Book The 12 Simple Secrets of Microsoft Management

How to Think and Act Like a Microsoft Manager and Take Your Company to the Top

David Thielen
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Recommendation

David Thielen presents Microsoft's management principles, which are the secrets to its marketplace dominance. He includes ample examples of what Microsoft does right and what most other corporations do wrong. You will learn why Microsoft's focus makes it the hardest company in the world to compete against. Yet, you will also find nuggets of management information that can be applied to your own workplace environment. Thielen has written a direct, refreshing, and sometimes brutal book. This book will intrigue any business person who would like a quick review of the management principles that have guided Microsoft's success.

Take-Aways

- Microsoft has no expressed corporate motto, internally however, the term, "Total World Domination", is often used to describe the company's goal.
- Hire only type A personalities – they are interested in conquest, not survival.
- If you want a cash cow, own a strategic market.
- Productivity is the single most important quality in an employee, and to get productivity you must hire only the smartest people.
- Good managers do the least amount of harm to the teams working for them.
- Instead of hiring from the second five percent, reduce your expansion plans.
- Never outsource any key function; it violates the rule of hiring the best people.
- Always lead paradigm shifts, even if it means that you must burn your boats to make sure there is no turning back.
- To succeed, you must make your own products obsolete.
- The key to failure is to fail quickly; in fact you should anticipate failure in your design process.

Summary

The First Secret: Total World Domination

Microsoft's primary goal when it enters a market is to dominate it, in fact, to obtain a 100% share of that market. If you ask Microsoft employees what the corporate motto is, the response given without hesitation is, Total World Domination. You will receive this response even though no expressed statement exists that puts it forth as the company's motto or mission statement. Microsoft employees recognize this motto as the primary goal of the company and of their work.

> "Microsoft is going after 100 percent of every market it is in."

What is the psychological basis of this secret? In a word, it is conquest. When human beings reach a point beyond basic survival needs, their actions move toward the more advanced needs of security and conquest. Microsoft's secret is that, as a management style, Total World Domination rewards conquest over security. The development of the Excel spreadsheet software is an example of this conquest culture. At the time Excel was developed, the Lotus spreadsheet software dominated the marketplace and Lotus was the largest software company. Microsoft's head of Excel development explains, "We didn't write Excel to make money; we wrote it for the sheer joy of putting the largest computer software company out of business."

> "All of the employees at your company have to know, in their gut, that the primary goal is total world domination."

To achieve this secret in your own company, hire type A people who are driven by conquest rather than security. Apply two key principles: "Promote the people who are focused on increasing market share and are willing to take risks to do so" and, conversely, "Fire employees who are completely unable to take risks to increase market share." Reward employees' mistakes if they are mistakes made in pursuing market share and punish those who refuse to take risks to increase market share. Let employees know that risk is acceptable and inaction is unacceptable.

The Second Secret: Hire the Top Five Percent

Microsoft's goal is to hire the very best people. Most companies do the opposite; they hire employees who meet minimum job qualifications. These companies then spend a great deal of money on management seminars to motivate these employees. Microsoft starts the hiring process from the opposite side of the spectrum. Its philosophy is that if you hire the best talent, they will contribute to the entire company's increased productivity. This difference is evident in the movies. Contrast the Disney movies The Mighty Ducks and The Bad News Bears. In The Mighty Ducks, a superior coach motivates inferior talent and the team wins the championship. In The Bad News Bears, an inferior coach recruits ringers (i.e. hires superior talent) and the team wins the championship. Which movie is a fantasy and which movie is reality? Think about the Chicago Bulls basketball team. Did they win three years in a row because of their coach or because Michael Jordan played for the team?

> "With esprit de corps, you can take market share away from your competitors and they won't even understand why."

How does Microsoft apply this secret? Microsoft attempts to hire the smartest people, the people in the top five percent. The smartest people are the ones who can think; grades, test scores and the like are not the true measure of how smart someone is. To ensure that it hires only the smartest, Microsoft uses an interview process carried out by the people who will be working with the candidate. Each person in the interview group gets an hour to interview the candidate. After the interview, each one sends an e-mail to the interview group which starts with the words HIRE or NO HIRE. The person is either smart enough to join the group or not. One question used to determine if a candidate can think was, "How many gas stations are there in the United States?" The true measure of the candidate's intelligence was how the candidate went about solving the problem. In other words, could the candidate think? The actual answer was irrelevant.

The Third Secret: Bet the Company

At Microsoft, this means committing totally to the next paradigm shift, for example, Windows or the Internet. In both instances, the company acted on its belief that the future is inexorably tied to success in those marketplaces. Most companies are content to develop a cash cow and milk that cow for as long as possible. Microsoft believes the opposite: Once you have created a dominant

product, you must immediately look for ways to eliminate it with a better product or someone else will do that for you.

