Figure 31.13: Motorola: A Status Quo Valuation

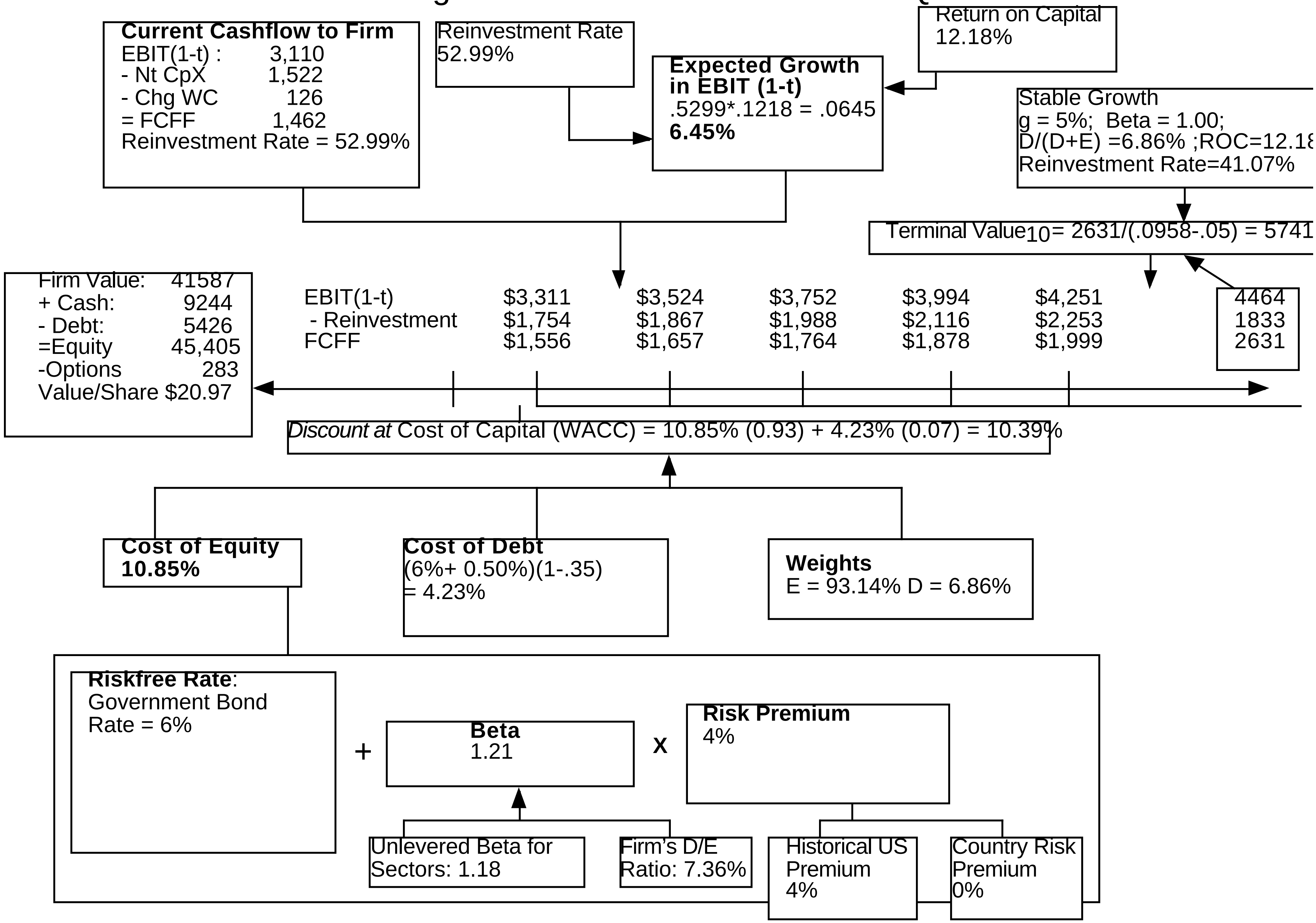

Figure 31.14: Motorola: A Restructured Valuation

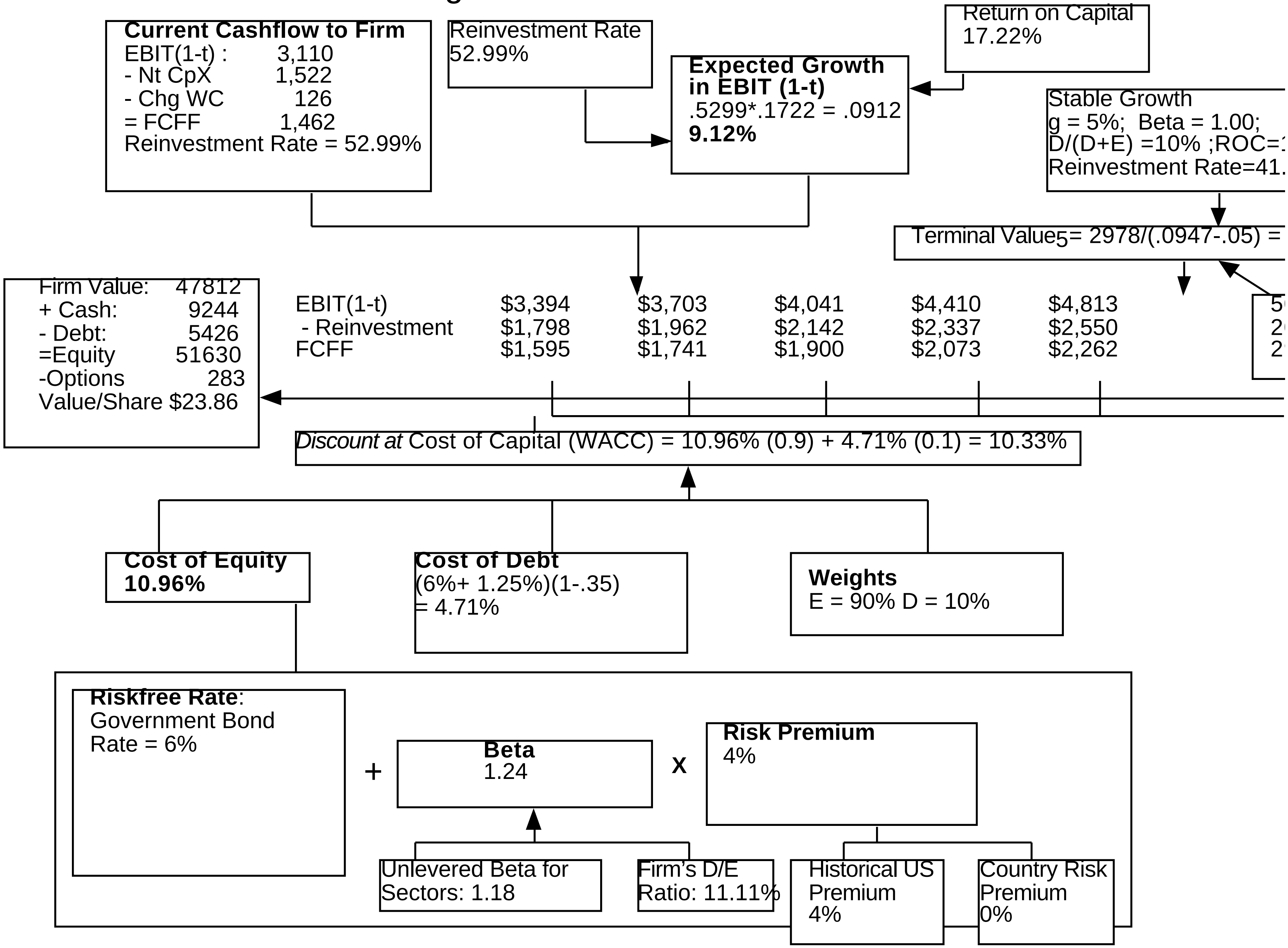

Table 31.8: The Value Enhancement Chain

More control — *Less control*

Payoff quickly — *Payoff in long term*

	Quick Fixes	*Odds on..*	*Long Term*
Existing Investments	a. Divest assets/projects with Divestiture Value > Continuing Value. b. Terminate projects with Liquidation Value > Continuing Value. c. Eliminate operating expenses that generate no revenues and no growth. d. Take advantage of tax law to increase cash flow.	1. Reduce net working capital requirements, by reducing inventory and accounts receivable, or by increasing accounts payable. 2. Reduce capital maintenance expenditures on assets in place. 3. Reduce marginal tax rate.	1. Change pricing strategy to maximize the product of profit margins and turnover ratio. 2. Move to more efficient technology for operations to reduce expenses and improve margins..
Expected Growth	Eliminate new capital expenditures that are expected to earn less than the cost of capital.	Increase reinvestment rate or marginal return on capital or both in firm's existing businesses.	Increase reinvestment rate or marginal return on capital or both in new businesses.
Length of High Growth Period	If any of the firm's products or services can be patented and protected, do so.	Use economies of scale or cost advantages to create higher return on capital.	a. Build up brand name. b. Increase the cost of switching from product and reduce cost of switching to it.
Cost of Financing	a. Use swaps and derivatives to match debt more closely to firm's assets. b. Recapitalize to move the firm towards its optimal debt ratio.	a. Change financing type and use innovative securities to reflect the types of assets being financed. b. Use the optimal financing mix to finance new investments. c. Make cost structure more flexible to reduce operating leverage.	Reduce the operating risk of the firm, by making products less discretionary to customers.