORMATION

A Global IT Strategy

All businesses and business functions need a clear and executable strategy. Within the IT function at Motorola, the strategic objectives were clear: "*Deliver world class IT solutions and service at a cost that is comparable to world-class cost benchmarks and make IT a core competency of the corporation*". On the surface this appeared to be simple, but the challenge was in the execution. Each of the six business units managed IT independently; with budgets, IT goals and objectives defined and funded by the individual business. There was no global IT strategy binding each of the six IT organizations together, no management of the total investment in IT, and little incentive to function as a global capability.

First things first. Sam Desai needed a straightforward strategy which could be easily communicated and acted upon. From this need was born a Global IT Strategy; "Simple, Common, Global and *FAST*". This provided the rallying cry for every professional in IT. Keep things simple, establish and use common standards and solutions, make solutions global, and do it fast. At the core of the strategy was a shift in how IT thought about itself; moving from the traditional modular thinking which focused on delivering point solutions, to an integrated view of IT as an enterprise asset which needed to leverage capabilities. A shift from "*… build locally and risk duplication vs. build it once and deploy globally …*"

A three-step execution plan was created to implement the strategy. The plan began with a global evaluation of the **Effectiveness** of the business of IT. This included reducing duplication and process complexity, as well as a focus on vital initiatives which included: standardization on a common Oracle platform and partnering with external partners to deliver non-core capabilities. Next came a focus on **Efficiency** or cost of IT delivery, with efforts focused on shrinking and streamlining the process and capability of IT globally. Finally, attention turned to the **Transformation** of IT from a cost burden to an enabler of the business through the delivery of products and services and an active partner in the sales process to drive revenue.
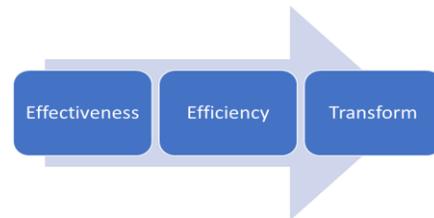
Clear goals and timelines were established to ensure accountability for the transformation and achievement of a new cost model. Within three years, the aim was to streamline and upgrade the IT capability, optimize global costs, and become a world class IT organization.

Business / Finance

Albert Einstein once said, "*The definition of insanity is doing the same thing over and over again and expecting different results*". This mantra was taken to heart and the IT leadership recognized that the business model of IT delivery had to fundamentally change if the transformation was going to be effectively realized. Traditional assumptions were challenged, and new ones created. Rather than offering the same level of service to every part of the business, a tiered service delivery (variable cost) model was put into place. Think basic, gold, and premium services with pricing or unit cost tied to the level of service delivery.

The business paid more if they wanted premium services, but in all cases, IT would deliver a "basic" level of service which ensured business continuity. Global applications were consolidated into a centralized team. No longer would HR or Finance run its own systems. IT would manage and deliver these systems so these functional units could focus

The business model shifted from fixed service delivery to providing generic low-cost services, and premium custom solutions delivery

on their core expertise. Vendor contracts were centralized, standardized, and managed globally. One large vendor had over 50 separate contracts with Motorola: it was great for the vendor as Motorola didn't

MYCAREER TRANSFORMATION

understand how much money it was spending. Analysis revealed that the vendor was charging premium prices in each of the 50 plus separate contracts. By consolidating the contracts, Motorola was able to negotiate better terms, and IT reduced the costs with this one vendor alone by over 28%.

At the heart of the shift from a fixed to a variable cost delivery model was the need for constant communications between, and involvement from, the business leadership across the entire Motorola organization. Leaders began to understand the tremendous costs incurred under the traditional IT delivery model and how that cost cut into their profit margins. And, given the pressures each BU president was under to improve their sales and overall profit, they quickly appreciated that IT was working hard to help drive down operating costs and improve business profitability.

Operations

Because each business unit ran its IT organization independently, there was tremendous duplication of effort and activities, and thus investment. This complexity resulted in $100's of millions in costs, which added no real value to Motorola. In fact, it only fueled the perception of IT as a high-cost behemoth with no ability to leverage solutions globally. A few examples of the overlaps and duplication are:

From (2001)	To (2004)
176+ computer centers 100+ IT organizations - Every flavor of desktops/laptops - Multiple networks 55+ random help desks 64 Oracle instances 4000+ IT contracts >5,000 staff globally - No standards	11 computer centers - Global business IT organization - Leveraged standard desktops/laptops - One network 20-30 specialized help desks 29 Oracle instances 1000 IT contracts 2,300 staff globally 97 enterprise standards

As another example, it took almost two years to get Motorola's user sites onto the same email system. Prior to this, employees could not effectively send an email from one business unit to another, and communicating internationally was difficult and caused unnecessary stress between business and IT.

