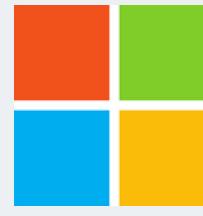




# APPLICATION OF GENERAL PRINCIPLES OF MANAGEMENT

MICROSOFT CORPORATION





# Microsoft

Microsoft Corporation is an American multinational technology company.

Microsoft is ranked No. 21 in the 2020 Fortune 500 rankings of the largest United States corporations by total revenue. As of 2020, Microsoft has the third-highest global brand valuation.

Microsoft's mission is to empower every person and every organization on the planet to achieve more.

Microsoft values Citizenship, trustworthy computing, Innovation, diversity and Environment sustainability.

Fact : Following Microsoft's 1986 Initial Public offering, and subsequent rise in its share price created 3 Billionaires and an estimated 12K+ millionaires among Microsoft employees.



# The 14 Principles of Management

- |                          |   |                          |   |                            |
|--------------------------|---|--------------------------|---|----------------------------|
| 1 DIVISION OF LABOUR<br> | 2 PARTY OF AUTHORITY & RESPONSIBILITY<br> | 3 UNITY OF COMMAND<br>   | 4 UNITY OF DIRECTION<br>                | 5 EQUITY<br>               |
| 6 ORDER<br>              | 7 DISCIPLINE<br>                          | 8 INITIATIVE<br>         | 9 FAIR RENUMERATION<br>                 | 10 STABILITY OF TENURE<br> |
| 11 SCALAR CHAIN<br>      | 12 SUB-ORDINATION OF INTEREST<br>         | 13 ESPIRIT DE' CORPS<br> | 14 CENTRALISATION DE-CENTRALISATION<br> |                            |



## PART 1

# STUDY





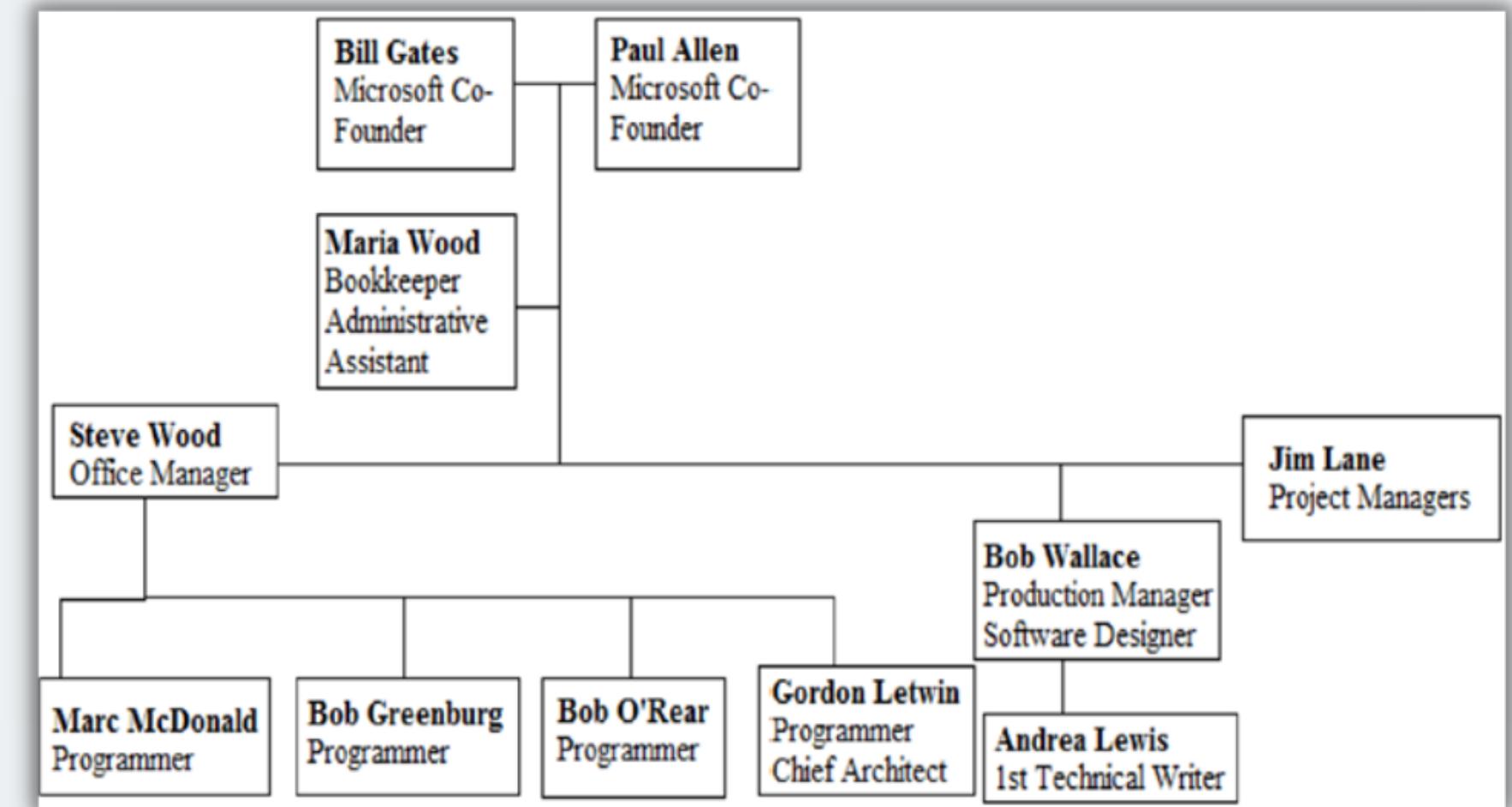
Specialization of Jobs.

Division of work according to area of expertise.

