

# BlackBerry maker's CEO: No drastic change needed

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In this Feb. 5, 2009 photo, Research In Motion co-CEOs Jim Balsillie, left, and Mike Lazaridis talk to media after an Ontario Securities Commission hearing in Toronto. The company on Sunday, Jan. 22 2012 says Balsillie and Lazaridis are stepping down, and will be replaced by Thorsten Heins, a chief operating officer who joined RIM four years ago from Siemens AG. (AP Photo/The Canadian Press, Nathan Denette)

The new chief executive of Research in Motion said Monday that drastic change is not needed, even as the once iconic maker of the BlackBerry smartphone confronts the most difficult period in its history.

The Canadian company turned the smartphone into a ubiquitous device that many couldn't live without. But following the departure of Jim Balsillie and Mike Lazaridis, who stepped down as co-CEOs and co-

chairmen, Thorsten Heins assumes the chief executive role at a time when Americans are abandoning their Blackberrys for flashier touch-screen phones such as Apple's iPhone and various competing models that run Google's Android software.

RIM's U.S. market share of smartphones dropped from 44 percent in 2009 to 10 percent in 2011, according to market researcher NPD Group. The company still has 75 million active subscribers, but many analysts believe the company will lose market share internationally, just as it has in the U.S.

Heins, formerly a little known chief operating officer who joined RIM four years ago from Siemens AG, replaces RIM's founders after the company has lost tens of billions in market value. Balsillie acknowledged in December that the last few quarters have been among the most challenging times the company has seen.

Even so, Heins said on a conference call on Monday that he didn't think significant change was needed. He said the leadership change was not a "seismic" event. Heins said he's committed to switching the company's phones over to a new operating system, which is expected late this year. That's the same plan favored by Lazaridis and Balsillie, who announced Sunday they would step down from the top jobs, but serve in other roles.

Heins said RIM has to improve its U.S. marketing to go beyond the traditional corporate customer.

"I want us to have a bit more of an ear towards the consumer market, understand trends, and not just do what the Street is telling you," Heins said.

Shares of RIM fell eight percent, or \$1.39 cents to \$15.61, following his remarks. The stock had initially moved up almost 4 percent in premarket

trading.

Heins said in a telephone interview with The Associated Press that RIM doesn't have plans "right now" to put the company up for the sale or to split it up. He reiterated there is no reason for a "shake up" of RIM. He explained that he would consult with Lazaridis and Balsille on major decisions because they remain board members.

"I've worked really well with Mike in the past. He is a founder of an iconic company, a great innovator. For sure, I will seek his advice and his counsel where needed and I will have my discussions with him, but the company is run by the CEO and that's what you'll see," Heins said.

Heins' top priority will be to release smartphones that run the company's long-awaited BlackBerry 10 software. "I will do everything I can to make that happen, but I cannot commit to a very specific date. But, yes, we will ship BlackBerry devices later this year on BlackBerry 10," he said.

Vic Alboini, president of Jaguar Financial Corp. in Toronto, which has been pushing for a change in leadership, said the drop in stock price on Monday meant the market saw the leadership adjustment as "more of the same."

Many shareholders and analysts have said a change or sale of the company has been needed, but the sudden departure of the two founders from their top jobs wasn't expected despite their promises that they would examine the co-CEO and co-chairmen structure.

Balsillie and Lazaridis have long been celebrated as Canadian heroes, even appearing in the country's citizenship guide for new immigrants as models of success. They headed Waterloo, Ontario-based RIM together for the past two decades.

"There comes a time in the growth of every successful company when the founders recognize the need to pass the baton to new leadership. Jim and I went to the board and told them that we thought that time was now," Lazaridis said in a statement.

Lazaridis will take on a new role as vice chairman of RIM's board and chairman of the board's new innovation committee. Balsillie remains a member of the board. The two remain two of RIM's biggest shareholders.

"I agree this is the right time to pass the baton to new leadership, and I have complete confidence in Thorsten, the management team and the company," Balsillie said in the statement. "I remain a significant shareholder and a director and, of course, they will have my full support."

Analysts have said RIM's future depends on its new software platform as RIM has tried and failed to reinvigorate the BlackBerry.

RIM said last month that new phones deemed critical to the company's future would be delayed until late this year. And its PlayBook tablet, RIM's answer to the Apple iPad, failed to gain consumer support, forcing the company to deeply discount it to move the devices off store shelves.

Apple co-founder Steve Jobs said in late 2010 that RIM would have a hard time catching up to Apple because RIM has been forced to move beyond its area of strength and into unfamiliar territory of trying to become a software platform company.

BlackBerrys made email mobile and were dominant in the North American smartphone market until the iPhone came along. Under Lazaridis and Balsillie, the company struggled to adjust to the times and

match the iPhone's facility with Web browsing, third-party applications and multimedia.

Heins, who is 54, said Lazaridis and Balsillie took RIM in the right direction and they are "more confident than ever that was the right path."

Barbara Stymiest, a former chief operating officer of the Royal Bank of Canada who has been a member of RIM's board since 2007, has been named chair of the board of directors. RIM also announced that Prem Watsa, the chief executive of Fairfax Financial Holdings, is a new board member. Watsa has become a significant shareholder.

Lazaridis said he was so confident in the future direction of the company that he intends to purchase an additional \$50 million of the company's shares on the open market.

RIM was worth more than \$70 billion a few years ago but now has a market value of around \$8.2 billion. Some industry analysts believe RIM is following the same trajectory as struggling Finish handset maker Nokia or former Canadian tech giant Nortel, which declared bankruptcy in 2009.

BGC Financial analyst Colin Gillis agrees that a change in marketing is needed, but it will take more than that to reverse the decline. Gillis said the move is two years late and said he'll get more excited when RIM announces positive news about their new software platform.

"It's just a shuffling of the deck," Gillis said. "He's got a pretty rough road to drive up. The other part is that Mike and Jim are still around. Think about Jerry Yang in Yahoo. When he finally stepped down people said he was still a really big influence on the company."

Stuart Jeffrey at Nomura Securities said the management switch could

remove an obstacle toward selling the company, but still believes a buyer is unlikely to surface. The value of the company is uncertain, since the new operating system, BlackBerry 10, is unproven.

Private-equity buyers might be enticed to buy the company for its cash flow, he said, but the fair value for the company is about \$15 per share on that basis, meaning private-equity firms are unlikely to pay much above \$10.

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