Microsoft Names Satya Nadella as CEO

Bill Gates Leaves Chairman Post to Become Technology Adviser

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Satya Nadella is seen in this undated Microsoft photograph released Feb. 4, 2014. REUTERS

Microsoft Corp. has named company veteran Satya Nadella as its next chief executive, an appointment that comes as the software giant faces competition across all fronts of its business.
The company also said founder Bill Gates, who previously was chairman, moves to a new role on the board as technology adviser and will devote more time to the company, supporting Mr. Nadella in shaping technology and product direction. John Thompson, who was formerly the lead director, will become chairman.

Mr. Nadella's naming to the post, effective immediately, makes him the third CEO since the Redmond, Wash., company was founded in 1975. He succeeds Steve Ballmer, who in August announced his plans to retire. Mr. Ballmer was originally handed the reins in 2000 when founder and college friend Bill Gates stepped aside after 25 years.

The appointment of Mr. Nadella, who is 46 years old and leads the Microsoft division that makes technology to run corporate computer servers and other back-end technology, will be considered a safe choice. He has signaled a desire for continuity, telling directors that, as CEO, he hopes to lean on Mr. Gates, according to several people familiar with the matter. Little in Mr. Nadella's public history at Microsoft suggests he will break from the company's pattern as a fast follower, rather than a trend setter.

Mr. Nadella will also join the company's board, and Mr. Ballmer will remain a director as well.
Analysts at FBR Capital Markets called the appointment of Mr. Nadella a "safe pick" versus choosing an outsider.

"As Microsoft continues down the right lane of the highway at 55 mph with its new CEO in hand, the fear among many investors is that other tech vendors from social, enterprise, mobile, and the tablet segments continue to easily speed by the company in the left lane of innovation and growth," the analysts said in a note.

While Microsoft continues to churn out big profits, the company has missed potential growth areas as people and businesses shift more computing chores to the Web, tablets and smartphones.

Microsoft is heavily dependent on a trio of products—Windows, Microsoft Office and related software to run companies' back-end computing gear—that are deeply tied to the sales of Windows-powered PCs. Other well-known products, like the Bing search engine and the Xbox videogame system, don't contribute as much to results.

The company kicked off the current fiscal year by announcing first- and second-quarter results that easily topped Wall Street's expectations. Analysts surveyed by Thomson Reuters are projecting full-year revenue to rise 7% for the period ended June 30, but the bottom line is expected to be roughly flat.

Timeline: Microsoft Under Ballmer
People who have worked with Mr. Nadella credit him with repairing technical glitches at Microsoft's Web-search service, disarming Silicon Valley technologists suspicious of the company and fostering collaboration in a turf-conscious workplace.

Most of Mr. Nadella's experience is in serving corporate customers—the source of two-thirds of Microsoft profits—which suggests the company may want to double down in that area. He has been an internal champion of Microsoft's efforts to rent computing power to other companies, even though that business competes with some of Microsoft's most-profitable products.

Microsoft previously indicated it would look both inside and outside the company for a replacement for Mr. Ballmer. Mr. Nadella, not only confronted by the pressures Microsoft faces in the tech space, will also need to work with Mr. Ballmer and Mr. Gates as the company looks toward its future.

A handful of well-known candidates were rumored to be in the running for the post. Ford Motor Co. 's CEO Alan Mulally in early January said he wasn't taking the job.

Others who at one time discussed the CEO job with Microsoft directors have included Nokia Corp. executive Stephen Elop, Oracle Corp. President Mark
Hurd, Pivotal Software Inc. CEO Paul Maritz and Microsoft executive Tony Bates. Ericsson CEO Hans Vestberg was also a rumored candidate.

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