

Microsoft spent two years trying to buy Activision Blizzard. For Xbox CEO, that was the easy part

October 14 2023, by Matt O'brien



Xbox CEO Phil Spencer arrives at the Phillip Burton Federal Building and U.S. Courthouse on June 28, 2023 in San Francisco. After two years co-piloting the biggest acquisition in video game history past an onslaught of challenges, Spencer now moves on to his next quest: making Microsoft's takeover of Activision Blizzard worth the hassle. Credit: AP Photo/Noah Berger, File

After two years co-piloting the biggest acquisition in video game history past an onslaught of challenges, Xbox CEO Phil Spencer now moves on to his next quest: making Microsoft's takeover of Activision Blizzard worth the hassle.

Microsoft, which owns the Xbox gaming system, [closed its \\$69 billion deal](#) to buy game-maker Activision Blizzard on Friday after fending off global opposition from antitrust regulators and rivals.

It marks a career-defining moment for Spencer, who first joined Microsoft as an intern in 1988 and has helmed Xbox since 2014. After years of lagging behind rival Sony's PlayStation, acquiring Activision's collection of popular game titles gives Microsoft a rare chance to catch up.

"His job really just starts today," said analyst Gil Luria, technology strategist at D.A. Davidson, after the deal's closure. "All he's been doing is preparing for today where he actually gets to integrate the business."

And it marks the end of an era for Activision Blizzard CEO Bobby Kotick, who's led the Southern California maker of Call of Duty and other blockbuster franchises since 1991 after helping to buy it from bankruptcy. Kotick said he's assisting with the transition until the end of the year.

Activision Blizzard was still reeling from worker protests, lawsuits and government investigations over allegations of workplace harassment against women and unequal pay when Microsoft privately reached out about buying the company in 2021.



Activision Blizzard CEO Bobby Kotick leaves the Phillip Burton Federal Building and U.S. Courthouse in San Francisco on June 28, 2023. Microsoft, which owns the Xbox gaming system, closed its \$69 billion deal to buy game-maker Activision Blizzard on Friday. It marks the end of an era for Kotick, who's led the Southern California maker of Call of Duty since 1991. Credit: AP Photo/Noah Berger, File

When the companies announced a planned merger in January 2022, Microsoft CEO Satya Nadella made clear it would be "critical for Activision Blizzard to drive forward" on its commitments to improve its workplace culture.

That was just the start of Microsoft's challenges in bringing home the deal. After negotiations with Spencer faltered, top rival Sony brought its

concerns about losing access to the Call of Duty franchise to regulators around the world. The strongest opposition came from U.S. antitrust enforcers emboldened by President Joe Biden's administration to take a tougher look at big tech deals, as well as their counterparts in the United Kingdom who finally relented in approving the deal Friday only after Microsoft agreed to make concessions.

"Microsoft didn't have a choice. If they wanted to be long-term competitive with Sony and the PlayStation platform, they need to have a much more robust content offering," Luria said.



An image from Activision's Call of Duty is shown on a smartphone near a photograph of the Microsoft logo in this photo taken in New York, June 15, 2023. Microsoft's purchase of video game maker Activision Blizzard won final approval Friday, Oct. 13, from Britain's competition watchdog, reversing its

earlier decision to block the \$69 billion deal and removing a last obstacle for one of the largest tech transactions in history. Credit: AP Photo/Peter Morgan, File

But, "in retrospect, they should have read the writing on the wall in terms of the difficulty of closing the deal," Luria said. "They needed to do the deal to stay competitive, but knowing what they know now, they might have done it differently."

A key moment came in June, when a [federal judge](#) weighed the U.S. Federal Trade Commission's attempt to block the merger while it awaited further review. In an unusual move for a CEO that telegraphed the deal's importance, Spencer spent the better part of two weeks at the defendant table of a San Francisco courtroom conferring with Microsoft's lawyers. The judge eventually dismissed the FTC's request, though the agency is still seeking to unwind the deal.

Microsoft's success in integrating Activision's business is "not guaranteed, especially as its track record with acquisitions has been a mixed bag," said George Jijiashvili, senior principal analyst at research and advisory firm Omdia. Last year, Microsoft spent \$7.5 billion to acquire ZeniMax Media, the parent company of video game publisher Bethesda Softworks, maker of Elder Scrolls and Fallout.



Scenes from "Candy Crush Saga," left, by Activision Blizzard, and "Crash Team Rumble," from Activision Publishing, are shown in this photo, in New York, Wednesday, June 21, 2023. Microsoft's purchase of video game maker Activision Blizzard won final approval Friday, Oct. 13, from Britain's competition watchdog, reversing its earlier decision to block the \$69 billion deal and removing a last obstacle for one of the largest tech transactions in history. Credit: AP Photo/Richard Drew

Microsoft's two key game launches this year from its Bethesda merger, Redfall [and Starfield](#), have "been met with mixed reactions at best," Jijiashvili said. "However, with globally popular game franchises such as Call of Duty now under its wing, the company is strategically much better positioned."

Another challenge for Microsoft will be overcoming the workforce challenges that dogged Activision before the takeover.

As of late last year, Activision Blizzard had 13,000 employees, about 72% in North America, according to a regulatory filing. Microsoft has already pledged it will stay neutral if the nearly 10,000 workers in the U.S. and Canada seek to organize into a [labor union](#), part of a 2022 agreement with the Communications Workers of America meant to address U.S. political concerns about the merger's effects.



A sign is seen outside the Activision building in Santa Monica, Calif. on June 21, 2023. Microsoft's purchase of video game maker Activision Blizzard won final approval Friday, Oct. 13, from Britain's competition watchdog, reversing its earlier decision to block the \$69 billion deal and removing a last obstacle for one

of the largest tech transactions in history. Credit: AP Photo/Richard Vogel, File



The logo for Microsoft, and a scene from Activision "Call of Duty - Modern Warfare," are shown in this photo, in New York, June 21, 2023. Microsoft's purchase of video game maker Activision Blizzard won final approval Friday, Oct. 13, from Britain's competition watchdog, reversing its earlier decision to block the \$69 billion deal and removing a last obstacle for one of the largest tech transactions in history. Credit: AP Photo/Richard Drew, File

"It is a new day for workers at Activision Blizzard," said CWA President Claude Cummings Jr. in a statement Friday.

"Over two years ago, workers at Activision Blizzard's studios captured

the country's attention through walkouts and other protests over discrimination, [sexual harassment](#), pay inequity, and other issues they were facing on the job," Cummings Jr. said. "Their efforts to form unions were met with illegal retaliation and attempts to delay and block union elections. Now these workers are free to join our union through a fair process, without interference from management."

In a Friday welcome email to Activision employees, Spencer said he wanted to "reiterate that we hold ourselves to a high bar in delivering the most inclusive and welcoming experiences for players, creators, and employees."

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Citation: Microsoft spent two years trying to buy Activision Blizzard. For Xbox CEO, that was the easy part (2023, October 14) retrieved 28 April 2024 from <https://techxplore.com/news/2023-10-microsoft-spent-years-buy-activision.html>

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