Morgan Stanley Sustainable Futures Conference

Company Participants

- Kristen Roby Dimlow, Corporate Vice President

Other Participants

- Josh Baer, Analyst, Morgan Stanley
- Mark Carlucci, Analyst, Morgan Stanley

Presentation

Josh Baer {BIO 21368897 <GO>}

Hi. This is Josh Baer, Software Research Analyst at Morgan Stanley. Welcome everyone to the Sustainable Futures Conference.

I am joined today by Kristen Roby Dimlow, our Corporate VP, Total Rewards Performance and HRBI from Microsoft; and my colleague, Mark Carlucci. Need to start off with the disclosure. For important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative. Kristen, thank you so much for joining us, we're worth to have you.

Kristen Roby Dimlow {BIO 19359533 <GO>}

Great to be here. Thank you.

Questions And Answers

Q - Josh Baer {BIO 21368897 <GO>}
Awesome. I think it would be helpful for a bit of an introduction, if you could provide us with a little bit of an overview on your role and your responsibilities at Microsoft?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}
You bet. So as you mentioned, I'm Corporate Vice President of Total Rewards Performance and HR business insights, and so that's basically compensation benefits, performance and development and then HR business insights. And I think of my role as an important part of the HR function, that's really thinking about the overall employee experience, and trying to ensure that Microsoft is an exceptional place to work. So I work with my colleagues across HR to think about how we bring our programs and services together, to make sure that they really support our

employees, so that we -- our goal is that we empower our employees so they can empower the planet.

Q - Josh Baer {BIO 21368897 <GO>}

Awesome. That's a great, a great overview. So wanted to start and just think about -- thinking about Microsoft and its scale, 175 employees, I think. And obviously customers around the globe. Can you provide some context or a bit of an overview of how Microsoft navigated COVID just from a remote work perspective over the last I guess it's going to be almost a year-and-a-half?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

Yeah. It's amazing. So I think, when I think back to the last year, it really started in sort of the December our Chine offices. And they, we learned a lot from them. We -- they did shut down offices. They were working remotely. And so when things started to happen in the United States around the March timeframe, we very quickly took action, and Satya, CEO and the senior leadership team who are his direct reports got together very quickly and thought about what are our principles here. And their number one goal was sort of help customers stay up and let's make sure our employees are safe and healthy. And so, they also paid a lot of attention to guidance from the WHO and various health organizations, public health organizations, governments and very quickly decided that most of us would work remotely. And it was wild. I think many of us probably thought, I know I thought when this happens that all right in the United States will be home for a couple of months probably by Memorial Day will be back. And here we are a year and a half later still working remotely.

And it was pretty neat. I think that we shifted everybody on to Teams and to 365, we were lucky that we were able to have the tools. Sometimes I think to myself, what if this has happened 20 years ago. I'm not sure that the world could have stayed up and that has productive for as long. And so, we very quickly had people work from home. We tried to ensure that they would have resources a little bit of extra resource for some of their productivity at home. So, getting them extra monitors and keyboards.

We even had, hey, if you want to go and get your office chair, feel free to do it just like your group admin know, you're doing it. And so very quickly people adapted to working from home. But as things were on, we realized that we needed to do more. And so within my own group, I have the HR business insights team and we have all the employees listening systems, and so we very quickly pivoted our daily pulse, as well as we have a lot of data coming into our Ask HR site to start to mine insights on what employees needed. And we were able to start to respond that way. Some of the things we did, where we put in leave policies. So we gave everyone sort of two weeks grace period. Many of our parents with younger age, school age children were really struck by surprise that the kids were also at home. So they were trying to work from home, teach from home.

And so, we very quickly put together pandemic support globally, a pandemic leave. Also as things were on into the summer time, we and realize that schools were going

to come back necessarily, particularly in the United States, we put together resources for parents to support schooling from home, things like Sittercity for backup care. We gave our datacenter employees backup care.