# FUNCTIONAL STRUCTURE



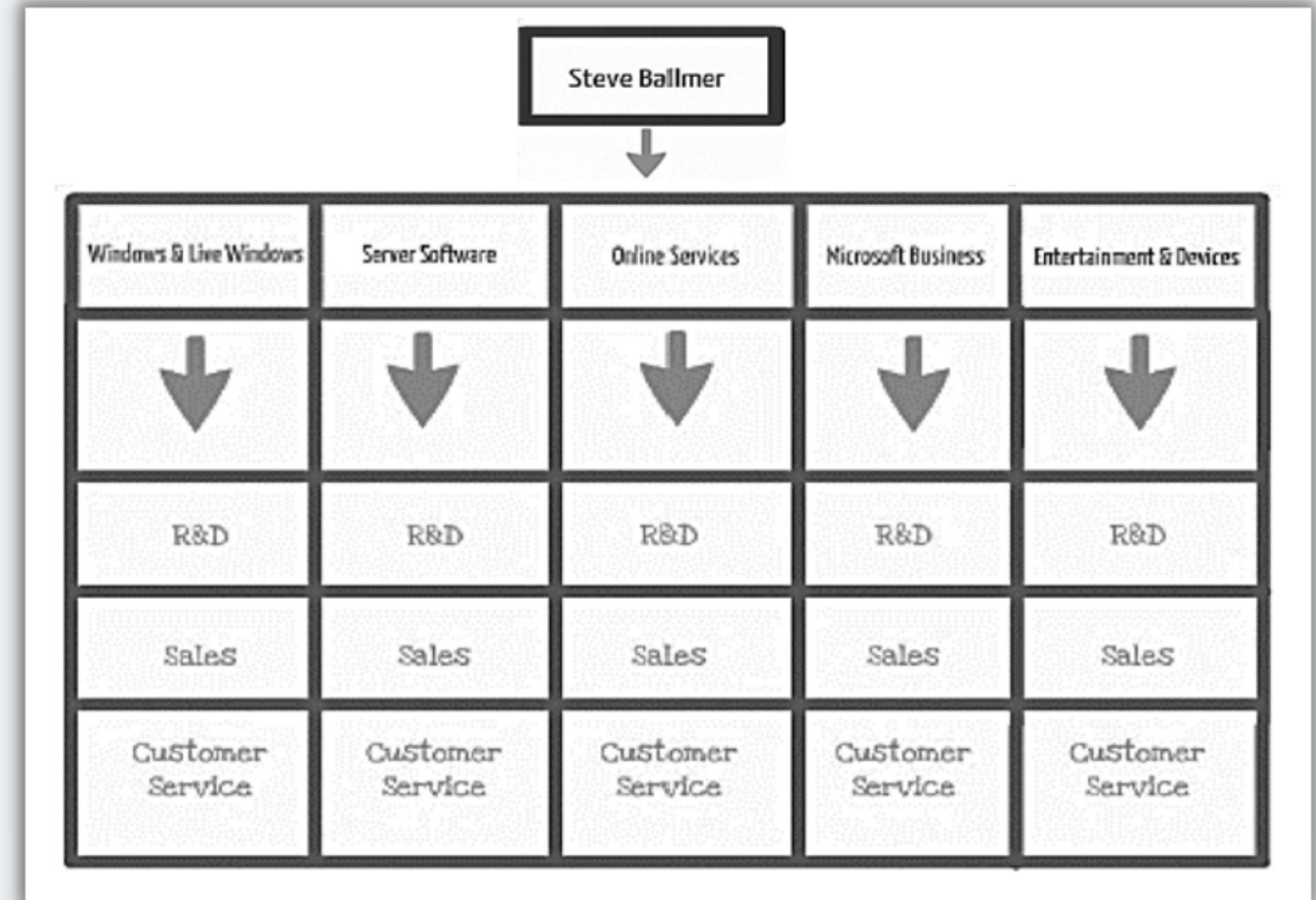
1. Adapted during It's early stage ( 1975's ), by Bill Gates.
2. Sections under the CEO perform tasks it specializes in, despite co-operating towards the same project.
3. Considered a good move, as at that point of time Microsoft was a programming company and thus having programming department separate and prominent was sensible .



# PRODUCT TYPE DIVISIONAL



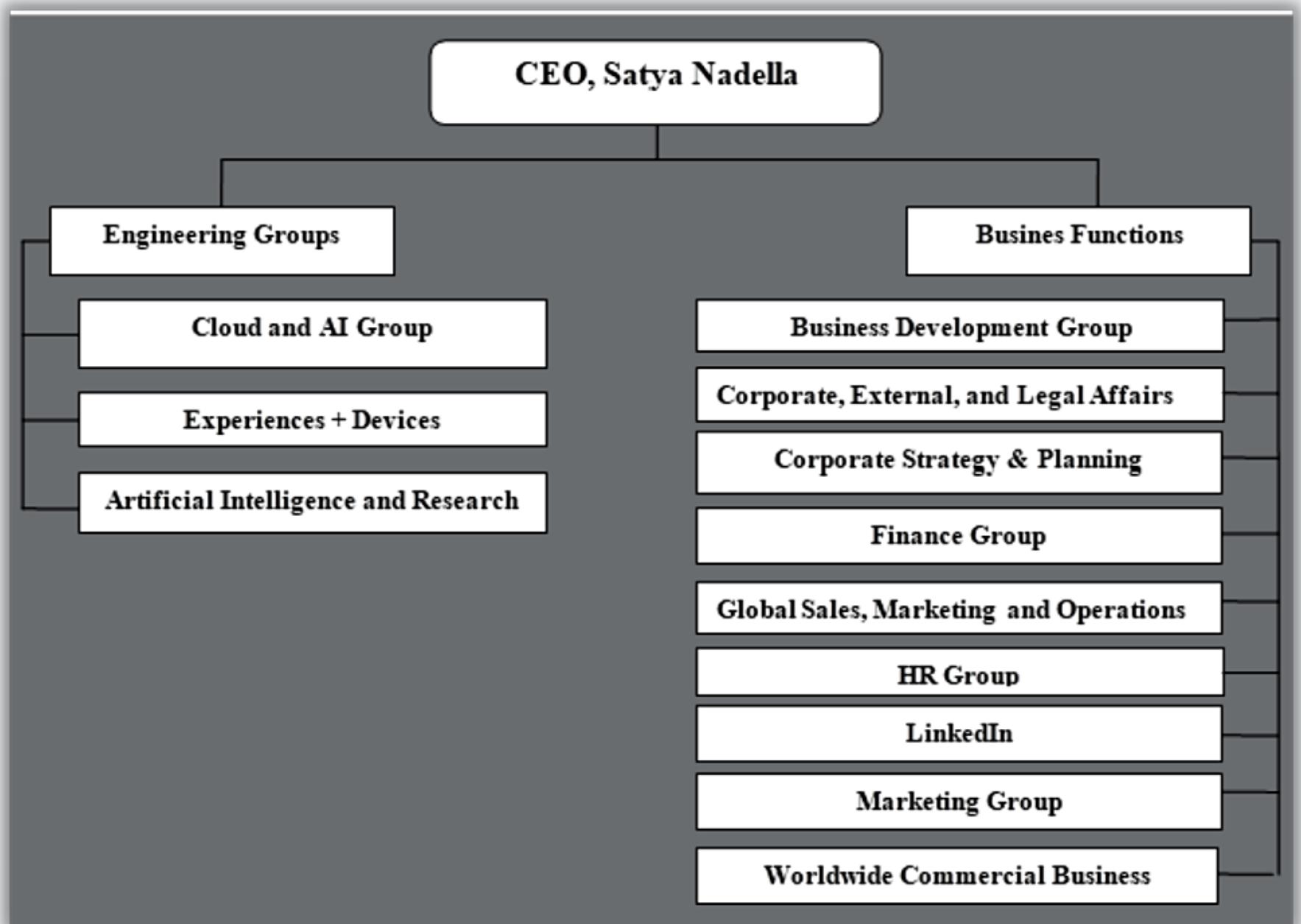
1. Adapted during in 2010 by Steve Ballmer.
2. Divisions based on certain computer hardware and software products.
3. Each division having their own research and development, Sales and customer service staff.
4. Focus on the customer requirements pertaining to specific products, reduction of functional duplication and easier cross-product coordination.



# DIVISIONAL STRUCTURE



1. Since 2015, adopted by Satya Nadella.
2. To align its strategic direction as a productive and platform company.
3. Divided into two group, the engineering groups and Business Functional Group .
4. Heads of engineering groups directly report to CEO Satya Nadella with positive implications on new product development initiatives and innovative potential. This makes Microsoft, able to introduce new products and services to marketplace in the short duration of time.
5. Specialization of employees at their specific task is ranked on a level scale, situated on a scale from level 59 to 80.





