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FACING BUSINESS
CHALLENGES AT MICROSOFT Struggling to Survive Success
Shrewd business deals and sheer luck propelled the pio??neering
software company into a leading role at the cen??ter of the
ever-changing hotly competitive computer in??dustry. However
Microsofts success brought its own management problems.
Spectacular 50 percent annual growth left the company unwieldy and
disorganized even as software companies such as Lotus and Novell
were tak??ing aim at its market share. Computer technology
con??tinued to evolve at a rapid pace consumers grew more
demanding and rival programmers worked around the clock to
create new and better applications. For founder and chief executive
officer Bill Gates managing Microsoft required heroic effort.
Visionary leadership played a large role in Microsofts wild success.
When Gates 0dropped out of Har??vard to found the company in
1975 personal computers were toys for the "hard-core technoid
" as he once de??scribed himself. Nevertheless Gates
envisioned a com??puter in every home and in every office with
Microsoft software in every computer. He made an early alliance
with computer giant IBM putting Microsofts basic op??erating
program into 80 percent of the United Statess 50 million personal
computers. He also led Microsoft boldly into Europe and Asia. His
energy and technical knowl??edge motivated Microsoft employees to

continually im??prove the companys products and to develop new soft??ware offerings for the home and office. As the company grew however   good ideas were no longer enough. Gates found he was so busy that he could hardly handle day-to-day operational details much less develop the vision he needed to stay ahead of the com??petition in the twenty-first century. Organization was lacking   and planning became increasingly difficult. Time after time   his company targeted a new market only to in??troduce a mediocre product the first time out. Gates per??sonally took charge of five important product lines but then couldnt find the time to tailor them to customer needs. Projects died   and customers got angry. Gates also worried about a threat to his leadership   He feared losing touch with his employees   the people who put his vision into action. In the relaxed atmosphere of Microsoft   talking shop with the CEO was an important morale booster as well as a way to introduce employees to company values. Gates relished personal contact with employees   but their number had grown into the thousands   and they were spread around the world. Although Gates had always made the big decisions at Microsoft   more decisions were needed   and he was al??ready working in excess of 65 hours a week. How could he plan for the long term and still manage daily affairs ef??fectively   What could he do to reach the staff and spread his vision   How could he ensure Microsofts success in the twenty-first century   On the Job   Meeting Business Challenges at Microsoft As projects slipped behind schedule and competitors stepped up their attacks   Microsoft chief executive

officer Bill Gates knew he had to take himself out of day-to-day operations. Microsoft had great ideas but it was failing to plan and implement effectively. Now the companys reputation was on the line. So Gates got help. He turned over daily operations to a three-person office of the president which freed Gates for more creative work envisioning products for the twenty-first century and planning for the companys long-term future. Then he reorganized the company into three major groups products sales and support and operations. This new organization was designed to increase the companys efficiency and its responsiveness to customer needs. However Gates didnt want to lose the entrepreneurial spirit that characterized the companys early years. The organizations structure was planned around small self-sufficient working groups that encouraged individual employees to feel greater responsibility for their work. Even though Gates could now effectively lead his managers he was still concerned that his growing staff might lose touch with him and his strategic goals. He didnt have to look far for the solution Microsoft established an electronic network that now links over 20 000 employees around the world. This network includes an electronic-mail system that lets virtually any employee communicate directly with the CEO. Dozens do so daily and Gates tries to respond the same day he receives a message. Employees feel they have direct access to the top. They say Gatess messages are blunt and sometimes sarcastic but always entertaining. By staying in touch with every level and every employee at Microsoft

Gates ensures that his vision is acknowledged and understood by everyone at Microsoft. Gatess vision and drive have helped Microsoft achieve a commanding lead in the race for a piece of the software mar??ket. As much as 85 percent of all personal computers now run on Microsoft operating programs. Also   Gates is boldly moving the company into new frontiers. In recent years   Microsoft has acquired several start-up companies that possess cutting-edge Internet technologies. The company is integrating Internet fea??tures into many of its popular home and business programs. Gates is also looking at ways of marrying the computer and the television set to create a combination entertainment-information device. A major step was the launch of MSNBC   a cable news channel and companion Web site that the company developed with NBC. More recently   Microsoft purchased WebTV Net??works   a company whose products allow you to surf the Inter??net on your television while watching your favorite programs. Although Microsofts future growth will not be as ex??plosive as it was in the early years   Gates knows that effective management on all levels is what will keep the company on top. 100Test