We also tried to really think about how do we support our customers. And so we put a lot of resources up for customers to use in terms of how we were supporting the pandemic, and also advice for them, Satya really had a mandate that in the very beginning, especially that he wanted us to be the first responders to -- he wanted us to be the digital-first responders to the first responders. And so sometimes when we were looking at overloads and customer support, we were trying to triage that supports that we were giving it to people who are providing healthcare and sort of frontline essential work.

And so I would just say it's been really an exercise in flexibility and learning and trying to understand what was important. We also partnered really closely, what we call Viva insights now formerly workplace analytics, and sort of marry with data that was coming out of our systems and how people were using tools and when they were using them with our employee listening system, which is based more on employee sentiment to really mine their critical insights on what was going on.

So I could probably talk for about three hours on all the things we did, but maybe that's a little bit of a entry point and if there's anything you really want me to focus on, let me know.

Q - Josh Baer {BIO 21368897 <GO>}

Yes. That's excellent. And to dig in maybe on one piece around the key technologies that you use. You certainly mentioned Microsoft Teams and we know very well about the rapid adoption of Teams across the world. You mentioned monitors and stuff like that, but are there any other technologies that really help to enable remote work?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

I think we were -- Teams was enormous for us. And Teams has just grown exponentially during the pandemic. So that has been really big. I think also the -- our in-house IT department has done just a great job of trying to help people keep all their devices, sort of online. They've been moving more and more of our internal systems on to phones. So that for some of the basic stuff that we would do, some of the information that's available to employees that they could have it on their phones. And then obviously, Microsoft 365 has been phenomenal and enable the ability to collaborate on work in those sorts of things.

Q - Josh Baer {BIO 21368897 <GO>}

Great. And you also mentioned about your ability to get some of the data and insights. So like what was the feedback from customers on that experience. Like, what was the good, what was the bad.

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

Yeah, I think, so the customers I think, I'm not for external customers, I'm probably not the expert on this. But my sense is that we were very engaged with what was going on. I heard amazing stories about people actually sleeping in datacenters in certain countries. There was huge lockdown, and so we would have our own employees to sleep in the datacenter, because they were worried they get stuck at a roadblock trying to go home.

So I think, I think that in terms, I think generally customers felt supported. I think in some cases, we were giving free Teams, six months of Teams to certain customers especially first responders who needed help.

The other thing I would say, and I'm sure many of us has felt this. I really felt like companies came together in a great way. So I feel like there wasn't a monopoly on sort of one company sort of leading the response, but there was really an effort to lean in together with partners and customers to come up with solutions. I know in my own line of work, I was working with other people in other companies and roles like mine to share.

Hey. What are you doing for your employees, what do they need. What are you hearing about this part of the world, that part of the world. And that spirit of cooperation has continued even recently with the India spike. There is a group of about 200 CHROs, who are working together to support their teams in India, and share best practices.

So in terms of employees, what we heard was needed support that one of the things they said is we see that you're giving us leave, but we're not really sure, we're allowed to take it. I'm not really sure that my managers going to be supportive of my doing this. So we were able to feed that back to managers and say, hey managers really try to be supportive here.

And the other thing we saw is that managers were the ones were really taking the brunt of sort of the challenge. They were supporting their employees, trying to help their employees get productive. They were also occasionally filling in for employees, where employees needed to take these leaves. They were trying to help people in terms of mental wellness, trying to think about how to hire people remotely, trying to think about how do you on board. We've always had huge interim classes and we shifted to virtual overnight.

So that was one of the things we learned from our data is the managers were particularly stretched. And so we were able to give them advice and also air cover, if you will, in terms of prioritization.

Q - Josh Baer {BIO 21368897 <GO>}

Great. Wanted to just take a moment for any investors listening in. There is the ability to ask questions on the quarter. We'll also try to get to those. So now, Kristen, I wanted to shift a little bit into ask a few on culture. From my seeing on the software team, we've been really watching the culture changed under Satya for years. And it's been a shift more to innovation and openness both with technology and partnership.