### **PARTY OF AUTHORITY & RESPONSIBILITY**

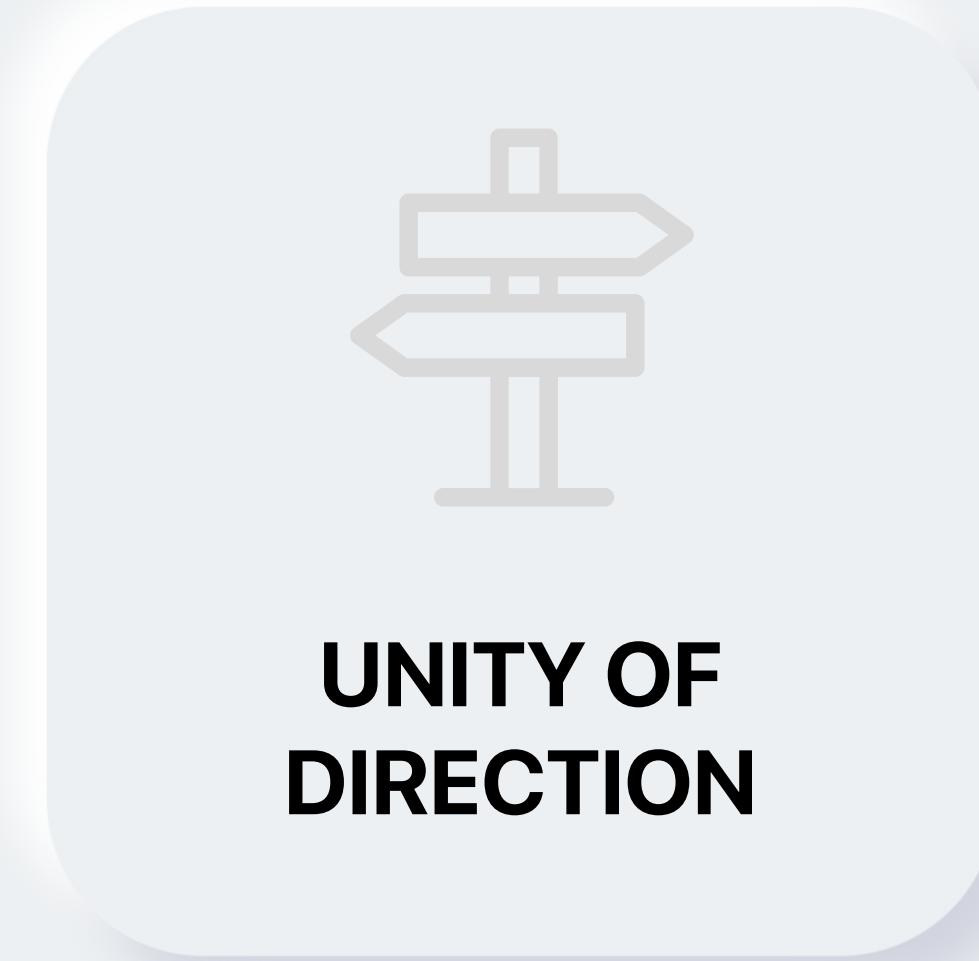
If authority is given to a person,  
he should be made responsible, & vice-versa.



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All divisional Directors have their field of responsibility where they are free to do what they want to contribute to the overall success of the group's strategy.

The Directors head of various divisional groups, hold the authority to make decisions, as well as the responsibility for the overall success of their strategy.



One-head plan for a group of activities having similar objectives.

In the early 1975s, each functional department though working towards same project weren't co-operating towards the same plan, rather specializing and performing tasks limited to their departmental goals.

After the advent of divisional structure, each division is now equipped with all the functions necessary to accomplish its specific mission. Objective of each function is set by its directors and are established according to criteria specific to each unit's speciality.





Fairness, Kindness & Justice.  
Similar treatment to Similar position.

## **Administrative Polls**



Microsoft is run by a board of directors made up of 12 members elected every year at the annual shareholder's meeting using a majority vote system, ensuring people are provided fair chance to select top-level administration.

## **Racial Gap**



Microsoft aims at increasing Black representation in its workforce, seeking to double the number of black people it employs.

Microsoft assured that it is not engaging in racial preferences or quotas.

## **Geographic Pay-Gap**



A crowdsourced data of nearly 400 employees, revealed that engineers working in India were paid far less than their Washington counterparts.

The typical Indian coder makes 3 times less compensation overall.

# FEMALE DISCRIMINATION

Complaints ignored by the Human Resource department.

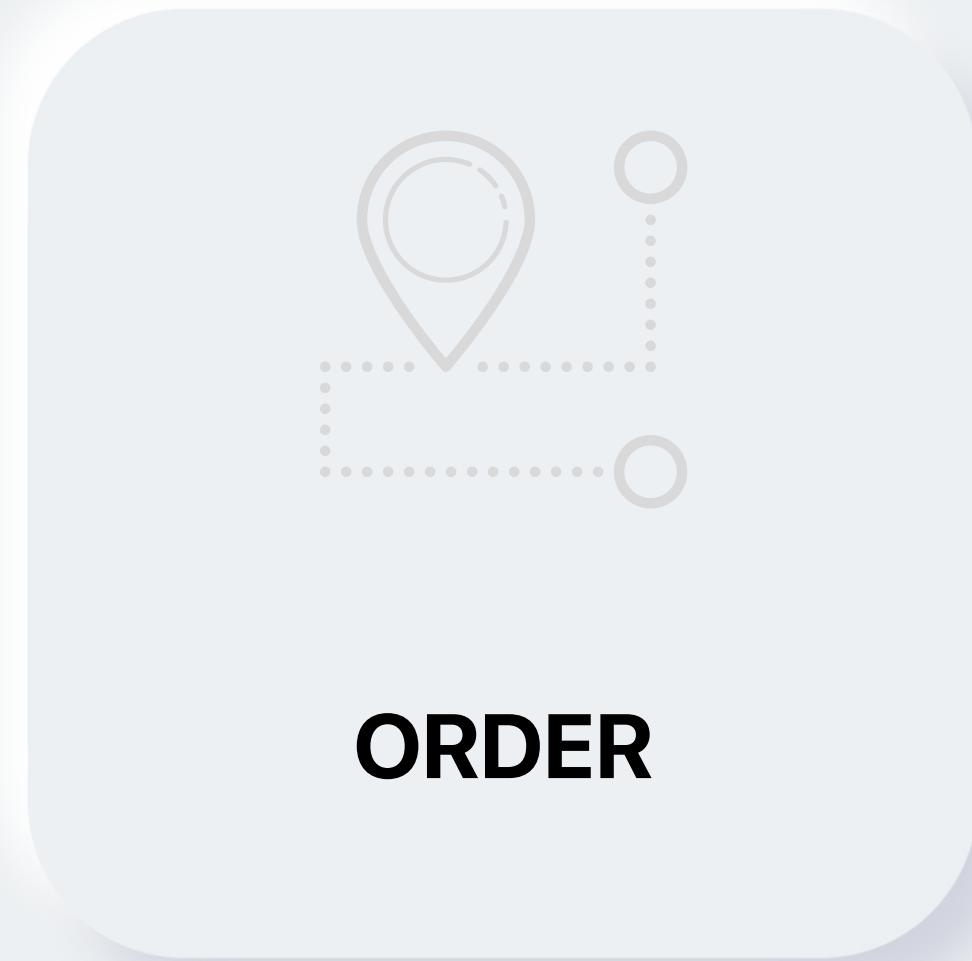
Didn't see an opportunity to advance, and were assigned secretarial work and being passed over for promotions.

Dozens of complaints regarding sexual harassments.

Women complained that supervisors were much harsher on female employees during performance reviews, and were scolded for assertive behaviors and taking on leadership acts.

A lawsuit in 2015, alleges that managers repeatedly passed over a female cyber-security engineer at Microsoft, for promotions in favor of less qualified men.

Internal equal pay study ( 2016 ), revealed that for women earn 99.8 cent for every \$1 earned by men for same job title and level.



Proper & Systematic arrangement of things ( Material order ) and people ( Social Order ).

