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RIM's New CEO Seen as Unlikely to Halt Market-Share Slide

By Olga Kharif and Hugo Miller - Jan 24, 2012

Research In Motion Ltd. (RIM) fell again after investors and analysts speculated that new Chief Executive Officer Thorsten Heins may be unable to alter the BlackBerry maker's course enough to stem market-share losses.

Heins, 54, was promoted from chief operating officer of the Waterloo, Ontario-based company Jan. 22, replacing Co-CEOs Jim Balsillie and Mike Lazaridis. RIM slid 3.5 percent to $15.01 at the close in New York, after falling 8.5 percent yesterday. The stock has lost 76 percent in the past 12 months.

"There was enormous pressure for the company to make a change, and Jim and Mike wanted to make as little change as possible," Charlie Wolf, a Needham & Co. analyst, said in an interview yesterday. "To me, this change looks largely cosmetic."

Balsillie and Lazaridis have come under criticism as Apple Inc. (AAPL) and Google Inc. (GOOG) have pulled ahead in U.S. smartphone sales, a market RIM once dominated. In the three months ended in November, RIM's share fell to 16.6 percent while devices using Google's Android operating system rose to 46.9 percent and Apple increased to 28.7 percent, according to ComScore Inc.

RIM's revenue declined in last year's second and third quarters, while net income dropped in each of the first three periods. The company is expected to report decreases for both for the final three months, according to analysts' estimates compiled by Bloomberg.

Heins, who came to the company in 2007 after more than 20 years at Siemens AG, told investors on a conference call yesterday that he doesn't see a need for "drastic change."

"Jim and Mike's strategy of not sacrificing long-term value for short-term gain is the right one," Heins said. "I share that value."

'Same Cloth'

Lazaridis and Balsillie, while giving up their posts as co- chairmen, remain on the board. As directors, they will continue to heavily influence Heins's decisions, Wolf said.

“He’s cut from the same cloth as the co-CEOs,” Mike Abramsky, an analyst at RBC Capital Markets in Toronto, said in an interview. “The visibility for the stock remains very low.” He rates the shares “sector perform.”

Historically, only an appointment of an outsider has helped companies recover, Edward Snyder, an analyst at Charter Equity Research, said in a note to investors.

“There has never been a successful turnaround of a handset OEM without a wholesale change in management,” said Snyder, referring to original equipment manufacturers.

Turnarounds Take Years

Just three of seven turnaround attempts by phone makers since 1997 have succeeded, and none took fewer than three years from the naming of a new CEO, said Snyder, who is based in San Francisco.

“Consequently, even if Heins is free to pursue a new strategy, we can’t expect a sustained, material improvement in RIM results for many quarters,” he said.

The pressure for a turnaround and the continued decline in the share price may still result in RIM being acquired and a short tenure for Heins as CEO, said Marty Wolf, president of Martin Wolf LLC, a mergers-and-acquisitions advisory firm in San Ramon, California.

“People are voting with their feet,” he said in an interview. “It’s clear to me the company can’t stay independent. The longer the new CEO operates the business with the current mandate, the more value he will destroy.”

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