And so I'm wondering from your perspective, how has culture evolved over your career at Microsoft and how are you able to maintain that culture through the pandemic?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

I have seen a massive shift in culture, since I've been here. I'm a 22 year Microsoft veteran. And I left about 6 years ago to run HR for another tech company. And ended up boomeranging back to Microsoft. So I'm -- I sort of left at the time Steve Ballmer was leading, and then came back, probably two years into Satya's CEO leadership. And I'll tell you, I felt it on the first day who is back. So one of the things that Satya talks about is this idea of growth mindset. And I want to tell you that that has been such a powerful concept, and so it's really the -- what our culture is focused on is this idea of growth mindset. And what that means is really being open to others ideas. Satya says I want a company full of learn-it-alls not know-it-alls. I want people who are open to criticism, who are comfortable giving their colleagues feedback, trying to work together to make things better.

And I really, absolutely can feel it. The way we got there, so I think Satya did a great thing when he came in. He went on a listening tour. He talked to his senior leadership team. he talked to Board members, he talked to customers, he talked to the top 200 leaders across the company, to talk about what does this company need to do. And I think Satya is someone who has espoused growth mindset is, I used to support him a long time ago. I was his HR leader and this is who he really is. He has always been very open to other ideas. He has been very open to working open platform with others. And I think that was tremendously helpful for sort of helping Microsoft start on its transformation.

So anyway, he got all these people together and worked with the senior leadership team to identify cultural pillars that they wanted to work on. So in addition to growth mindset, we also focused on customer obsession which was important for Microsoft. I think there were some sense that we had gotten a internally focused. We think a lot about diversity and inclusion, which has been profound for us is something that we're continuing to work on. I think we'll never be done. But just this idea of being much more open in bringing in different skill sets, different points of view, welcoming those perspectives.

And so, they aligned on culture and then we went on a journey to try to really ensure that our programs and practices were aligned with that. And just this morning, there was all employee Q&A. And I thought it was interesting for this. I wanted to share with this audience. They actually shared a new culture video for us. So we've been working on this for 6 years. And we're constantly trying to up our game and remind people of what we're trying to do.

And I think the thing that Satya said that was great is, there is sort of this idea of an espoused culture and espoused values and we want to make sure that our group experience is close to that, that we're closing the gap on those things. And so there is real focus. In my own world, I spent a lot of time thinking about my programs and services and how I can support the culture. So a really big one is performance and

development. And probably about 6 years ago, right about all this time that this was happening, we shifted the performance and development approach from sort of a monolithic annual review process to something that's more agile, where we do sort of three to four connects a year, where manager and employee get together.

And within those connects, we have core priorities. So we ask people to think about the three to five top things they have to do. And in addition to that, we have a share diversity and inclusion core priority for the full company, that makes it very clear that this is very important.

And then we also recently introduced a core priority for manager excellence, that's another piece that we think is huge. About a year ago, we introduced something called model coach and care for managers. This is the aspiration of how managers lead. We had never spent a lot of time thinking about consistency of managers and sort of thinking about teaching them how we want them to be. And in fact, we consider them to be ambassadors for the culture. They are the ones who are sort of the last mile culture, really and ensuring that they are managing in a way and trying to help employees understand would aspire to culture looks like.

And so with the P&D system. The HR BI system, we measure insights on culture. We have something called a culture index. So every program and service we have, it's really in service of that.

The other thing I want to say about P&D is in the older days at Microsoft, it was very much focused on individual. We used to have a forced distribution and really it's sometimes focused on individual heroics, which at times was at the cost of working together as a team. Now we really focus on what we call three circles.