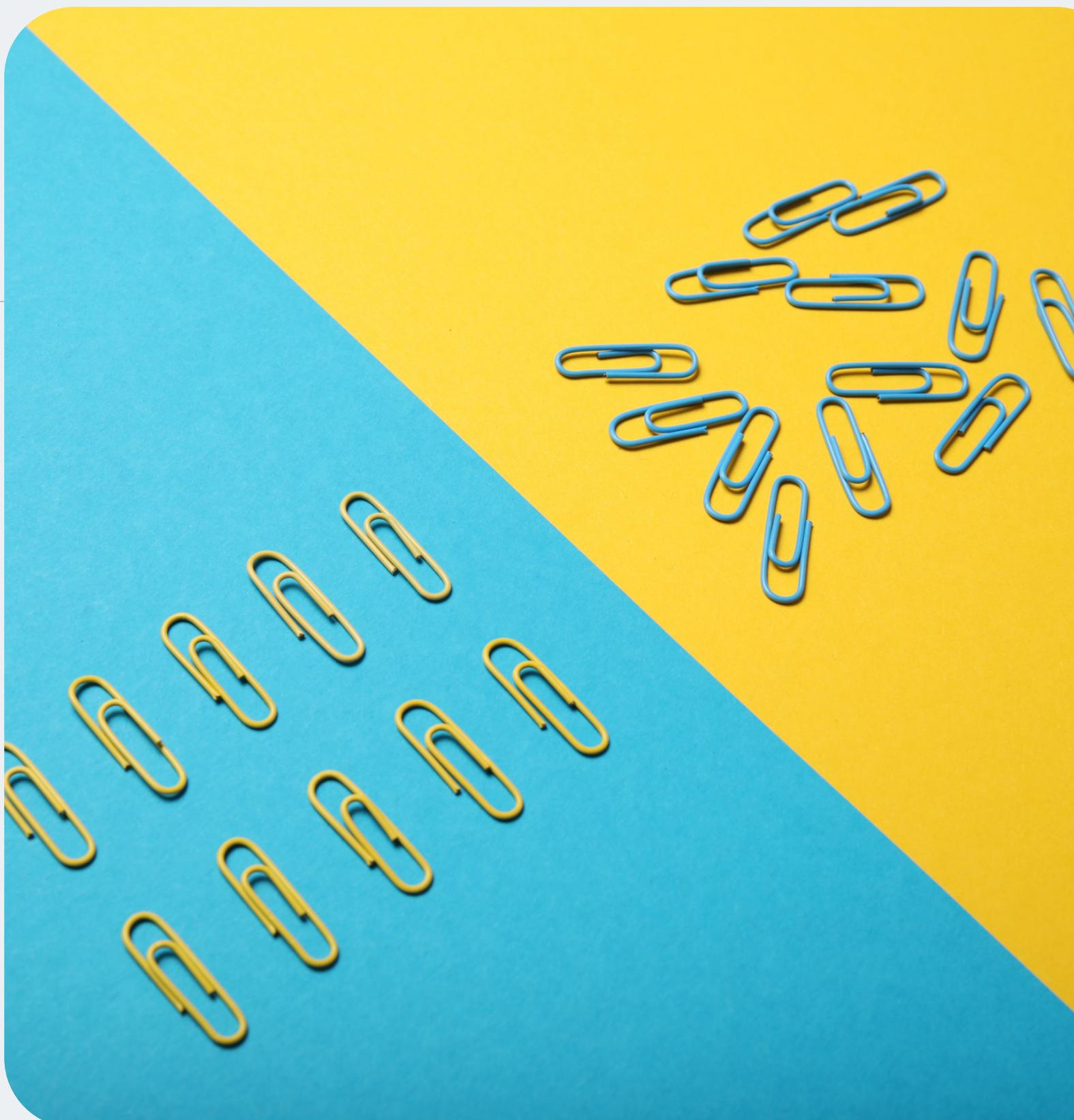
# During 2010 ..

Microsoft, was leading towards financial loses. One of it's cause was improper tailoring of financial Information systems according to common financial reporting standards.

People in corporate finance, had to spend a large amount of time to harmonize diverse data which leaded to the management team making decisions with outdated financial data.

The introduction and enforcements of these systems, has led :

- Higher efficiency
- Drastic reduction in the number of information systems and databases,
- Staff needed to support and manage these systems.
- Better presentation of data, for decision making.



## 1 Global financial reporting system



A single, global financial reporting system, a simple Web-Based software to store all financial data following a common protocol to track all information.

## 2 MS Market & MS Invoice



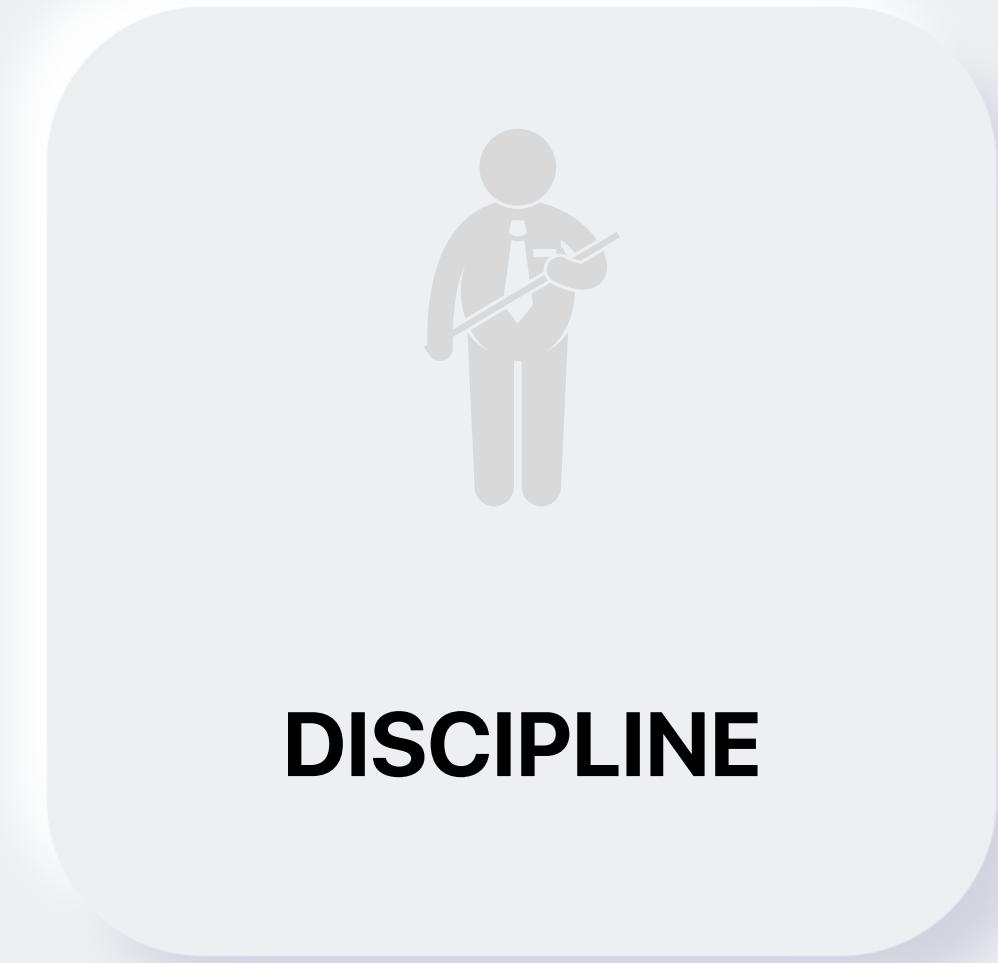
To simplify and standardize the resource procurement process, Microsoft has two systems.

