

A Critical Analysis Of Organizational Culture Change And Development In Microsoft

Module name:HUMAN RESOURCE MANAGEMENT

Module code:BM MB7007

Name:Luxin Liang

Student number:2218862

Executive Summary

This report critically evaluates the organisational culture change and development in Microsoft, identifying it as a priority area due to its significant benefits. The current weaknesses within the organisation, such as resistance to change and lack of employee engagement, have led to negative outcomes, including low morale and reduced productivity. To address these issues, we recommend implementing a comprehensive change management strategy that includes clear communication, employee training programmes, and continuous feedback channels to fully understand and address the challenges faced by the organisation, enabling Microsoft to maintain its competitive edge and foster a dynamic and innovative culture.

Table of Contents

Introduction	1
Organisational overview	1
Main discussion	2
Conclusion	7
Recommendations	8
Reference List	12

Introduction

The selected priority area of organisational cultural change and development is highly relevant to Microsoft, given its size, growth, and diverse range of global operations. A strong, coherent, and adaptable culture is essential to driving the company's strategy, fostering continuous improvement, and enhancing employee engagement levels(Armstrong 2020). As the business landscape continues to evolve at a rapid pace, Microsoft's ability to be agile and adaptive by embracing a culture of innovation, learning, and inclusive collaboration has become vital in maintaining its market leadership position(Daft and Marcic 2022).This report aims to critically evaluate the priority area of organisational cultural change and development within the chosen organisation, Microsoft Corporation.

Organisational overview

Microsoft is a multinational technology company headquartered in Redmond, Washington, that develops, manufactures, licenses, supports, and sells computer software, consumer electronics, personal computers, and related services. Founded in 1975, Microsoft has transformed over the decades and has maintained its status as a global technology leader through innovation, commitment to quality, and adapting to the ever-changing technological landscape(Acs 2021). Microsoft, a globally acclaimed organization, boasts an impressive workforce of over 180,000 dedicated professionals hailing from diverse cultural backgrounds. Undoubtedly, Microsoft's remarkable success stems from its commitment to nurturing a diverse and inclusive workforce, duly acknowledging the value of gathering unique perspectives that significantly contribute to the company's growth and pioneering spirit.

Main discussion

The selected priority area of organisational cultural change and development is highly relevant to Microsoft, given its size, growth, and diverse range of global operations. A strong, coherent, and adaptable culture is essential to driving the company's strategy, fostering continuous improvement, and enhancing employee engagement levels(Armstrong 2020). As the business landscape continues to evolve at a rapid pace, Microsoft's ability to be agile and adaptive by embracing a culture of innovation, learning, and inclusive collaboration has become vital in maintaining its market leadership position(Daft and Marcic 2022).

One of the primary reasons organisational culture change and development has become a top priority at Microsoft is its profound impact on employee satisfaction and retention. A thriving organisational culture that fosters positivity and inclusivity contributes significantly to a more conducive working environment(Geue 2018). As a result, this leads to an increase in job satisfaction, motivation, and commitment amongst employees (Jehanzeb and Mohanty 2018). Moreover, a strong organisational culture ultimately aids in attracting and retaining the best talent, ensuring the company's continued success and growth.

In the past, Microsoft had a reputation for possessing a competitive and combative internal culture, characterised by fierce rivalry between employees and siloed departments (Walker 2019). This antagonistic atmosphere often led to high employee turnover rates, hindered collaboration, and created an environment which was not conducive to innovation. Such a culture had clear negative implications for the company's overall performance and reputation.

Recognising the need for transformative change, CEO Satya Nadella has spearheaded a significant shift in the company's organisational culture since assuming his position in

2014(Denning 2019). Emphasising the importance of a "growth mindset," Nadella has encouraged employees to be open to learning, embracing feedback, taking risks, and working together to develop new ideas (Prakash et al. 2021). This new approach to organisational culture has created an environment in which collaboration, experimentation, and innovation are not only encouraged but celebrated.

