

## Microsoft's Gates To Move Out Of Daily Role

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By Mark Boslet and Carmen Fleetwood

NEW YORK (Dow Jones)--Microsoft Corp. (MSFT) Chairman Bill Gates on Thursday announced he will step down from his full-time role at the company in two years and primarily will work at his foundation, which promotes health and educational issues.

Gates, a co-founder of the software giant, will become a senior technology advisor for Microsoft and will remain as chairman. Chief Technical Officer and software veteran Ray Ozzie will immediately take on the role of chief software architect from Gates and Craig Mundie will also now take the new title of chief research and strategy officer. Mundie was also a chief technical officer.

"This decision was a hard one for me to make," Gates said. But "I believe Microsoft can make the transition without skipping a beat" and "I know Microsoft is well-positioned for success ahead."

That's not a feeling that's universally shared. While the company is in fourth place as of June 14 for total market capitalization at \$223.2 billion, shares have fallen about 20% in less than two months. Investors have been concerned with delays for Vista, its update to its operating system and heightened competition on the Web with Google Inc. (GOOG).

Microsoft shares were off slightly in after-hours trading at \$21.98 from the closing price of \$22.07.

"I think Microsoft has been in a tough place for a while," said Eric Johnson, professor of management and director for the Center of Digital Strategies at the Tuck School of Business at Dartmouth College. "I think it's a signal that it might be time for a change" at the company. But Johnson doesn't expect any major changes at Microsoft.

The executive changes are unlikely to change Microsoft's strategy for trying to wrestle the leading edge on the Internet currently enjoyed by Google.

"That battle is taking place over the next two years, (and) he's (Gates) is definitely sticking around for that," said Charles DiBona, an analyst with Sanford C. Bernstein & Co., who doesn't own Microsoft stock and whose firm does not do banking business for the company. Its parent company, AllianceBernstein Holding L.P. does own Microsoft shares.

DiBona added that this move does not mean Gates is leaving the company entirely, "which would be a problem."

While Gates had never explicitly said he was going to leave the company, he has been slowly shifting away from a day-to-day role at the company six years ago.

"It was vintage Bill Gates, very deliberate," said Laura DiDio, a research fellow at Yankee Group, a market research firm in Boston.

Gates said the move was not his "retirement." In response to a question during a conference call, Gates said he doesn't foresee a time when he won't be chairman.

Gates noted he will be taking a seven-week vacation, which is very unusual for him. He will be visiting Africa and doing some Microsoft business. Gates said he will also be enjoying time in Washington state.

The vacation pre-dates all the discussions about succession.

Gates does not intend to transfer shares to his foundation.

"I see myself always being largest shareholder of Microsoft," Gates said. That is "something I want to maintain."

Gates founded Microsoft with Paul Allen in 1975, seizing on the then-improbable dream of computers in the average home and business. Gates served as chairman and chief executive until 2000, when Steve Ballmer took over as CEO. In 2000, with his wife, Gates formed the Bill & Melinda Gates Foundation, whose assets now are \$29.1 billion.

Gates created unprecedented personal wealth through Microsoft. For the past 11 years, Forbes has ranked Gates as the wealthiest person in the U.S., with a net worth of \$51 billion as of September 2005.

He remains the largest shareholder in Microsoft, according to FactSet Research, with a stake of 983.8 million shares, or 9.6% of the stock outstanding. That position has a market value of about \$21.52 billion.

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(George Stahl contributed to this story.) [ 06-15-06 2023ET ]

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