Overview of Full Report

Corporate
Innovation
Online
Ideas, Self-help and News

Research In Motion's ("RIM's") Innovation Capacity

August 13, 2011

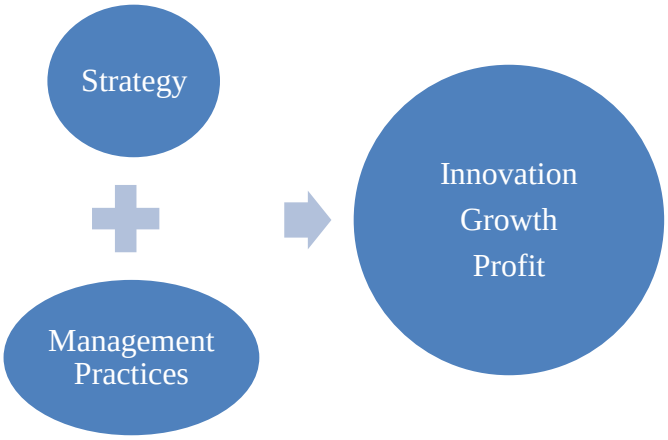
Does RIM have the innovative capacity to respond to the latest product release issues and make a turn around?

Authors
Paul White [1], P. Eng., FCMC
Peter Farwell [2], F.C.A., CFA

Since RIM has not made clear the reasons for its current problems, we have taken it upon ourselves to examine information that is publically available to try to get a sense of what might be the causes of the shareholder and product delivery performance over the last year. RIM has chosen to remain very quiet over the cause of their problems; one could say almost too quiet, and the continuance of this lack of communication is unsettling to most stakeholders.

The recent publication of open letters[3], at least one from a senior RIM executive, and news of executive departures at this critical time, puts further concern into the minds of stakeholders. Stakeholders deserve some indication that management and the Board regard the problem as serious, that they are aware of the problems and that they are being addressed. Complete silence is not an option at this critical time.

The full report comprises 36 pages and is available on-line for a fee at http://www.corporateinnovationonline.com.



Executive Summary

RIM has a reputation as one of Canada's most innovative companies. Its spectacular growth in revenue and profit is not currently reflected in shareholder value and difficulties with timely product delivery of the tablet and advanced smart phone lines have resulted in a

[1] Paul White is President of White & Partners Ltd., an independent management consulting firm based in Toronto, Canada. A complete biography can be found at; http://www.corporateinnovationonline.com.
[2] Peter Farwell is an independent consultant based in Toronto, Canada with many years experience in advising Canadian high technology companies.
[3] BGR.com

substantial decline in earlier optimism which is currently reflected in shareholder value.

Our review takes a look at the current evidence of RIM'S product and management missteps and reviews RIM's strategic position and its management practices. The paper then sets out our evaluation of RIM's capacity to innovate using a proprietary Innovation Index, developed over many years of consulting, in order to determine RIM"s chances of overcoming its current problems to go on to future growth and prosperity.

In 2011 there is evidence that RIM has missed a step - or two - or three. These missteps are threatening not only its leadership position but its very existence.

RIM has lost its leadership position among Smartphones. RIM's share of the Global Smartphone market shrunk from 19.7% in first quarter 2010 to 12.9% in Q1 of 2011 while Apple gained and Android tripled to 36%.

- The launch of the BlackBerry Playbook was premature and other launches have been delayed.
- RIM seems to have lost touch with a number of its software development partners.
- RIM has been slow to deploy its new QNX Operating System on all its devices.

RIM's share price has plummeted in recent months, losing over 50% of its value in the last eight months (from over $60, in January 2011, to less than $23, in August) and down from a high of over $140, in 2008.

To help identify opportunities for improvement, we have carried out an analysis of RIM's Strengths, Weaknesses, Opportunities and Threats. This analysis showed up a number of areas where new strategies could be helpful to RIM, ranging from strategies to protect its existing market strengths, to strategies for entering new markets on a cost-effective basis, from strategies to shore up its relationships with Software Developers to strategies for creating a new "Disruptive Technology".

To evaluate RIM"s chances of success in the turbulent and highly competitive market in which it now finds itself. We have benchmarked its perceived management practices using a proprietary system of criteria that measure an entity's innovative capacity. This evaluation is summarized under three headings.

- Leadership, under which RIM scored about average for the most part but there are concerns regarding the split roles of the Co-CEOs and the perceived lack of involvement from the Board.

Full Report
Table of Contents

- **Introduction**
- **Executive Summary**
- **General Analysis of the Current Situation**
- **Strategic Analysis**
- **RIM's Deteriorating Management Practices**
- **Management Practices of the Most Innovative Companies, RIM Attributes for Comparison**
- **Conclusions**

Appendices

A. Lessons from Starbucks Turnaround Turn around
B. Research into RIM's Management Practices
C. C. Parsing Innovation Management Practices at RIM According to 25 Factors

- Organization and management of day-today activities, under which RIM scored poorly; due to concerns with respect to decision making processes regarding product development and engineering release procedures.
- Corporate approach to idea generation and realization, under which RIM initially scored quite high, but more recently there is an indication that the culture for encouraging ideas and their realization has changed.

Most significantly, RIM"s scores under all three headings seem to be deteriorating.

Our conclusion section highlights the changes in strategy and the changes in management structure and performance that we believe will be essential to RIM's future success.

Overall, we are not optimistic that RIM can survive in the current environment unless the real issues are addressed and quickly. So far there is little information from the company that the issues we have identified are being addressed and almost no information that the issues are understood let alone acted upon at this critical time. Stakeholders, particularly shareholders, deserve more than a 'have-faith' platitude.