In regard to Operations, everything was reviewed; no assumption was left unchallenged. A series of large group sessions were conducted to ensure that every key decision maker within IT had a part in defining the problem and ultimate solution. Days were spent discussing, deciding, and finally agreeing on solutions which would be leveraged across the entire enterprise. After many late nights and multiple "workout" and design sessions held around the world, a new operating model was created and projects were identified that would reduce complexity and duplication while optimizing the cost of IT. Additionally, the new model leveraged the capabilities of external partners and focused the Motorola IT leadership on streamlining and standardizing how the business of IT was done.

"Partnering with external service providers is not an objective… it is a tool to achieve our business results"

Organization

MYCAREER TRANSFORMATION

As the operating model was being redesigned, so was the underlying organizational structure which defines individual roles and responsibilities, the competencies required to be effective in each IT role, reporting relationships, and how individual performance is measured and rewarded.

Too often when organizations undertake massive transformation, they begin with restructuring the organization. This frequently leads to confusion over who is responsible for what and results in the same individuals leading the organization but in new and often poorly defined roles.

During the Motorola IT transformation, the organizational structure was defined specifically to support the strategy, the business model of IT and the overall operations. The new organizational structure was created only after there was clarity around what IT needed to be and what and how services would be delivered. Only then was it determined what the key roles would be, who would occupy those roles, and employee incentive programs to drive and sustain the changes.

We did not want to be moving the deck chairs on the Titanic where the only thing that changes is where people sit, and nothing is done to change the fact that the ship is taking on water.

As the new strategy was being crafted, the business model of IT was changed and the operating model was being redesigned, Keith Leust, the senior Human Resources executive for IT Globally, worked in the background working with Sam Desai in implementing the transformation effort and determining what kind of leaders would be needed to drive and sustain the transformation. Ultimately this resulted in the appointment of new CIO's. A new "two to hire, one to fire"

We made sure that the right people were in the right roles to lead change.

model was adopted in which both the Global CIO and the business unit president had to agree on a CIO new hire, but it took only one vote to remove them from the position. Over an 18-month period, the leadership team took on a completely new feel. IT became a valued partner with the business and CIO's included in sales teams, helping to add revenue to the company.

To support the Motorola transformation, a new competency model was adopted across IT which emphasized Business Acumen and the ability to lead people through change. These competencies formed the foundation for the jobs within IT. Individual goals were established and measured based on these new competencies. Newly included were skills that stress an individual's understanding of the business (Business Acumen) and how IT can add business value

IT Competency Model
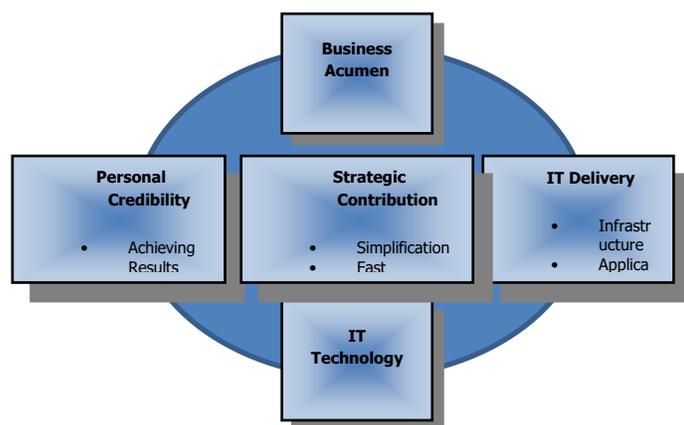
while providing leadership to drive change (Personal Credibility and Strategic Contribution). IT savvy was also considered critical to ensure the delivery of solutions that were relevant to the business and were articulated in the IT Delivery and IT Technology competencies.

Particularly challenging was how to design the overall IT organizational structure. There were six organizations, each structured differently. Sometimes similar jobs had different roles and responsibilities.

MY CAREER
TRANSFORMATION

Some critical roles simply did not exist or were buried under completely different functions. As a solution, a common structure was created, but not by Human Resources, rather by the IT organization itself.

Human Resources introduced a program which included the top 30 next generation IT leaders from around the globe and facilitated a process which incorporated best practices from both internal and external organizations, and then customized an organizational structure for deployment across all of Motorola IT.

