


MICROSOFT
Struggling to Survive Success

Success has brought its own management problems to Microsoft. Shrewd business deals and sheer luck propelled the pioneering software company into a leading role at the center of the volatile, hotly competitive computer industry. But spectacular 50 percent annual growth left Microsoft unwieldy and disorganized, and software companies such as Lotus and Ashton-Tate were coming on strong. Technology continued to evolve at a rapid pace, consumers became more demanding, and rival programmers worked around the clock to create new and better applications. For founder and chief executive officer Bill Gates, just maintaining Microsoft's position required heroic effort.

Gates's visionary leadership was largely the reason for Microsoft's wild success. When Gates dropped out of Harvard to found the company in 1975, personal computers were toys for the "hard-core technoid," as he once described himself. But Gates, barely 20 years old, envisioned a nation with a computer in every home and in every office—and a piece of Microsoft software in every computer. An early alliance with computer giant IBM put Microsoft's basic operating program (MS-DOS) into 80 percent of the nation's 50 million personal computers. Gates boldly led Microsoft into Europe and Asia too. Inspired by Gates's charisma and technical knowledge, Microsoft employees also investigated new data storage technologies and broadened software offerings for home and office. In the future, Gates foresaw handwriting recognition programs, word processing with animation and stereo sound,

modular software that lets anyone combine program features, and more.

But good ideas weren't enough anymore. Gates found he was so swamped by new business that he could hardly handle day-to-day operational details, much less develop the vision he needed to beat the competition in the twenty-first century. Coordinating the activities of his many working groups became more difficult, and quality control and planning weren't receiving the needed attention. Time after time his company targeted a new market only to introduce a mediocre product the first time out. Gates took charge of five key product lines but couldn't find time to adequately tailor them to customer needs. Projects died. Customers got angry.

Gates was also worried about something that threatened his leadership of the company. He feared losing touch with his employees, the people who put his vision into action. Microsoft had been fun, a small company where talking shop with the CEO was an important morale booster and a method of indoctrination. Gates still relished personal contact with his people, but their number had grown past 1,000, and they were spread around the world.

Gates had always made the big decisions at Microsoft, but more decisions were needed and he was already working 65 hours or more a week. Now that Microsoft had passed the \$1 billion sales mark, Gates couldn't manage the company the same way he had when it was much smaller. Moreover, he was facing the launch of Windows, which had the potential to be one of Microsoft's biggest sellers ever. How could he both plan for the long haul and effectively manage daily affairs? What could he do to stay in touch with his employees and spread his vision? How could he improve quality control? How could he ensure Microsoft's success through the 1990s and beyond?¹

CHAPTER OVERVIEW

Even for a manager as experienced as Bill Gates, management is a complex, challenging activity. To keep Microsoft on top, Gates needs excellent management skills and a solid understanding of his roles and responsibilities within the company, and he needs to share his goals and his vision with everyone else in the organization. This chapter starts with an examination of the interrelationship