

Chapter 3 - An Unprecedented Market Scenario

Like many US corporations, Motorola's early engagement in emerging markets was limited and cautious. It followed the political, social and economic development of the regions and countries. Special attention was paid to the elimination of barriers such as boycotts, business risks and ethical conflicts contradictory to our key beliefs and value systems. This policy resulted in various grades of commitment in different time periods. While Motorola's local presence in the Asia/Pacific region and parts of Latin America had been already established some decades before in the form of sustained investments, it maintained a low level of involvement in the Middle East and Africa for the above reasons. With the sudden opening of Central and Eastern Europe and the distancing from apartheid in South Africa the situation in these regions changed overnight.

The CEO endorsed a strategy to sell products, systems and services in these markets to help the new governments in the transformation process and to establish a telecommunications infrastructure that would improve the people's quality of life.

The Early Outpost Years

A Powerful People Message. In the late 70's our manufacturing operations in South Africa brought us face to face with apartheid. Motorola, like most investors, was in a dilemma: How could we exist and succeed in an environment that totally opposed our value system? Since the government policy was not predicted to change, local management decided to start the change from within. Gradually we introduced a participative work environment for the black workforce. People began to appreciate the power entrusted to them and the fairness and respect with which they were treated. The word spread around in the local community and among their families, still dominated by discrimination, a potentially explosive situation.

In 1985 Motorola decided to sell its South African holdings as a consequence of aggravating external circumstances. When the Human Resources Director left, he received a farewell card signed by every single

black employee. This was one of the most powerful people messages Motorola ever received. It was the moment when we knew that we would come back.

A Region on the Move. No part of the world records such rapid change as the Asia Pacific region. It has left behind the structures of Western dominance, war and revolution, which my generation still remembers, and is growing into a new economic giant at the forefront of globalization.

With this in mind, Motorola started early and was one of the first American companies to establish local presence in Hong Kong in 1967. But unlike in Central and Eastern Europe where one macro-political event triggered market entry, we realized our goals in Asia in different time frames, at different speeds and intensity.

It required a sophisticated roll-out plan to balance the high market and human resources potential with the need for economies of scale. A mental barrier was the traditional Asian seller mentality, which aggravated the foundation of a buyer market for our products and services. This could only be achieved by a business philosophy and portfolio that positively distinguished ourselves from foreign and local competition and created added value. Another challenge was preventing our investments being eaten up by the large size and fast growth of the economies. The answer was to trust the self-propelling forces of localization.

With these strategies, Motorola laid an early foundation for its present high level of investment and commitment in the region. Moreover, a steadily increasing re-export of locally generated know-how, products and services is taking place.

Through Thick and Thin. John Steiner (Consultant at BGH, S.A. Argentina) recalls Motorola's start in Argentina. This is not only a contemporary document, but also an example of a close business relationship that survived many ups and downs.

"During the last months of the year 1959 BGH S.A., a successful Argentine corporation since 1913, obtained a special permit from the government for importing a few thousand CKD kits for local manufacture of black and white TV sets. BGH was previously involved with TV set manufacturing using inexpensive kits bought from local suppliers.

Import duties for shipment of parts to Argentina were rather high in those times and importation of finished consumer goods was banned. Import permits for kits were hard to get, but BGH managed to obtain one with one condition: A deadline had to be met, as the authorization expired on the last workday of 1958. It was November, there was less than 60 days left, and if the deadline was not met that single opportunity was to be lost.