# Microsoft's stock slumped under Ballmer

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When Steve Ballmer took over as CEO in January 2000, Microsoft was the titan of tech and the world's most valuable company.

My, how things have changed.

In the 13 years since Bill Gates handed over the CEO spot, the technology landscape has seen seismic shifts. The Internet bubble popped, erasing paper fortunes built on dot.com companies. Apple's iPods, iPhones and iPads became ubiquitous. Google became a verb. And Facebook turned social networking into something you do by yourself, instead of surrounded by people at happy hour.

The years have been less kind to Microsoft.

"Complacency and a lack of innovation caught up to them," said Yun Kim, an analyst at Janney Capital Markets. "It's their inability to stay relevant beyond the PC."

When Ballmer became CEO, Microsoft had a market value of $604 billion. That heft meant it accounted for nearly 5 percent of the Standard & Poor's 500 index, according to Howard Silverblatt, an analyst at S&P Dow Jones Indices.

Now, Microsoft's market value is $269 billion, less than half of its value when Ballmer came to power. It makes up less than 2 percent of the S&P 500.

When Microsoft announced on Friday that Ballmer would step down within the next year, the company's shares shot up as much as 9 percent shortly after the markets opened. They came within two dollars of their 52-week high. Microsoft rose $2.36, or 7 percent, to close at $34.75.

Under Gates, Microsoft dominated the software industry throughout the 1990s, and the company's soaring stock had far-reaching effects. Newly minted "Microsoft millionaires" left to launch tech companies, venture-capital firms and charities. Paul Allen, a boyhood buddy of Gates' who co-founded the company, bought the Seattle Seahawks and the Portland Trailblazers, and opened a pop-culture museum. Gates used his billions to launch the Bill & Melinda Gates Foundation, which has influenced national and international policy on health and education.

But under Ballmer, Microsoft's stock has been a dud, losing 44 percent during his tenure. Still, dividend payments have compensated for some of the slump. An investment of $1,000 in January 2000 would now be worth just $767 after reinvesting dividends, according to data from FactSet.

The same investment in Apple would be worth $20,120.

From the beginning, Ballmer faced some daunting challenges. Months after he landed his new job, the Internet bubble burst. By the end of the year, Microsoft had slipped from being the most valuable company in the S&P 500 to seventh place.

Microsoft's decline came not simply because it failed to keep up with technology, but because its technology was tied to the personal computer. And smartphones and tablet computers have pushed the PC aside.

When Microsoft tried to launch innovative products, its timing was off, said Ted Schadler, an industry analyst at Forrester. It created software for smartphones and tablet computers years ago that failed to catch on.

That's not to say Microsoft has run out of options. Its software, including Windows and Office, is still popular in businesses large and small. About 70 percent of business email is still sent on Microsoft software, Schadler says. Microsoft Enterprise, which helps big companies operate databases, is popular, too. And the company's Xbox game consul has been a hit with consumers.

John Gallaugher, an associate professor of information systems at Boston College, said Microsoft has no problem turning a profit. Anyone working in an office relies on Microsoft's operating systems and software. They use Microsoft Word for crafting memos, Excel for spreadsheets, Outlook for email and PowerPoint for presentations. The trouble, says Gallaugher, is that nearly everyone already has those tools.

By contrast, Apple and Google "have basically pulled a rabbit out of the hat" every so often with new products that became a must-have thing, Gallaugher said. "Microsoft needs to reach in there and find some ears."



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