

MICROSOFT'S TRANSFORMATION

On February 4th 2014, Satya Nadella became the third CEO of Microsoft, after Steve Ballmer quite unexpectedly announced his intention to resign from the position.

Satya, born in Hyderabad, India, started at Microsoft in 1992. He had a background in engineering and had fulfilled a number of roles before he became one of the candidates for the role of CEO.

Under his leadership, Microsoft has transformed in many aspects. Before we delve into that, let's take a look at the Microsoft of 2014, the Microsoft Satya inherited.

Microsoft in 2014

The Microsoft of 2014 was a sick company.

At the time, "A computer on every desk and in every home" was the mission. But every desk and home pretty much *had* a computer, and most people had a smartphone. And while they had succeeded in many ways, they were lagging in many other ways. PC sales had slowed, and they were significantly behind in mobile. They were behind in search and needed to grow again in gaming.

Next to that, the culture was rigid. Each employee had to prove to everyone that he or she knew it all and was the smartest person in the room. Accountability—delivering on time and hitting numbers—trumped everything. Meetings were formal. Everything had to be planned in perfect detail before the meeting. And it was hard to do a skip-level meeting. If a senior leader wanted to tap the energy and creativity of someone lower down in the organization, she or he needed to invite that person's boss, and so on. Hierarchy and pecking order had taken control, and spontaneity and creativity had suffered as a result.

Employees were tired, frustrated. They were fed up with losing and falling behind despite their grand plans and great ideas. They came to Microsoft with big dreams, but it felt like all they really did was deal with upper management, execute processes, and bicker in meetings. They'd come to Microsoft to change the world but were frustrated by the company's stalled growth.

In the years prior to Satya taking on his new role, the executive team had spent far too much time trying to explain the massive company and its strategy. What they lacked was a shared understanding.

Satya's vision

Prior to being selected for the role of CEO, Satya had written a memo to the Board, around Thanksgiving, outlining his promises and vision for the Microsoft he wanted to see. He wanted to go back to the genesis of the company. The sense of purpose and drive that made them successful. The culture that may have been there in the very beginning or in the times when they were able to achieve that success. He wanted to get to the bottom of 2 very important questions:

1. Why are we here?
2. What do we do next?

And he was going to figure it out by listening.

After his appointment as CEO, he spent the better part of the first five months with his direct reports to ask these fundamental questions.

In his own words:

Listening was the most important thing I accomplished each day because it would build the foundation of my leadership for years to come. To my first question, why does Microsoft exist, the message was loud and clear. We exist to build products that empower others. That is the meaning we're all looking to infuse into our work. I heard other things as well. Employees wanted a CEO who would make crucial changes, but one who also respected the original ideals of Microsoft, which had always been to change the world. They wanted a clear, tangible and inspiring vision. They wanted to hear more frequently about progress in transparent and simple ways. Engineers wanted to lead again, not follow. They wanted to up the coolness. We had technology the press would fawn over in Silicon Valley, such as leading-edge artificial intelligence, but we weren't showing it off. We had world-class speech and vision recognition and advanced machine learning that we kept under wraps. What they really demanded was a road map to remove paralysis.

But listening to others is only part of the story. The other part is having specific ideas about what the culture should become. And for him, the culture change required was rooted in the Microsoft he originally joined. It was centered on exercising a growth mindset every day in three distinct ways.

1. obsess about customers
2. actively seek diversity and inclusion
3. one company, one Microsoft

He believed that if they exercised a growth mindset by being customer-obsessed, diverse, and inclusive and acting as One Microsoft, that's when they live their mission and truly make a difference in the world.

Whether you are a company designing a product or a lawmaker designing a policy, you must start by empathizing with people and their needs. No product or policy works if it fails to reflect and honor the lives and realities of people—and that requires those who design the product or the policy to truly understand and respect the values and experiences underlying those realities. So empathy is a crucial ingredient in developing a product or a policy that will earn people's trust.

In his words:

We can have all the bold ambitions. We can have all the bold goals. We can aspire to our new mission. But it's only going to happen if we live our culture, if we teach our culture. And to me that model of culture is not a static thing. It is about a dynamic learning culture. In fact, the phrase we use to describe our emerging culture is 'growth mindset,' because it's about every individual, every one of us having that attitude—that mindset—of being able to overcome any constraint, stand up to any challenge, making it possible for us to grow and, thereby, for the company to grow.

Engaging the organization

Microsoft needed more openness. And more empathy. It started by opening up the annual SLT meeting to founders of companies they had acquired the year prior.