As a result of this dynamic shift, the working atmosphere of Microsoft has undergone significant and palpable change. According to the annual Microsoft Work Trend Index, the percentage of employees who reported being engaged in their workplace has increased steadily, from 75% in 2014 to an impressive 89% in 2018, demonstrating the positive impact of this cultural transformation (Sanhonkwe et al. 2022). Moreover, such increased employee satisfaction and collaboration have translated into tangible business results, as evidenced by the company's sustained growth and success.

Alongside fostering a growth mindset, the cultural evolution in Microsoft encompassed expanding diversity and inclusion initiatives(Bowman 2018). The company has introduced employee resource groups, mentoring programmes and has even adjusted its performance review and compensation systems to incentivise collaboration and teamwork (Schrage et al. 2019). This focus on inclusivity has contributed to attracting and retaining diverse talent by creating a welcoming and supportive environment, enriching the innovative potential and overall work culture in Microsoft.

Undoubtedly, innovation is the cornerstone of success for technology organisations like Microsoft. To maintain a competitive edge in today's ever-evolving industry, it is imperative for such companies to constantly cultivate an organisational culture that nurtures creativity and fosters continuous development. One of the key aspects of an organisational culture that promotes

innovation is the emphasis on risk-taking and experimentation. Naranjo-Valencia(2018) conducted a comprehensive study that underscores the significance of this cultural trait for stimulating innovation and, consequently, driving overall company growth. The study elucidated the strong correlation between a company's risk-taking temperament, its proclivity for experimentation, and its overall ability to break free from established norms, consequently cultivating a fertile environment for generating new ideas and propelling the business forward.

Moreover, organisational culture change and development drive overall business performance. Carvalho et al. (2019) suggest that companies with strong and adaptive organizational cultures tend to outperform their competitors, as they are more agile and resilient amidst rapidly changing market conditions. Microsoft's renewed focus on culture has positively impacted its financial performance, with the company's share prices increasing by more than 500% since Nadella took over in 2014 (Gartenberg 2022)

One of the most prominent issues hindering Microsoft's organisational cultural change and development is its legacy as a highly bureaucratic and hierarchical company(Vlaicu et al. 2019). Despite current CEO Satya Nadella's efforts to transform this culture into a more agile and team-based organisation, remnants of the old hierarchical structures remain deeply ingrained within the company. This resistance to change is evidenced by the highly-publicised gender discrimination and harassment lawsuits in recent years (e.g., Moussourias v. Microsoft, 2018), reflecting the persistence of an unhealthy power dynamic within Microsoft's culture(Chaudhry et al. 2019).

Secondly, internal competition within distinct divisions could hinder cross-functional collaboration and learning, stalling the cultural change process. For instance, the widely-criticized "stack ranking" system that ranked employees against each other led to a

competitive and siloed mentality among employees, hindering collaboration and information sharing(Cowgill 2015). Although this system has been abolished, its long-term impact on the organisational culture remains a challenge.

Another weakness in Microsoft's approach to cultural change and development is the perception of its pace of innovation in comparison to competitors. The decline in smartphone operating systems' market share indicates the lack of adaptability in fast-paced technological advancements(Dinale 2016). Failure to keep up with the rapid changes in technology, customer preferences, and market trends has led to a loss of competitive advantage in certain domains. This perceived lack of agility could impede Microsoft's efforts to foster an organisational culture that promotes innovation, risk-taking, and experimentation.

Microsoft's focus on cultural development must also consider the challenge of balancing global and local cultural values to maintain a harmonious and inclusive work environment. Microsoft operates in more than 100 countries, making its workforce incredibly diverse. However, a study in 2017 revealed that many global employees felt that Microsoft's culture predominantly mirrored its American headquarters, neglecting cultural nuances and values from other regions, which could lead to disenfranchisement and disengagement in non-US employees(Ramirez 2018).

Finally, the rapid adoption of remote and hybrid working conditions due to the COVID-19 pandemic has raised concerns over employee engagement and collaboration(Bryce et al. 2022). Adjusting to a remote work culture can exacerbate existing issues such as communication breakdowns and reduced opportunities for informal learning and knowledge sharing. Microsoft must strategise to maintain a cohesive and collaborative organisational culture while catering to the evolving needs of a dispersed workforce.