MS Market is through which employees order the supplies they need and MS Invoice is through which suppliers send their bills.

## 3 HR Management System



A companywide HR management information system to track workers by geographical division, business unit or function to ease tracking of employees for HR management and departmental co-ordination purposes.



Respect to superiors and obedience of orders  
for smooth running of enterprise



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Enforced through Microsoft's employee evaluation and rewards system.

Ratings provided, force managers to constructively deal with poor performers,  
followed at every level of management rigorously.



Encouragement to suggest improvements in formulation and implementation, suggest ideas, experiences & new methods.

# The "HoloLens" Project

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Microsoft's 'HoloLens Project', essentially defined holographic computing.

However, it began as a "moon-shot" goal with significant risk of failure. Team members had to welcome the risk and the chance to learn as they joined a cause "to put technology on a more human path". The gamble paid off, and Microsoft responded with recognition and rewards to the team, for learning quickly through faster trial and error.

In this process, people who had a clear sense of purpose and an appetite for risk emerged as incredible leaders. In fact, many of the leaders who joined the team progressed more quickly than average to senior-level roles.



## 1 MS MVP Status



Each year, Microsoft holds election for the 'MS Most valuable Professional status', which entitles them to a sort of special social stats and possibilities for awards and benefits.

Microsoft encourages and rewards those, who take actions towards community growth, offer technical support to employees and contribute to organization as a whole.

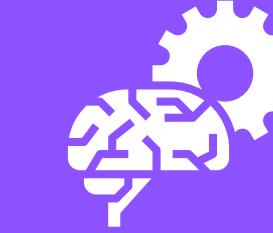
## 2 Brainstorming Sessions



Employee's and Team leaders are provided with meeting opportunities with higher management where they can discuss Ideas.

Extra hours are essentially padded to the general meeting hours for brainstorming ideas.

## 3 Growth Mindset



Microsoft is deliberately creating a growth-mindset culture and rethinking its approach to development.

E.g, Microsoft's annual hackathon offers employees the chance to step outside their day jobs and develop leadership skills.



The quantum and method of remuneration should be fair, reasonable, satisfactory & rewarding of efforts.

## **Employee Evaluation**



Managers provide employees with numerical performance ratings.

Employees with high rating receive aggressive salary increases and those with low ratings get below-average raises and are helped with strategies for improving their performance.

Stocks are also rewarded for long term partnership with employee's.

## **Employee Promotions**



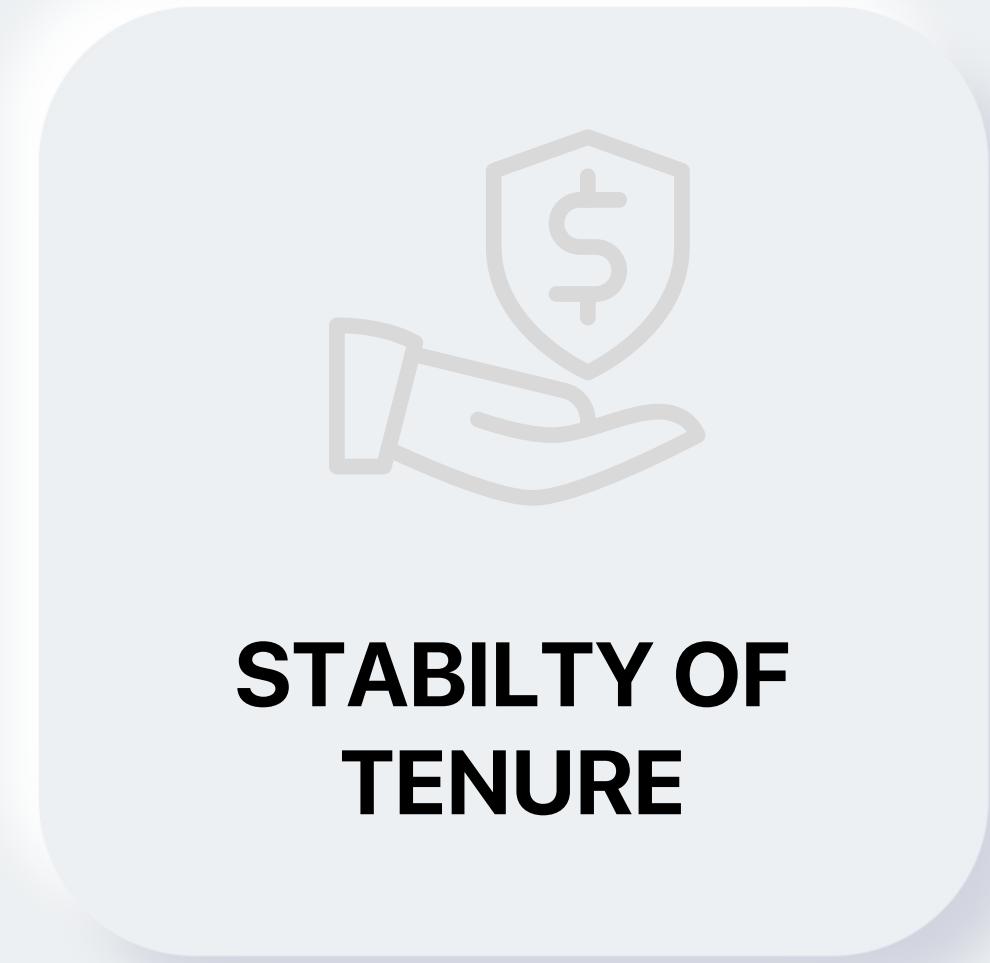
The skills of employees can be divided into 3 areas : conceptual, people and technical skills.

Microsoft, offers two advancement paths, allowing those with technical skills to advance as technical experts, just as those with conceptual skills advance as managers.

## **Employee Benefits**



- Car lease Policy
- Stock purchase plan.
- Tuition Assistance
- Family health insurance
- Maternity and Paternity leaves
- International trips and Vacation
- In-Office 24x7 Gym, shower facility, Yoga & relaxation room, Zumba classes and Transportation facilities, and free access to libraries.



## STABILITY OF TENURE

Period of service in a job should be stable & fixed.



# Lay-offs

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- 1.** In July 2014, Microsoft announced plans to lay off 18,000 employees - about 14% reduction of its workforce.
- 2.** In October 2014, Microsoft announced another 7,800 job cuts. Subsequently in May 2016, there were 1,850 job cuts.
- 3.** As a result of them, the company recorded an impairment and restructuring charge of approximately \$950 Million..
- 4.** During 2020, it is reported that Microsoft has had an estimated of 400 layoffs.

# Internal Mobility

After Satya Nadella took over as the CEO, a formal change was instituted to encourage internal mobility in which employees are no longer required to seek permission from their current manager in order to interview for new positions, nor they are required to tell their current managers that they are doing so unless they have an offer from a new team.

The only restriction :

- Should be present in their current position for at least 18 months.
- Should have good prior performance, reviews, comments and results by present manager.
- Should have improving track records in their present position.





# Employee Retention

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1. Microsoft is however committed to retaining good employees. Company stocks are awarded to employee who are considered long-term asset of the company.
2. To ensure proper recruitment, the recruiters not only inform the new employee the positive aspects of the employment, but also test the negative aspect, putting them under the same type of pressure they would be put on the job.
3. Hire interns and provide them Pre-placement offers.
4. Microsoft believes that skilling and availability of education goes hand in hand. Instead of sending employees elsewhere to get training, Microsoft provided training & certifications to employees as a part of their jobs.