> *Human Resources recognized that people would be much more receptive to an organization that they had a hand in designing, rather than something that was created in a vacuum and forced upon them.*

A critical aspect of the organizational model is recognition of talent and effort. Periodic reviews were conducted, enabling leadership to discuss the talent in their organization, identify gaps and determine, as a leadership team, how best to deploy or in some cases redeploy key personal. To reinforce this, incentives were created to move talent to where it was needed and could be best utilized. In addition, individuals were invited to present various topics at monthly leadership staff meetings. This served to provide them exposure to senior executives and vice versa.

Constant communication with business unit leadership, as well as across the entire IT organization, was done throughout the transformation. Each of the BU presidents were informed of the progress of transformation as well as the benefits they were receiving as a result of the work. In addition, special efforts were made to ensure the IT organization staff understood the progress, next steps, and most importantly how the changes might affect them as individuals. Mr. Desai maintained a stream of two-way dialogues with individual meetings and phone calls to business unit president's, employee town hall meetings, monthly web casts, an IT newsletter, breakfast with Sam, and office visits around the world to reinforce the IT strategy and the case for change.

Next, the tenants of a new culture were articulated and put into practice. The cultural change within IT did not occur overnight. The shift was a result of continuous and consistent communication about the new strategy and business model, IT executives demonstrating the new leadership competencies, the implementation of revised employee incentive programs, and ensuring that individual's professional objectives were aligned with the overall IT Strategy.

Old Culture	New Culture
- Technology-Based Culture - Modular Thinking - Managing Projects - Ad Hoc Management	✓ Business Acumen Culture ✓ Systems / Leverage Thinking ✓ Managing Results (Service Delivery) ✓ Proactive Leadership

Over time, individuals across IT began to recognize, promote, and reinforce the new culture.

Governance

As a final dimension in the transformation of IT, the focus turned to the Governance Model. Governance defines how decisions are made, dictates how resources are allocated, establishes standards, and articulates the policies and procedures used to manage the IT function. Prior to the transformation, Motorola IT was managed within the business units, with no linkages in regard to how funding was spent, how capital was invested, or how projects were prioritized and implemented. One immediate change was to gain visibility to and centralize the global IT budget. From the CEO of Motorola down, leadership was determined to reduce the cost of IT globally. At over 30% higher than benchmarked competitors, Motorola had been at a distinct competitive disadvantage.

MYCAREER TRANSFORMATION

Another change was modifying the regularly scheduled two-day leadership staff meetings. The first day focuses on IT strategy evolution, key global initiative performance reviews, IT finance review and talent management. The second day is devoted to tactical issues related to the performance of IT delivery. As part of the transformation effort, external partners are now included in both days of the staff meetings. It was recognized early on that for strategic partners to be effective, they need to understand the overall strategy and be held accountable for performance of the services they are contracted to deliver. The shift from vendor management to a partnership model resulted in more informed and candid discussions which ultimately improved IT service delivery to the internal customers.

Finally, investment in key initiatives, projects and programs are managed on a global basis. This enables the organization to monitor investment of valuable resources, minimize duplication of efforts, and determine how to leverage programs across businesses. Managing the IT portfolio has resulted in a dramatic reallocation of resources and has improved the speed in which programs are completed.

Implementation

The best plans have little value if they are not implemented or fail to yield the results expected. For a project of this magnitude and reach, it is imperative to proceed in phases, building momentum, allowing for necessary adjustments, and leveraging earlier successes and lessons learned. Sponsored by Motorola's CEO, Ed Breen, (and later by the new CEO, Ed Zander) and with solid support and commitment by the business unit presidents, a multi-phased approach was applied over a three-year period. The three-step execution plan began with effectiveness, efficiency and transformation was implemented with a focus on five business dimensions: Strategy, Business / Finance, Operations, Organization and Governance.

A standing agenda topic at executive staff meetings was to monitor the transformation based on clear milestones and metrics to ensure that each effort was being executed as planned, and additionally to examine the transformation from a holistic perspective to ensure that synergies were leveraged, and unintended consequences were mitigated. As necessary, course corrections were made, and priorities were shifted.

Throughout the entire transformation, Sam held firm to the mantra that "…*optionalism will not be tolerated*". Everyone who was part of the IT organization was expected to support and contribute to the transformation. Forums were provided to listen to employees; to better understand their thoughts and concerns.

It was also recognized that a commitment to managing change was core to successfully implementing and sustaining the transformation. This required regular, open, and frequent communication between the IT organization and BU leadership. Barriers to change were identified early so they could be mitigated and overcome. Roles and responsibilities were redefined and changed as processes and systems changed. New norms, values, and behaviors now define the business, and a results-oriented culture is reinforced through individual goals and objectives that are clearly tied to the larger IT strategy. New decision-making protocols are driven by business needs and tied to portfolio management which inform how investment choices are made.