So first circle is really what you do as an individual to drive business in customer outcomes. Then this next circle is what are you doing to help others. So what are you doing to teach others, to help others with their things if you call it. Well, I think of it is rewarding the assist. And then the third circle is what are you doing to leverage others. And it used to be Microsoft's -- engineering teams used to be competitive with each other and they wanted to build their own code instead of sharing code, and that was not great for customers. And it was not great for us. And so our P&D system is really, really grounded in the aspire to culture.

And there are many examples. But those are just a few of how we do it every day and we're not done, and I loved that there was a new video today. So 6 years in and we're still trying to push ourselves in culture.

Q - Josh Baer {BIO 21368897 <GO>}

That's great. Want to ask one more on culture as well. I'll ask a few on the future of work and then pass it over to Mark. So on sticking to culture for a moment and over the last 15 months as you've been hiring and on boarding employees. How do you keep that company culture that you've been describing when a lot of teams haven't even met the people in person?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

Yes. This has been one of the happiest surprises to me about COVID. So I was stunned to see data, that new employees are saying they basically are reading their experience with our managers on, on-boarding higher post pandemic when everything is virtual than they were before. And I think, I attribute that to the fact that managers really understand that in these virtual environments. They need to lead in really hard with new employees to get them up and productive.

And I also think, and this is a little bit of a scary thing as we think about the future of work is many of us were working from home. And so we were all in the same boat. And so one of the things we're thinking about really hard is when, how do we enable a truly hybrid environment. How are we going to tweak our tools, so that people can be calling in from Michigan or Atlanta and it feels the same as they were sitting in the conference room. I think many of us at Microsoft and probably you all have experienced this too, that pre-pandemic, the people who were in the room had a slight advantage of the people online. A lot of times the people online you'd sort of forget they were there. You'd start talking to all at once. Nobody could follow what was going on. So I think that is maybe one of the reasons why the data was better than I expected. And why new employees were doing so well.

And then we have a lot of training. So we have some mandatory trainings and then we also have invested heavily in manager excellence. So we have a learning path for all managers, which is 40 hours that they're expected to do over 18 months. And the idea is really to inculcate some of these ideas around model coach and care. And then also the culture attributes.

So, and then on the diversity inclusion side, I mean what are your we've had. I think that the -- from the murder of George Floyd has really been a catalyst for us to re-up our game on diversity and inclusion. And we have done a huge amount of work in some of it. One of the things we do is we have mandatory allyship training, and 90% of all employees have taken that, we're always hiring new employees. So some of the catch-up is, some of those newer employees. But also we've done a lot of work, which is more self-determination. So we did, for example, two-day include conference, where we brought in experts from across the globe on issues like this. And it was really opt-in for employees and they loved it.

And so I do think that, there have been these moments. It's sometimes challenge brings opportunity and the challenge of COVID and the challenge of racial injustice in the United States have really been also opportunities for us to double down and it pays off, right, it's paying off. One of the things I think about is employee engagement, and also when you're thinking about attracting talent today, it's not just interested in compensation and benefits. They care a lot about the companies they work for. And they really are looking for companies that are sincerely behind what they say, so not just what they say. But what they do on these matters.

So I get long winded, sorry.

Q - Josh Baer {BIO 21368897 <GO>}

No. Very interesting. And I know Mark has some follow-ups on diversity and inclusion. Just wanted to round out the conversation on the future of work for Microsoft specifically, and then we got -- we've got a preview and an overview of that. I'm just wondering like, how this next year really compares to the last 15 months and longer term. What is the working environment really look like for Microsoft?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

I think again, we have learned so much in the last year that some of the dinosaurs like myself feel that there is a different way of working. And I really feel like we are leaning in hard on what we're calling hybrid, which is allowing more flexibility into the system. So, currently, if you're aligned with a Microsoft worksite, we're only expecting a post what we call Stage 6 internally, which is when it's full return to be office when it's safe to do so.