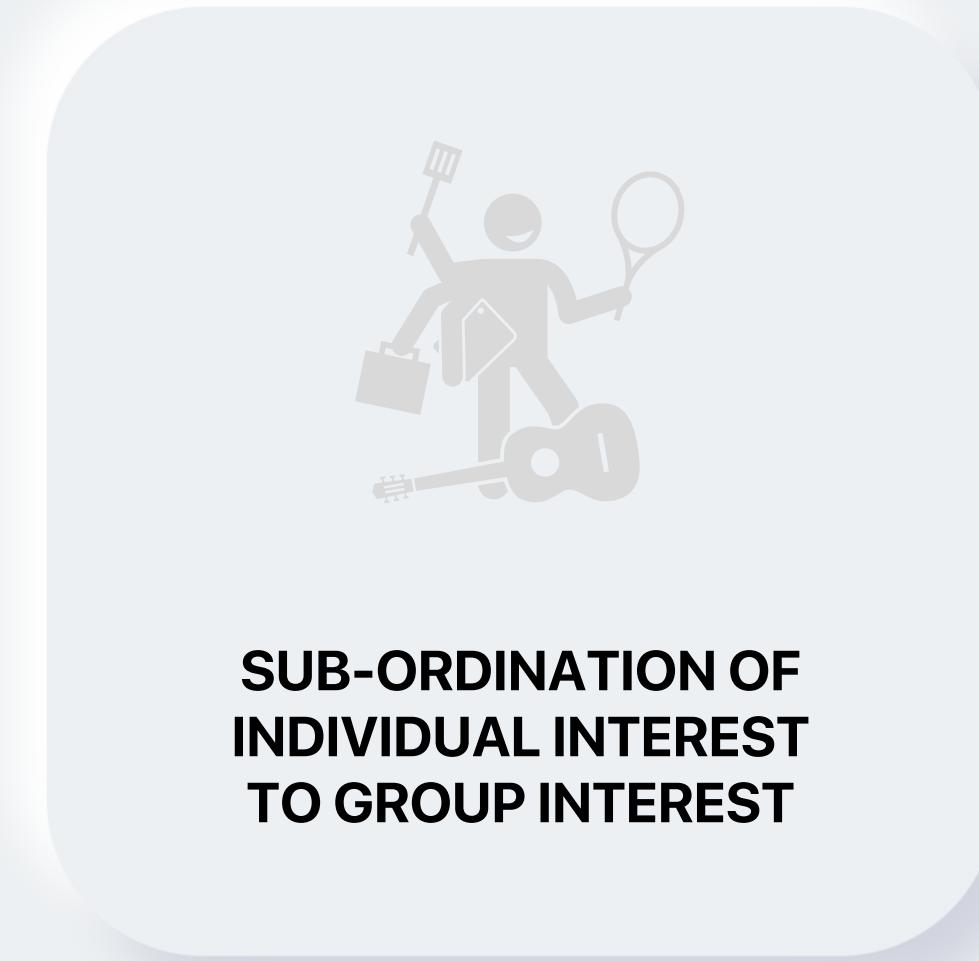
Chain of superiors ranging from the ultimate authority to the lowest.

1. "Short chain of command" when Microsoft operated in a "Horizontal Management Structure". ( Start-up Stage )

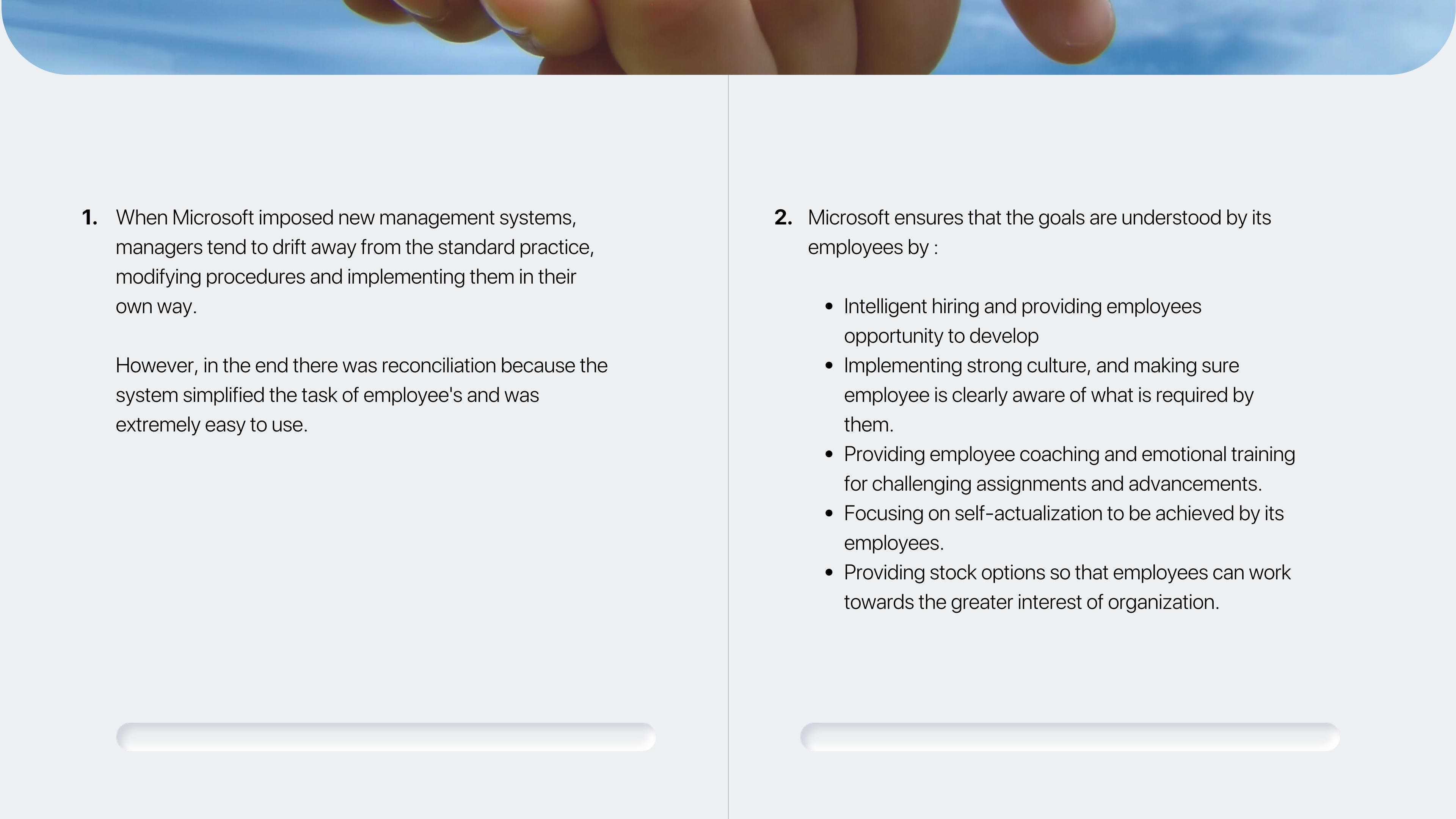
There were no levels of Management.

2. As Microsoft expanded, it started having "Tall Structure" with "Longer chain of command" where Bill Gates and Paul Allen sat on the top of the organization structure with a "wider span-of-control" where there are comparatively a greater number of subordinates under a manager.





Reconciliation should be achieved between individual and group interest.



**1.** When Microsoft imposed new management systems, managers tend to drift away from the standard practice, modifying procedures and implementing them in their own way.

However, in the end there was reconciliation because the system simplified the task of employee's and was extremely easy to use.