Responding to the urgency of the situation, leadership provided a clear direction and rallied the IT organization around the plan. Soon the transformation unfolded, one employee at a time, one effort at a time, one leader at a time. Considerable investment is being made in the next generation of IT leaders. Training Academies were established to educate leaders in practical approaches and tools to operationalize new competencies; they are challenged with new roles and increased responsibilities in "stretch" assignments; and matched with seasoned executives in mentoring programs.

The table below illustrates how efforts were phased and how later efforts built upon earlier ones.

MY CAREER
TRANSFORMATION

	Effectiveness	Efficiency	Transformation
Strategy	- Case for change defined - Created new IT Strategy and Vision - Communicated new Strategy with BU COE's for support - Communicated new Strategy globally with IT population	- Communicated planned changes and results with BU COE's to ensure continued support - Town Hall meetings with IT professionals to communicate planned changes and results	- Inclusion of business unit leadership in the articulation of the next generation of IT strategy - Regular multi-mode communication with employees; webinars, newsletter, CIO blog
Business / Finance	- Review of existing business model and quantified cost of doing "business as usual" - Benchmarked other organizations best practices - Created view of global IT spend	- Centralized view of IT spend - Created tiered service delivery model (basic, gold, premium) - Identified "shadow" IT organizations	- Global investment review of technology spend - Clear financial targets established globally, within business units, and by IT function
Operations	- Internal streamlining of processes and elimination of duplication - Infrastructure consolidation and simplification through large scale "work out" sessions and targeted change initiatives	- Outsourcing of non-strategic IT capabilities - Application consolidation and simplification (HR, Fin, …) - Consolidation and simplification of vendor contracts - Creation of standard business based operational metrics	- Centralized "shadow" IT organizations - Integration of world class best operational practices - Launch of "Black Belt" programs to accelerate transformation
Organization	- New competency model defined - Began hiring new CIO's - Characteristics of a new culture are defined - Feedback mechanisms created to understand concerns of the employees - Aligned senior leadership compensation structure	- Visibility of high potential talent and Talent Reviews based on new competencies - Leadership held accountable for demonstrating new competencies and behaviors - Aligned BU CIO goals and objectives - Creation of standard human performance metrics	- Management of talent as a global asset - New roles defined with associated career paths - New organizational design by next generation IT leaders - New cultural behaviors, values and norms reinforced
Governance	- Held two-day leadership meetings focused on IT strategy and delivery - Accountability of transformation owned jointly by members of executive leadership team - Established IT technology standards	- BU CIO's held accountable for both local BU IT performance as well as global performance - BU based portfolio management - Shift from vendor management to partnering with external providers	- Global portfolio management - Institutionalized leadership decision making to be first globally based, then customized to meet local business unit needs - Reinforced global review of IT investment through annual performance goals / objectives

Sustained Change

Deep and sustained business transformation occurs when leadership understands the holistic linkages between the key dimensions of the business and creates integrated change programs to facilitate adoption.

Mr. Desai understood this when he accepted the challenge to change how a tremendous cost basis could be transformed into a core asset and delivery capability at Motorola. In the end, the cost of IT was reduced below the industry benchmarks, and the service levels matched or exceeded those achieved

MY**CAREER**
TRANSFORMATION

before the transformation. These results demonstrated that radical change, when implemented effectively, can be delivered, and sustained.

About the Authors

Keith Leust was the senior Human Resources executive at Motorola supporting the CIO during the transformation of IT. As part of his HR role, he managed the majority of Motorola University which allowed him to develop leaders and leverage talent globally. In addition to being a Certified Business Architect, Keith has over 25 years of business experience, specializing in business process optimization / transformation, large scale change, and helping companies like American Express, Andersen and Prudential move to higher levels of performance by increasing the capacities of their people. He holds an MBA in Finance, HR/OD Certification from Columbia University, a degree in Engineering and is a Six Sigma Black Belt. Keith can be reached at KeithLeust@MyCareerTransformation.com.

Sam Desai was the Global CIO for Motorola chartered with the transformation of IT. Sam was with Motorola for over 33 years, during which time he held many senior leadership positions across the company including sales, marketing, product development / launch, and engineering. His legacy included the transformation of IT globally, institutionalization of quality programs to improve customer satisfaction and the creation of the "push to talk" cell phone which is a cornerstone of Nextel's product line. Mr. Desai retired from Motorola in 2007 and is currently serving on the board of directors of several Fortune 500 organizations where his business and leadership experience is tapped by the next generation of leaders. He is currently penning his experiences and writing a book about his practical approach to leadership and sustaining change and can be reached at Sam.Desai@yahoo.com.

MYCAREER TRANSFORMATION