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RIM adjusts to new reality by slashing workforce

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By [Alastair Sharp](#)

TORONTO (Reuters) - BlackBerry maker Research In Motion plans to cut about 11 percent of its workforce as it struggles to keep pace with Apple and Google in the mobile market it once dominated.

The Canadian company's shares sank 4 percent following the Monday announcement of 2,000 job cuts, a month after RIM said it would reduce headcount for the first time in almost a decade, to around 17,000.

RIM, which described the cost reduction as "a prudent and necessary step" for its long-term success, said it would start informing those employees who will lose their jobs this week.

The job cuts, which were slightly deeper than some had expected, raised questions about whether lower costs alone would go very far in addressing RIM's lacklustre financial performance or the steady erosion of its market share.

"The problem is you can't cut your way into growth or market leadership, and while I'm sure there was fat at RIM, the core problem sits squarely with management," said Ed Snyder from Charter Equity Research.

Shareholders have attacked RIM's structure, in which co-founder Mike Lazaridis shares the chief executive and chairman roles with Jim Balsillie, saying it gives the pair too much power. At its annual meeting last month, RIM narrowly avoided a vote on splitting up the top roles.

On Monday RIM confined itself to some modest shuffling of executive roles following the retirement of Don Morrison, one of its three chief operating officers. The other two, Thorsten Heins and Jim Rowan, will take on additional responsibilities.

"Cost-cutting is unlikely to change the competitive position for the company" or accelerate RIM's revenue growth, BGC Partners analyst Colin Gillis said.

That said, analysts also saw lower costs as a necessary adjustment to a new reality facing RIM, which was once the leading force in the multibillion-dollar smartphone market.

Apple's iPhone and devices powered by Google's Android software have steadily eroded BlackBerry's market share, especially in the United States, while RIM's PlayBook, introduced in April, was a late entry to a tablet computer market that Apple's iPad virtually invented.

RIM's shares -- halved so far this year -- have been weighed down by earnings that missed the company's own limp forecasts and a dire warning that sales will slip further because of delays in getting new smartphones to market.

"I think this is obviously realigning the cost structure to a new growth, or sales, reality," said Peter Misek, an analyst at Jefferies & Co.

FINANCIAL IMPACT UNEXPLAINED

RIM said it would explain the financial impact of the cuts when it reports second-quarter results on September 15. RIM said the second-quarter and full-year outlooks it had already issued did not reflect the impact of the cuts.

The cuts were "more significant than previously suggested," said RBC Capital Markets analyst Mike Abramsky, who estimated the pretax charge at between \$200 million (122.7 million pounds) and \$250 million.

Monday's announcement was the first time RIM quantified its job cut plans, which it revealed last month.

RIM last cut jobs in 2002, when it slashed 10 percent of its staff following a dip in revenue and spiralling costs as it started selling its early BlackBerry phones via carriers.

MORRISON'S DEPARTURE

The departure of Chief Operating Officer Don Morrison was expected. Currently on temporary medical leave, the executive will retire after more than 10 years at the company.

RIM said Thorsten Heins, a former chief technology officer at Siemens who joined RIM in 2007, will now oversee both hardware and software product engineering, and Jim Rowan will take charge of operations.

Analysts said the tighter integration between the hardware and software teams represented by Heins' increased role should help RIM get new products out quicker.

RIM promoted Patrick Spence, who has impressed analysts and investors as managing director for the Europe, Middle East and Africa region, to head of global sales and marketing.

Chief Technology Officer David Yach will focus on RIM's software platform and application ecosystem as RIM juggles upgrades to its



ageing BlackBerry operating system and an eventual transition to QNX, which powers the PlayBook tablet.

His responsibility for the enterprise business has been shifted to Chief Information Officer Robin Bienfait.

The changes follow a stream of RIM employees who have defected lately, including two who left for rival Samsung Electronics in a month.

Misek, who has an "underperform" rating on RIM's stock, said the job cuts were less important to RIM's outlook than a successful launch of devices due within months and its eventual transition to the QNX operating system on its smartphones.

"I think the key here, more than ever, is when do their products launch and what kind of reception will they have and most importantly, when will QNX come in. We don't think those answers are here yet," he said.

The layoffs are fewer in number but a larger portion of RIM's workforce than the 7,000 layoffs announced in April by Finland's Nokia, a second mobile communications giant struggling to adapt to the ascendance of Apple and Google.

RIM's Nasdaq-listed stock, already near multi-year lows, was down 4 percent at \$26.80 by early afternoon. The stock was down 4.3 percent at C\$25.34 on the Toronto Stock Exchange.

(Additional reporting by [S. John Tilak](#) and [Euan Rocha](#) in Toronto, Aftab Ahmed in Bangalore; editing by [Janet Guttsman](#) and Frank McGurty)

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