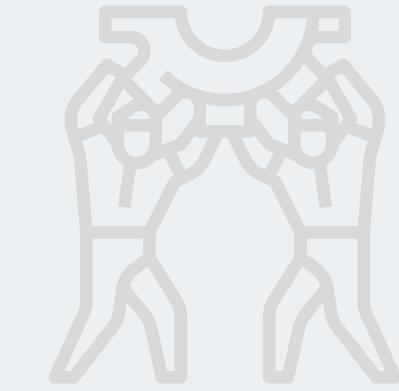
**2.** Microsoft ensures that the goals are understood by its employees by :

- Intelligent hiring and providing employees opportunity to develop
- Implementing strong culture, and making sure employee is clearly aware of what is required by them.
- Providing employee coaching and emotional training for challenging assignments and advancements.
- Focusing on self-actualization to be achieved by its employees.
- Providing stock options so that employees can work towards the greater interest of organization.

# High Value of Task

1. Three aspects of tasks that affect job satisfaction are job complexity, degree of physical strain and perceived value of the task. Microsoft manages this by providing the high complexity, high achievers require and by ensuring the perceived value of the task is high, which is communicated via the high-achieving culture the company maintains.
2. Employee loyalty and satisfaction is also assisted by Microsoft's consideration of its young employees. The latest attempt is by providing greater opportunity for younger employees. by having older employees coach them, which leads to development of informal relations.





## **ESPIRIT DE' CORPS**

Team spirit, harmony and mutual understanding among the members.

'Yammer' a channel for leaders to engage with employees.

Employees can pose questions and connect with each other on matters pertaining from product strategy to employee benefits.

Every month, Employee town hall meeting where company priorities, progress and culture are discussed in open forum.

During the event, employee engagement is measured to capture real-time sentiment.

'Daily Pulse' - Every day survey, to take a snapshot of how employees are feeling about the company, its culture and other timely topic.

Consists of 20 core questions and up to 5 organization specific questions.

Aims at providing more regular insights into employee sentiment and making organizational changes.

Actively engaging Corporate social responsibility events.

E.g, Software donation program, which reaches groups in more than 100 countries, making software available free of charge to all NPO that use technology to address social and civic issues.

Employee's arrange a number of programs dedicated to teaching students the skills necessary to harness the power of technology and to close the opportunity gap that many young people face.



# STACK RANKING

- Before 2010, A program that forces every unit to declare a certain percentage of employees as top performers, good performers, average, and poor.
- Proved to crippling, Microsoft's ability to innovate. Employees cited it as the most destructive process. Led to employee focusing on competing with each other rather than competing with other companies.
- This also shifted the focus of employee's from focusing on new ideas and innovative technologies to focusing on technology that would help the company make more money and performing tasks that would make the managers happy - Hampering the creative potential of employees.

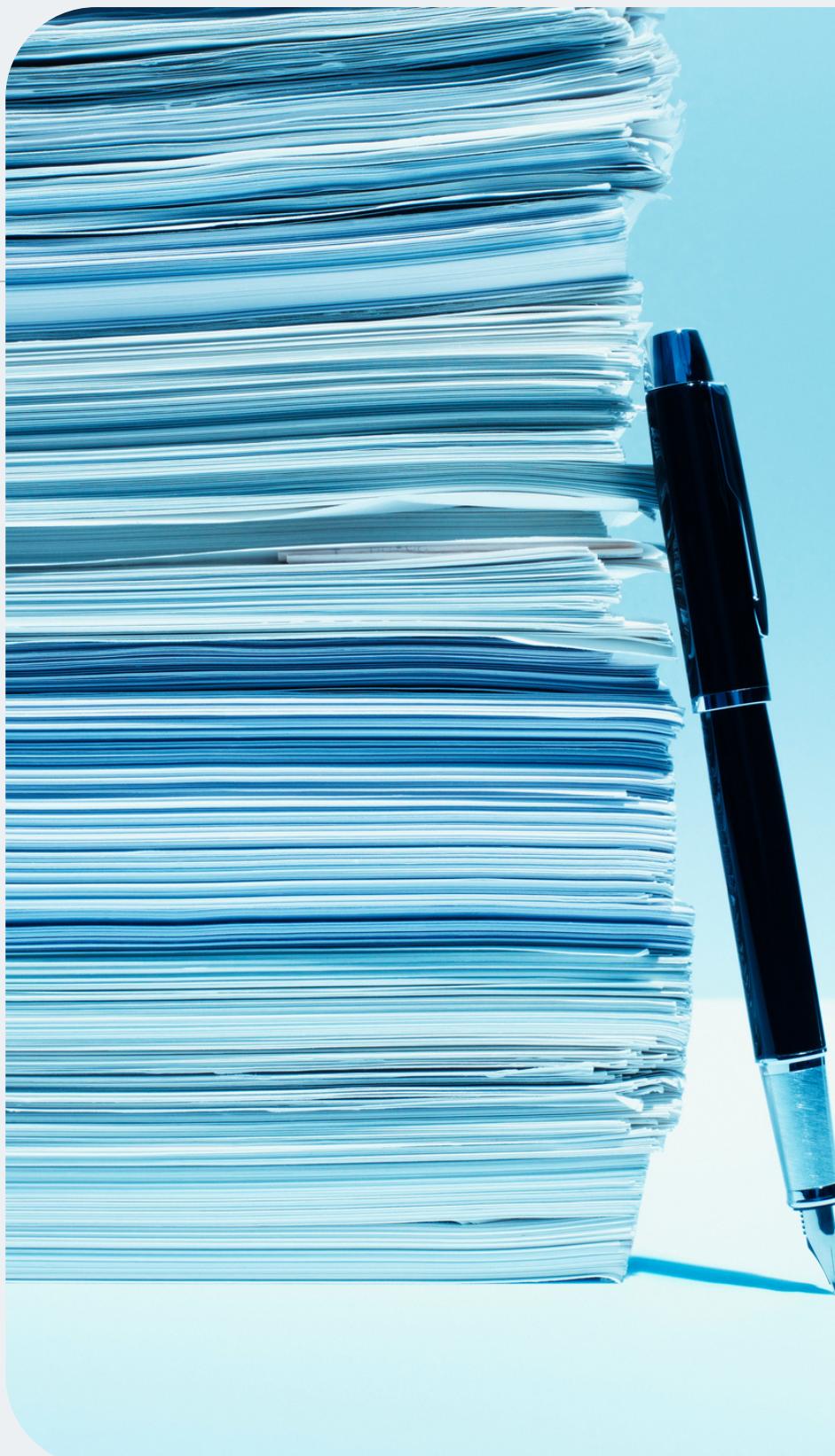


## CENTRALIZATION & DE-CENTRALIZATION

Absolute concentration or decentralization is not feasible.

# Early 1999s ..

1. Top management undertook a comprehensive, system-wide restructuring of the company. The company reorganization was initiated to shift the focus from being product-oriented to being consumer-oriented.
2. Restructuring was undertaken to counter the frustration felt with the growing bureaucracy in the company by many of the employees.
3. Creating a new structure, would reinvigorate the company by giving employees greater responsibility of decision making in their jobs. Previously, all major decisions were taken by Gates & Ballmer.
4. The upper management got a freer hand in running their divisions, and were provided with a more challenging and personally rewarding work environment.



## Pre 2010



Microsoft disposed a lot of decision making to lower levels of management in sectors excluding sales and product development.

This led to high resistance when new standardized systems were being introduced.

Example, the German subsidiary building up its own financial and technical information systems, which led to increased hiring and chaos in decision making.

