



DUNCAN HOOD

WHY BLACKBERRY'S FUTURE JUST GOT BRIGHTER

► When good companies blow up, it can be a terrible shock. Enterprises that took years to build—that once ruled the world—can collapse into smoking heaps right before your eyes. We watched in horror when it happened to Nortel back in the early 2000s. And over the past few years, we have watched it happen all over again to BlackBerry.

A recent report reminded me of the similarities between the two collapses. Published by Jonathan Calof, associate professor of international business and strategy at the University of Ottawa, it's the definitive study on why Nortel—once the ninth most valuable company in the world—imploded. Calof and his team surveyed hundreds of former Nortel officers, customers, competitors and consultants in an attempt to distil just what it is that can cause successful companies to fail. And, in the process, he uncovered a ray of light for BlackBerry.

Calof discovered that Nortel's demise was due to a slew of factors, but the most noteworthy trigger was an overwhelming sense of arrogance at the telecommunications giant, which prevented it from taking its new competitors seriously. This was combined with an internal lack of resilience owing to poor financial management and a broken company culture, as well as the "black cloud" that engulfs any company in big trouble, driving away even the most loyal customers and investors.

Sound familiar? Everyone who reads the paper knows that all of those factors were at play in BlackBerry's collapse as well. But when I finished Calof's report, I wasn't convinced BlackBerry is doomed to follow in Nortel's footsteps. In fact, I felt more optimistic about its future than I have in several years.

That's because near the end of his report, Calof comes to the surprising conclusion that even when Nortel's share price had already dropped from \$800 to less than \$30 and the company seemed destined for

bankruptcy, it could have saved itself. How? By abandoning its expansion plans, retrenching and selling off its non-essential business units immediately. Unfortunately, that's not what Nortel did. Instead, its CEOs fiddled with the company's internal structure, launched investigations and focused on image rehab.

BlackBerry's new CEO, John Chen, has taken a different approach. He realized that while the company is in dire straits, its core business remains remarkably sound. Despite mounting competition, BlackBerry is still a leader when it comes to offering reliable communications solutions for business and government power e-mail users who like the keyboard and take security seriously.

To save the company then, Chen needs to focus on this core viable business and quickly divest all assets not directly related to it. He seems to be doing just that. Chen has outsourced handset manufacturing to Foxconn, the Taiwanese electronics manufacturer that makes the iPhone for Apple. He has eliminated positions that were focused on the broad consumer market. He's selling off the company's real estate, meeting with customers and revamping the BlackBerry Bold, which is still outselling the newer Q10 and Z10 phones to this day.

Chen's plan just might work. It's doubtful BlackBerry will ever realize its dream of becoming a global handset player again, but it could carve out a profitable niche serving clients for whom security and reliability come first. It will likely be a smaller player, at least for now. But it will be alive to see another day. ▀

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