

Court case reveals infighting at Motorola

It's a white-collar worker's nightmare: giving a presentation that gets you fired.

It happened to the chief financial officer of Motorola Inc. this year. And the lawsuit he filed afterward provides a rare peek into dysfunctional relationships at the top of a major company.

Motorola has gone so far as to claim it fired the CFO "for cause" – a term often reserved for suspected embezzlers – while the former executive says he was canned for blowing the whistle on major problems.

The case represents more trouble for the cell phone maker, which has been struggling with billion-dollar losses and laying off thousands of workers.

Paul Liska, 53, walked into a board subcommittee meeting Jan. 28 and fired a broadside at the Schaumburg, Ill.-based company's ailing cell phone division. Liska said a board member told him the next morning that the presentation "sure did poke a stick into the hornet's nest."

That was probably Liska's intent. But the hornets that flew out from that nest went for him, not his intended target – the head of Motorola's cell phone division.

Not all of Liska's presentation can be seen in the public records accompanying his lawsuit. Some parts have been blotted out by Motorola so as not to reveal business secrets. Liska and the company declined to comment for this story, citing the litigation.

But in the revealed parts of the presentation, Liska pointed out to Motorola directors that the cell phone unit, Mobile Devices, missed its sales projection for the preceding three months. Then, he said, the projections for the current year were based on rosy assumptions. In addition, he attacked the unit for lacking a forecast for 2010.

He finished by warning that with each passing day, Mobile Devices was making commitments and decisions "that will be increasingly costly to unwind should the board later decide on a different strategy."

That was a stab at Sanjay Jha, a rising star of the wireless world recruited by Motorola last August to head Mobile Devices and make it an independent company.

Jha has his work cut out for him. Motorola rode high for a few years on the success of the Razr phone, but as the phone's popularity faltered, the company has struggled to develop a worthy successor. Losses have piled up in its cell phone division, and the company is now propped up mainly by its other two divisions, which make things like police radios and cable TV set-top boxes.

So when Liska pointed to the troubles of Mobile Devices, it could not have been news to the board. Jha had also laid some groundwork with the directors: Just hours before Liska's presentation, Jha gave the board an "immersion" session where he demonstrated new smart-phone technology that Motorola hopes will be able to

compete in the iPhone category by Christmas. Liska didn't attend this session, because he was busy preparing for his presentation.

Liska didn't get much of a reaction from the directors after his presentation, according to his filing. But the next day at 11 a.m., he bumped into Motorola's top lawyer, Peter Lawson, and asked if he should join the board meeting in progress. Lawson popped into the meeting and came back to tell Liska not to join. Liska says this was the first time he had been excluded from a board meeting in his 11 months with the company.

Five hours later, Greg Brown, who shares the chief executive title with Jha, told Liska he was being replaced as CFO. "Paul, you fired a shot heard around the world," he said, according to Liska.

The reason behind Liska's inflammatory presentation is a matter of contention. Liska says he was trying to fulfill his duty to the company by raising a red flag about the cell phone unit's projections. Motorola says he knew he was on his way out, and he tried to extort the company by setting himself up as a whistle-blower who was being fired for speaking out.

If the truth lies somewhere in between, Liska may have figured out that he was on the outs because he and Jha did not get along, and tried to save the situation with an attack on Jha.

Liska objected to Jha's hiring, his compensation package (which was potentially worth more than \$100 million if he managed to turn Mobile Devices around) and the co-CEO arrangement, Motorola says.

According to the company, Liska's behavior "markedly deteriorated" after Jha's hiring, implying that he was unhappy to be outranked by the new co-CEO.

"Mr. Liska developed what now appears to be a vendetta against Dr. Jha and the Mobile Devices business," the company claims in a filing.

Much like Jha, Liska had gotten his job at Motorola because of the company's dire straits. He had deep experience in dealing with the finances of troubled companies. From 2001 to 2004, he was the CFO of Sears, Roebuck & Co. In the two years before being hired by Motorola, he helped private-equity firms revamp their investments as an "industrial partner," working closely with acquired companies.

Motorola says it began to search for a replacement for Liska after a "disastrous performance" from him at a board meeting in the middle of December. The company says he was unable to answer questions about the company's finances, which he denies.

After Brown told Liska he was out, the company at first kept a straight outward face. On its quarterly earnings conference call five days later, on Feb. 3, Brown said Liska "did a lot of good work," and implied that he was replaced because the spinoff of Mobile Devices had been postponed, and a restructuring expert was no longer needed as CFO.

Meanwhile, negotiations were going on between the company and Liska's lawyer about his severance. His contract guaranteed him about \$1.5 million if he were fired without cause. According to the company, he asked for \$37 million.

On Feb. 20, Liska filed a "retaliatory discharge" suit in Chicago's Circuit Court of Cook County. Then two weeks later, the company said in a regulatory filing that Liska had been fired for cause, a potentially career-

killing term, and the fight became public. Now the court filings are full of colorful language, with Motorola calling Liska "a caustic personality, a disloyal foe out to harm the company."

Motorola also has accused Liska of destroying files on a company laptop before returning it. Liska's lawyer says the files were personal, and says the company has been hiring private investigators to seek out Liska's friends and relatives.

Richard Robbins, an Atlanta-based lawyer who has litigated similar cases, said the company will have a very hard time getting a jury to accept that Liska's termination was for cause.

"Nine times out of 10, these terminations are for personality clashes, and that is not `cause,'" he said.

At the same time, Liska may have little leverage if he wants to get a larger severance than the one guaranteed by his contract. His main threat is that he can make the company look bad.

"CFOs and HR directors are not people you want to be in litigation with, because they tend to know where the bodies are buried," Robbins said.

Because neither side has much to gain by going to trial, Robbins believes the lawsuit will be settled in three to six months. Then again, few firings get this messy.

"Sometimes," Robbins said, "emotions get in the way of judgment."