## Post 2010



With the advent of Product based division organizational structure, the main decisions were made central and were taken by top level managers to operate in a stable environment.

"Lower level managers are not capable or experienced in making decision as compared to higher level administration", quoted by Bill Gates and believed by other higher level authority.



## PART 2

# OPINIONS





## Division of Labour



1. Being followed at Microsoft, in a very systematic manner by following "Product type divisional" organizational structure. Employees are ranked at different level in accordance with their specialization.
2. The structure promotes :
  - Decentralization of decisions.
  - Minimization of Internal Conflicts.
  - Better Division of Labor.
  - Extensive focus on product development.
3. However, this autonomy has a drawback :
  - Could lead to a desire for independence, or a revolt.
  - Minimal consideration for regional market differences.

## **Unity of Direction**



In a broad sense of view, Microsoft is focusing on successful implementation of Unity of Direction through its 'Divisional Structure' where all departments pertaining to separate products lines act as an independent organization with their own set of goals and objectives.

## **Discipline**



Followed by Microsoft by its rating system, which is transparent and helps the managers as well as the employee have a constant check.

Daily survey and review of employee's task also play a major role in creating pressure and tracking daily progress and sentiments of employee.

## **Order**



Highly successful in implementing the Principle of Order throughout its organization by using Information Systems to keep tracks of important data.

## **Equity**



Not properly followed at Microsoft which has led to poor diversification and high attrition rates.

Microsoft needs to assure that its leadership is not engaging in practices, such as racial, regional and gender based discrimination.

However, Microsoft is actively trying to improve upon these situations by taking steps such as increasing black representation in workforce, providing fair opportunities for growth, increasing pay for women, introducing women mentorship programs and creating an open environment for reporting problems.

## **Fair Remuneration**



Being followed consistently only with a certain group of employees.

There is a huge pay gap amongst its employees on basis of gender, age and geographical location of employee.

Other benefits however are provided equally to all employees.

We would suggest Microsoft to improve upon the work-life balance. Employees though remunerated fairly are made to work overtime, decreasing their productivity and increasing stress level.

## **Initiative**



Properly followed.

Employee's taking initiative towards community growth, innovative product development and undertaking growth orientated risk-taking mindset towards business development, are provided recognition, awards and various remunerations.

## **Scalar Chain**



In a broad sense of view, Microsoft has a "Tall Organizational Structure" with a very "Long chain of command" with span of Control widening at each level.

Microsoft actively tried to follow the scalar chain through out the organization by a linear chain of decision making and reporting.

## **Centralization & De-Centralization**



There is no absolute centralization, nor decentralization at any organization.

However, through our analysis we can say that, Microsoft is more centralized due to its belief that the decisions taken by high-level administration are more stable.

## **Esprit De' Corps**



Applied effectively at Microsoft.

It actively engages in developing a sense of community amongst its employees by conducting daily surveys, sharing daily news feeds around the workplace, conducting recreational events and most importantly actively engaging in Corporate Social Responsible activities.

## **Sub-Ordination of Interest**



Focused by hiring out individuals that are not only intelligent, but also emotionally driven towards organizational goals.

Its Human Resource Management programs helps to inculcate the organizational values deep into its employees. Also, employees are allotted tasks very specifically and made sure that the employee recognizes it's significance, autonomy and value.

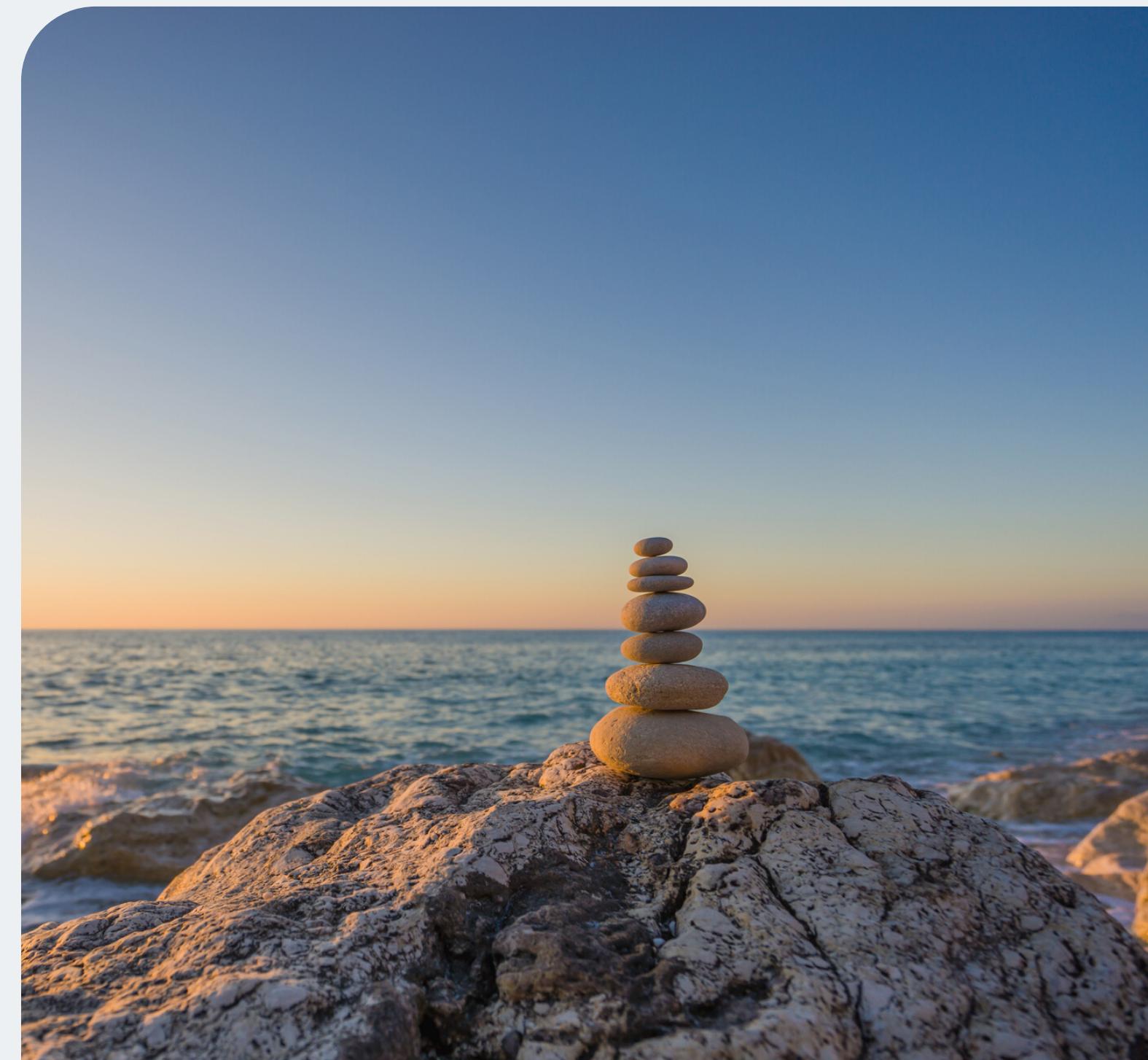
## Stability of Tenure

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Over the past decades, Microsoft has not been able to follow the principle of "Stability of Tenure" properly.

The major cause is due to its organizational change. Though this move may be advantageous move in the long run, it may hamper the sentiments and trust of the employees currently present at the organization.

The company should be managed well and should hire intelligently. Employees should be viewed as long-term assets, and must be made actively involved in long term growth of the organization by providing them fair remuneration and Company stock options.





**THANK YOU !!**



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