These new Microsoft leaders were mission-oriented, innovative, born in the mobile-first and cloud-first world. The SLT could learn from their fresh, outside perspective. This didn't go down well when he first proposed it – these events had value because of their exclusivity. You had to have been around for a long time to be able to attend. But Satya saw that the traditional SLT's were a lot of talent, bandwidth, and IQ, just talking at each other in the deep woods. And not really learning or being open to outside views. By drawing these young leaders in, Satya invited them to challenge the status quo, and the result was that the existing senior leadership could put down the proverbial guns and discover new ways Microsoft could fulfill its mission in the world.

They then jointly created a culture cabinet—a group of trusted advisors and senior leaders who were committed to helping shape and lead the culture change in every part of our company. The change was coming from within. Part of the success of the process was the sense of ownership that the leadership

team brought to it, ensuring that it was vetted and tested with the rest of the company to ensure it felt authentic. They did a listening tour inside Microsoft, pulling in everyone from new employees, young kids right out of college, to corporate vice presidents, and talking to them in small groups to really understand what words of the new mission and vision resonated with them and what words didn't.

Over time these changes meant that some executives left. They were all talented people, but the senior leadership team needed to become a cohesive team that shared a common worldview. For anything monumental to happen—great software, innovative hardware, or even a sustainable institution—there needs to be one great mind or a set of agreeing minds.

But for true change you need to go beyond senior leadership. They needed a broader set of managers who could be brought into modeling the mission and building the culture they needed. The whole organization needed to carry Microsoft into the future.

The new Microsoft

The new Microsoft is one with a culture of collaboration, internally and externally, more and better innovation, and one that supports the cultivation of a growth mindset.

Collaboration & Partnering

Let's start with collaboration. Every year at Microsoft they now organize a hackathon, a one-week celebration and time for everyone on campus simultaneously to make connections, learn about what others are doing, find inspiration, and collaborate. Every year, employees—engineers, marketers, all professions—prepare in their home countries for the OneWeek growth hack like students preparing for a science fair, working in teams to hack problems they feel passionate about and then developing presentations designed to win votes from their colleagues.

In the context of growth mindset, the hack also makes perfect sense. Within the subculture of computer programmers, hacking is a time-honoured tradition of working around limitations and creatively solving a difficult problem or opportunity. In its first year, more than twelve thousand employees from eighty-three countries entered more than three thousand hacks ranging from ending sexism in video games to making computing more accessible to people with disabilities to improving industrial supply-chain operations. The Microsoft hackathon has become an avenue for people with depth and passion, people

spanning product groups like OneNote and Windows as well as research to come together and start a movement.

Collaboration extends beyond their internal borders, to companies they have bought, such as Minecraft and LinkedIn, or companies they partner with that were previously sworn enemies, such as Apple.

On the collaboration with Apple, Satya shares:

The demo of Microsoft software on an iPhone designed and built by Apple, one of our toughest, longest-standing competitors, was surprising and even refreshing. Microsoft versus Apple has been such a prominent and even contentious rivalry that people forget we've been building software for the Mac since 1982. Today one of my top priorities is to make sure that our billion customers, no matter which phone or platform they choose to use, have their needs met so that we continue to grow. To do that, sometimes we have to bury the hatchet with old rivals, pursue surprising new partnerships, and revive longstanding relationships. Over the years we've developed the maturity to become more obsessed with customer needs, thereby learning to coexist and compete.

And on partnering he has the following thoughts to share:

For me, partnerships—particularly with competitors—have to be about strengthening a company's core businesses, which ultimately centers on creating additional value for the customer. For a platform company, that means doing new things with competitors that can accrue value back to one of the platforms. Sometimes that means working with old rivals and sometimes it means forging surprising new partnerships. We work with Google, for example, to make it possible for Office to work on their Android platform. We partner with Facebook to make all of their applications work universally across Windows products and, likewise, to help them make our Minecraft gaming applications work on their Oculus Rift, a virtual reality device that competes for attention with our own HoloLens. Similarly, we're working with Apple to enable customers to better manage their iPhones within an enterprise. And we're working with Red Hat, a Linux platform that competes with Windows, so that enterprises built on Red Hat can use our Azure cloud to scale up globally by taking advantage of investments we've made in local data centers around the world. Our partnership with Red Hat may not be as surprising to some as our work with Apple and Google, but when I stood onstage with a slide just over my shoulder proclaiming "Microsoft ♥ Linux," one analyst concluded that hell must have frozen over.

Innovation

This new open culture has encouraged more employee driven innovation. A great example is the Microsoft Seeing AI app, invented by a visually impaired Microsoft engineer named Saqib Shaikh. Saqib and his colleagues created applications that run on a small computer that he wears like a pair of sunglasses. The technology interprets data in real time and paints a picture of the world, conveying it audibly instead of visually. This tool allows Saqib to experience the world in richer ways—for example, by connecting a noise on the street to a stunt performed by a nearby skateboarder or sudden silence in a meeting to what coworkers might be thinking. Saqib can even “read” a menu in a restaurant as his technology whispers the names of dishes in his ear. Perhaps most important, Saqib can find his own loved ones in a bustling park where they’ve gathered for a picnic.