Employees really get to make a decision. They can -- they can work with their manager to flex their schedule, basically if you want to be part of a worksite, we'll say, you only have to show up 50% of the time to be considered sort of full-time in that worksite. You can work at home. That helps a lot in places where traffic is bad.

I think one of the things we've all learned from this work from home during the pandemic is how much we hit our commutes, and how productive we have been by not having to commute. So we're going to allow a little bit more flexibility. We will also allow some employees be fully remote. I've already had a number of employees told me recently as we're getting closer and closer to where we think things may return in the Puget Sound, a lot more people are saying, you know what, it's working for me. Can do you really mute it, can I work really more remotely? And the answer is yes.

And then also, we're finding that we're getting access to such better talent that -- that's helping us as well to be more flexible. So you might have the best data science in the world who doesn't want to leave main and so now we can make that happen. So what we're trying to do is at the evangelize where are the guard rails are, we are putting a lot of power in managers to make those decisions, but we're trying to give them the data too, why this makes sense for them.

Definitely employees are more engaged, they are feeling. We're seeing that their stickiness from a retention perspective when people have these opportunities to control where and how they want to work. And then there's real challenges too. I think one of our groups that was most impacted were the engineers and they really like the opportunity or they have gotten used the opportunity of being face-to-face and walking down the hall, grabbing a whiteboard work on a problem.

And so our Teams team is looking a lot at the future of work and trying to enable sort of those virtual rooms. We have whiteboards and things like that, we have work to do to make them even better. And then, even just thinking about meeting protocol, so when we return and some people will be in a conference room, how do we make

that a really great experience for people who are physically there and not physically there. So we're working hard on all of that.

But I think it's -- like, I do think that this is a huge silver lining is that it's really changed attitudes, and we were even commenting that of Satya's senior leadership team, four of them are not in the Puget Sound, and that's a big change culturally. And I think it's better because it's really important for employees to see that the leaders needed too.

Q - Josh Baer {BIO 21368897 <GO>}

Great. Microsoft is the leader in hybrid cloud on the software side. So it's bidding that, that you have a robust and flexible hybrid strategy when it comes to the workforce too. I'm going to pass it over to Mark.

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

Great. Thanks, Josh.

Q - Josh Baer {BIO 21368897 <GO>}

Thank you, Kristen.

Q - Mark Carlucci {BIO 20873048 <GO>}

Thanks Josh. And thanks, Kristen for doing this. We appreciate it. I just wanted to follow up on some of the diversity comments you made earlier and my first is, through the turbulent social backdrop, we had over the past year. One, if you could just elaborate on sort of what you did to support your employees? But two, when -- how does Microsoft go about thinking about when they should use their platform for a voice of change?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

You know those are both great questions. So I think, when a year ago, when all of -- we had the George Floyd situation, we had Breonna Taylor, we had Ahmaud Arbery, we've had Trayvon Martin like this is just continuing. But I feel like last year we hit a crescendo. And what was terrific is the senior leadership team got together. So Satya and his direct reports got together and said, what do we do about this?

And then also, we have a very, very strong -- we have many strong ERGs, Employee Resource Groups, but one of our strongest is the BAM community, which is Blacks at Microsoft. And they also maintain. And the senior leadership team and sort of the BAM leadership team got together and said, what can we do to ensure that our employees feel supported and safe, and also what do we do as when we think of our mission, our mission is to empower every person and every organization on the planet to achieve more.

And so diversity and inclusion is core to us. And I think that we felt like we could do more to support. And so anyway, they came out with statements and then we also tried to not -- it's not -- I think one of the things I hear from the community is there's

such a fear of cynicism, where we have heard words before, and we want companies who backup their words with real action. And so it's very important to the senior leadership team and also HR leadership team and BAM leadership to think about what are we going to do this different.

And so we really thought about our response in terms of what do we do internally to continue to improve the culture to also think about how we use our ecosystem. So we have purchasing relationships, we have suppliers. We have investment opportunity and then also what do we do with the community. So we have a big platform, what can we do to pull all of that together to weigh in on this issue.