The Fourth Secret: Require Failure

Better products can be developed in an atmosphere where failure is encouraged. This is counter-intuitive thinking. Most companies encourage success, but refuse to accept failure. If you fail, you will never advance in those companies. Microsoft's development process includes failure in its plans, thus freeing employees to correct mistakes when they happen. This climate allows for mistakes, but also moves aggressively to discover and correct them. Similarly, because projects can be killed earlier in the development process, you are not punished for making a mistake. The key is to deliver bad news about a project as fast as possible and to offer solutions to correct the problem. Immediately after a project is completed, participants discuss the problems the development team experienced. No mistake is allowed to resurface in a subsequent project.

The Fifth Secret: Managers are Qualified

At Microsoft, the managers "fully understand the work the people who report to them do." Microsoft believes that managers cannot manage people unless they can do the jobs themselves. This belief stands on three key principles:

1. As a manager, you can only earn respect from employees if you can do their jobs.
2. Only people who can do the work can make informed decisions about the work.
3. Only people who can do the work can understand the status of a project.

   "The freedom to dress as you wish delivers a very clear message: What is valued is your work, not how you dress."

Because Microsoft applies this secret to all areas of the company, it has more qualified managers than the competition. And because Microsoft promotes managers based upon their performance, not on their ability to get along with others, Microsoft managers are driven to out-perform their counterparts in competing companies.

The Sixth Secret: Perform, Perform, Perform

At Microsoft, past success creates no cushion for employees. You are urged on to new success every day. You are challenged to do your best constantly, because no other measure is accepted. Professional sports teams operate on the same secret. If a team won the championship last year, fans want the team to win this year as well. Trades, injuries, and salary cap issues are irrelevant to the fans' assessment of this year's success. Microsoft's attitude is the same: do something for me today, don't tell me how great you were yesterday.

The Seventh Secret: Shrimp v. Weenies

People at start-up companies tend to eat inexpensive "weenies" (frankfurters) while those at mature corporations tend to eat expensive shrimp. Microsoft has more than 25,000 employees, but it manages expenses and allocates resources like a start-up. Microsoft has no secretaries, special parking spaces, or executive cafeterias. Everyone flies coach. When a project requires the allocation of personnel, the company assigns the absolute minimum number of people needed.

The Eighth Secret: Size Does Matter

To the outside world, Microsoft appears to be a large monolithic corporation. Internally, however, the company is organized as a collection of smaller companies. It is not that Microsoft believes that smaller is better, rather it believes that smaller is essential to success. Business units are given a large degree of independence to achieve project goals. Senior management monitors the progress of these business units and measures them against the company's stated strategic goals. Management does not direct the actions of the business units unless their project strays away from these goals. Thus, a strong management team is necessary to control the direction of a series of smaller units operating under the company umbrella.

The Ninth Secret: Bill Is Watching

Microsoft is Bill Gates. Bill's strategic vision is the driving force behind Microsoft. This does not mean that Bill is a 1984-style "Big Brother," dictating how you should live your life. Rather, it means that upper management clearly understands what is going on in the company. To accomplish this, secret policies insure that upper management receives on-going communications from all parts of the company. Senior vice-presidents report directly to Gates. The two-way flow of information between Bill and his employees includes meetings, memos, and slumming. [BooksInShort.com note: This was accurate at the time the book was written; Gates has since announced some changes in his responsibilities.]

The Tenth Secret: Esprit de Corps

Morale affects productivity. Microsoft's corporate actions encourage high morale and a unified company spirit. First, employees are given freedom to make decisions about their projects. They have ownership in their projects. Second, each employee is assigned only one major task. Employees are extremely focused on the task at hand. Third, employees work in teams. Teamwork also enhances project ownership. Fourth, all team members stay together until the project is completed. This creates a pervasive attitude that "we are all in this together." Finally, stock options tie personal financial success to corporate financial success. While a financial incentive is not the only basis for an employee's esprit de corps, it is still critically necessary.

The Eleventh Secret: Stop the Insanity

Stopping the insanity refers to all the actions of a company that can drive down employee moral and respect. Microsoft stops the insanity two primary ways. One is "setting information free" and the other is "eating your own dog food." Setting information free means no employee benefits from hoarding information. Eating your own dog food means that once a beta version of a product is released, all employees, including senior management, are required to switch over to the new product. Eating your own dog food means you are fully aware of the true state of your product when it reaches the marketplace. Thus, you eliminate all barriers to communication, both internally and externally.

The Twelfth Secret: Home Away From Home

This principle values the way people live in their workplace. At Microsoft, every decision that affects an employee's productivity is evaluated from the perspective of what the employee would do at home. At home, employees dress any way they want to, so Microsoft has no dress code. At home, employees work whenever they feel like it, so Microsoft has no time clock. At home, employees work in private spaces, so Microsoft has no cubes. Other examples exist, but the over-riding concept is that employees are smart and know what allows them to perform at the highest level. Implementing this secret prevents the company from doing anything that interferes with its ultimate goal: productivity.

About the Author

David Thielen has spent more than 20 years on the bleeding edge of technology, including working as a senior software developer on Windows 95 and several other projects. Currently he is working as the director of software development for a hi-tech company. Thielen is the author of *No Bugs!* and *Writing Windows Virtual Device Drivers.* He has written 22 articles for magazines including *The New Republic, PC Magazine,* and *Microsoft Systems Journal.*