The future of technology

Microsoft is banking on 3 major developments: mixed reality, artificial intelligence, and quantum computing. With mixed reality they are building the ultimate computing experience, one in which your field of view becomes a computing surface and the digital world and your physical world become one. The data, apps, and even the colleagues and friends you think of as being on your phone or tablet are now available anywhere you want to access them—while you’re working in your office, visiting a customer, or collaborating with colleagues in a conference room. Artificial intelligence powers every experience, augmenting human capability with insights and predictive power that would be impossible to achieve on our own. Finally, quantum computing will allow us to go beyond the bounds of Moore’s Law—the observation that the number of transistors in a computer chip doubles roughly every two years—by changing the very physics of computing as we know it today, providing the computational power to solve the world’s biggest and most complex problems.

Hand in hand with these transformative technologies comes a responsibility to humanity. In the case of Microsoft and their AI developments, Satya describes it as follows:

First, we want to build intelligence that augments human abilities and experiences. Rather than thinking in terms of human vs. machine, we want to focus on how human gifts such as creativity, empathy, emotion, physicality, and insight can be mixed with powerful AI computation—the ability to reason over large amounts of data and do pattern recognition more quickly—to help move society forward. Second, we also have to build trust directly into our technology. We must infuse technology with protections for privacy, transparency, and

security. AI devices must be designed to detect new threats and devise appropriate protections as they evolve. And third, all of the technology we build must be inclusive and respectful to everyone, serving humans across barriers of culture, race, nationality, economic status, age, gender, physical and mental ability, and more.

AI must be designed to assist humanity. Even as we build more autonomous machines, we need to respect human autonomy. Collaborative robots (co-bots) should take on dangerous work like mining, thus creating a safety net and safeguards for human workers. AI must be transparent. All of us, not just tech experts, should be aware of how the technology works and what its rules are. We want not just intelligent machines but intelligible machines; not just artificial intelligence but symbiotic intelligence. The technology will know things about humans, but the humans must also know about how the technology sees and analyzes the world. What if your credit score is wrong but you can't access the score? Transparency is needed when social media collects information about you but draws the wrong conclusions. Ethics and design go hand in hand. AI must maximize efficiencies without destroying the dignity of people. It should preserve cultural commitments, empowering diversity. To ensure this outcome, we need broader, deeper, and more diverse engagement of populations in the design of these systems. The tech industry should not dictate the values and virtues of this future.

Growth Mindset

The growth mindset, that has become a core part of the new Microsoft identity, shows itself in many aspects. Traditionally, when they launched a new version of Windows, existing Windows users would pay us to upgrade. Terry Myerson, the executive in charge of Windows and devices group, had the growth mindset to shift, for a time, to a free consumer upgrade and forgo that revenue. In just a little over a year it had become the most popular Windows upgrade ever with hundreds of millions of users and still rising.

Satya believes that an empathetic leader needs to be out in the world, meeting people where they live and seeing how the technology we create affects their daily activities. A great example of this was the decision to launch Windows 10 in Kenya. Kenya was a country where they had customers, partners, and employees. It's a nation with great promise, one that with digital transformation could leapfrog over others by getting infrastructure and skills in place. In Kenya partners leverage an innovative technology called "TV white space"—the unused broadband spectrum that exists in between television channels—to connect rural, poor areas, to the Web. They could show off not just Windows 10 but also its relevance to anyone and everyone, no matter their geography or socioeconomic status. Launching in Africa shows a commitment to driving

development across the globe, an appreciation for diversity and openness to learning from others.

Diverse & Inclusive

Microsoft has made the commitment to drive real change in this area—linking executive compensation to diversity progress, investing in diversity programs, and sharing data publicly about pay equity for gender, racial, and ethnic minorities.

At Microsoft they now truly believe that organizations are at their best when they actively seek diversity and inclusion. If they are to serve the planet as their mission states, they need to reflect the planet. That requires a wide range of opinions and perspectives in thinking and decision making. This attitude is actively enforced, with the encouraging message: In every meeting, don't just listen—make it possible for others to speak so that everyone's ideas come through. Inclusiveness will help us become open to learning about our own biases and changing our behaviors so we can tap into the collective power of everyone in the company. We need not just value differences but also actively seek them out, invite them in. And as a result, our ideas will be better, our products will be better, and our customers will be better served. Leaders need to act and shape the culture to root out biases and create an environment where everyone can effectively advocate for themselves.

Leading by example

Above all else, Satya takes responsibility for driving the cultural changes required for success. He believes: "C in CEO stands for culture. Anything is possible for a company when its **culture is about listening, learning, and harnessing individual passions and talents to the company's mission**. Creating that kind of culture is my chief job as CEO."