And internally, we did some mandatory trainings. We used June 10th as a day of reflection. And in fact, we're going to continue that this year. So some companies have chosen to give June 10th as a holiday and that's fine. But we said no, for us, that may be fine for them. But for our company, we wanted it to be a day where people could really think about their own journey and their own learning in this space.

And then again, we really used our employee listening systems to see what was going on with employees and tried to equip managers and employees with resources to help them through. So we do not have it all figured out. Again, we spend a lot of times talking to other companies, trying to get a sense of what they're doing. We've tried for many years to do more with pipeline. We want more diverse hiring, and we have put some big investments in there and continue to do that. We also unleashed our (inaudible) because I think a lot of employees were just so frustrated, wanted to do more. So we added an extra amount of match for the world. So that we increased our match and give people ideas of organizations, they can contribute too, if they wanted to support these activities.

And then one of the biggest things we're doing is just trying to hold up the mirror to ourselves. So from an accountability perspective, we put in some pretty aggressive goals. And we are reporting on both internally and externally. And I was sharing on one of our breakouts that if there is nothing in Microsoft with having a goal. I think if you really want to get something done, you should light on it. And we hopefully -- people have had a chance to look at our diversity inclusion disclosure. I'd encourage you to do it, but it's not all happy news. And we're willing to stand up and say, we're trying really hard. Some things are working. Some are not. But anyway, that's a little bit.

Q - Mark Carlucci {BIO 20873048 <GO>}

Great. And I think we have time for one more question. So maybe I'll just build on points just made around hiring. Just curious, I know we've talked about COVID a lot, but just curious how that -- any challenges or how you dealt with that in terms of trying to find new talent in this backdrop?

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

Great. It has been enormously challenging. And I -- my hats are off to everybody involved especially my colleague who runs Microsoft Global Staffing. We, one example of Herculean effort was trying to -- we hire about 3,000 interns every year

and they had to although -- they all had to go virtual in a matter of weeks, and it worked.

The other thing is like in the United States, you have to have proof of citizenship and it's always been done in person. So you had to have humans check to fill out I9 Forms and things like that. We also had always had in person onboarding or it was primarily in person onboarding. So all of that had to be shifted online. And I'm happy to say it went pretty well, given I'm sure there are few hiccups, one of the things that's really challenging is we hire people from all over the world and in some cases we were hiring somebody from one country to work in another country, and all the border shutdown.

And so we have a number of people across the world right now, who were on dual offers and we're sort of waiting for borders to open. So we were, it definitely necessity is the mother of invention. We scrambled and we figured it out and it was not easy. And I'll also say burnout is a real thing, like I think people have worked so, so hard. And I was really pleasantly surprised to see our annual engagement survey like sentiment went up on just about everything except work life balance, which tanked more than we ever side it was like down 10 points year-over-year. And it's not surprising because of things like this. It's just really change the difficulty of work.

But I'd say the reason why the other things are up so high as people tremendous sense of purpose and impact. And so that's helping. And we are trying really hard to give employees the resources they need to take care of their own well-being. And certainly in some parts of the world, we're getting vaccines out. I hope that will mean people start taking vacations and get a bit of a break.

So, sorry I get excited about this stuff.

So if anyone has questions, I'm kristend@microsoft.com, I'm also happy to answer any questions.

Q - Mark Carlucci {BIO 20873048 <GO>}

Wonderful. Thank you. That was extremely insightful. Josh, maybe I'll pass the call back to you as to close this out.

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

Thanks, Mark.

Q - Josh Baer {BIO 21368897 <GO>}

That's it. Thank you, Kristen. We really appreciate it.

A - Kristen Roby Dimlow {BIO 19359533 <GO>}

It was fun. Thanks, all. Appreciate it. Have a great day.