

CEO Concerns at Apple and Microsoft--The Need for Successors

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I was shocked to see how thin and gaunt Steve Jobs looked at the recent meeting in which he revealed the wonderful details about the upcoming release of the 3G iPhone.

Rumors have been swirling about the possibility that the cancer that Jobs was diagnosed with in 2004 might have returned. Apple (Nasdaq:AAPL) needs to make a clarifying announcement soon for the sake of nervous shareholders.

With the recent decline in AAPL shares due to worries about Jobs' health, there is also a crying need for an open succession plan. An argument could be made that there is no succession plan for Warren Buffett at Berkshire Hathaway (NYSE:BRK-A) and yet the shareholders are happy.

My belief is that at the very least AAPL should assure shareholders that a valid succession plan has been created, even if they don't reveal the details. For most of us, it is hard to conceive of Apple without the leadership of Jobs, and the history of the company bears that out.

Another company in CEO trouble is Microsoft (Nasdaq:MSFT). As far as I'm concerned, Steve Balmer's credibility is in trouble. Even though the Yahoo (Nasdaq:YHOO) deal fell through, it would have been an expensive deal if Yahoo hadn't balked. Many of us question whether the expenditure would have been worth it.

Now that MSFT is on the outside looking in, Yahoo has cozied up to Google (Nasdaq:GOOG) to leave Microsoft further in the dust as Google grows stronger and more popular.

According to a recent report by the Associated Press, "What began in January as Microsoft's most audacious attack yet on Google instead paved the way for the Internet's most powerful company to gain even more clout through a deal that gives Google access to a large chunk of Yahoo's advertising space.

By submitting to a partnership that endorses Google's search advertising technology as a better choice than its own, Yahoo is giving online marketers even more incentive to spend most of their money with its biggest rival, according to industry analysts.

It looks like such a sweet deal for Google that the U.S. Justice Department and lawmakers are expected to take a hard look at the arrangement to make sure it doesn't give Google too much control over the Internet's search advertising market.

Google currently has about 75 percent of the U.S. search advertising market followed by Yahoo at 9 percent, according to the research firm eMarketer Inc.

Although they contend their alliance won't lessen competition, Google and Yahoo have agreed to wait until late September to begin working together so the U.S. government has more time to assess the potential impact.

Even more importantly to Google, the Yahoo partnership keeps a potentially valuable weapon out of Microsoft's control.

Without Yahoo's renowned franchise, Microsoft once again is scrambling to find a way to fix its unprofitable online operations and narrow Google's commanding lead in the Internet's rapidly growing ad market."

This is one of many reasons why I think there is a need for new leadership at MSFT. Steve Ballmer has guided MSFT to a reputation of mediocrity as a corporation that has lost its technological advantage and doesn't know how to use its wealth to stay competitive.

Bill Gates and the board of Microsoft need to wake up and the shareholders need to speak up. Mr. Ballmer should at the very least figure out how to inspire the confidence of shareholders like a Warren Buffett or a Steve Jobs.

If the CEO can't inspire a sense of purpose and competent leadership, he needs to be replaced as quickly as possible with a leader who has a vision to use this powerful franchise as a viable tool to stay up with the Googles and the Apples of the world.

Just looking at the recent history of MSFT share price movement, one can easily see that there is a great disparity between their share price and their technological potential. Where is the great business sense and acumen that used

to create a sense of awe and motivation?

May Mr. Jobs recover and stay well. May the board at AAPL formulate a publicly-released succession plan just in case.

As for Steve Ballmer, maybe it's time to "fish or cut bait." If he can't stand up before shareholders and tell us how MSFT can grow their business and blow away the competition (let alone catch up) maybe it is time for him to try his hand at something else.