The legacy of Microsoft as a highly bureaucratic and hierarchical company has posed a significant challenge to the organisation's ability to adapt and evolve in the face of shifting market demands. Hierarchical structures often impede effective communication and decision-making, leading to delayed responses to competitive threats and stifled innovation . For instance, the failure to develop a competitive mobile operating system in response to Apple's iOS and Google's Android resulted in a dwindling mobile market share consequently, the company withdrew from the smartphone market in 2017 (Park and Kim 2021).

Internal competition within distinct divisions in Microsoft has further compounded the issue of organisational cultural change and development. In the past, Microsoft has had a reputation for fostering a "cutthroat" culture, with employees being pitted against one another in performance evaluations (Powell 2021). This competitive environment has been detrimental to cross-functional collaboration and learning, ultimately inhibiting the flow of information and ideas across the An example of this negative impact is the development of the Windows Phone, where internal competition among teams led to the fragmentation of the platform's app ecosystem, ultimately harming its competitiveness in the wider market

Microsoft's approach to cultural change and development is the perception of its pace of innovation in comparison to competitors. Fast-paced, continuous innovation is a vital aspect of organisational culture, particularly within the technology sector (Goncalves et al. 2020). Microsoft has historically been perceived as a slow-moving company compared to more agile competitors such as Apple and Google, who have rapidly offered new, disruptive products and services to the market (Flew 2022). This perception has had negative consequences for Microsoft's reputation and market position, causing missed opportunities and a loss of market

share in various sectors, as exemplified by their lack of success in the smartphone and tablet markets (Alibage and Weber 2018).

The COVID-19 pandemic has undeniably transformed the way organisations function and collaborate. With remote and hybrid working conditions becoming the new norm, they have revealed certain inadequacies in Microsoft's organisational cultural change and development efforts (Asatiani et al. 2021). Granted, Microsoft has risen to the challenge by developing and marketing improved collaborative tools, such as Microsoft Teams. However, merely providing the technology is not enough; a deeper paradigm shift in cultural practices, communication, and management styles is essential (Antony 2018). It is important to acknowledge that while collaborative tools are beneficial, they cannot replace the essence of human connections fostered within a physical workspace. The transition to remote working has amplified the need for clear communication, with team members spread across geographical boundaries and time zones .

Conclusion

Organisational culture change and development at Microsoft has revealed both the substantial benefits and the existing weaknesses within the organisation. The organisation has experienced a significant transformation in its culture, primarily led by its CEO, Satya Nadella. The benefits of organisational culture change and development at Microsoft are undeniable. The shift towards a more inclusive, growth mindset-driven environment has driven product innovation, improved employee satisfaction, and contributed to the company's overall financial success. Despite these improvements, the analysis has identified some weaknesses in Microsoft's organisational culture. The company still struggles with some bureaucratic elements, which hinder swift decision-making and project progression. Additionally, it must address the

potential issue of cultural homogenisation, where a strong corporate culture could limit diversity and stifle creativity. Microsoft's organisational cultural change and development can be improved by addressing its hierarchical structure, fostering collaboration and learning, strengthening innovation, and adapting to remote and hybrid working conditions. By strategically focusing on these priority areas, Microsoft can transform into a more agile, responsive, and successful organisation.

Recommendations

Microsoft's organisational culture has long been recognised for its bureaucratic and hierarchical nature, which has historically allowed for the centralisation of decision-making processes and distribution of authority in a vertical manner. This traditional approach, however, has been pinpointed as a significant weakness, as it can impede innovation, diminish responsiveness to external changes, and hinder creativity within the organisation (Broučková 2021).

This move towards a flatter organisational structure can be further enhanced by implementing mechanisms that encourage collaboration and cross-functional teamwork, such as adopting an open-door policy for executive offices, establishing multi-disciplinary project teams, and creating spaces that facilitate knowledge sharing and the exchange of ideas across departments (Aime et al. 2014). These measures can foster an environment where employees feel empowered to contribute their perspectives and expertise to organisational challenges, thereby unlocking hidden reservoirs of creative potential and driving innovation forward (Darvishmotevali 2019). However, disadvantages of this approach may include excessive focus on individual opinions that could lead to division and disagreements, loss of

productivity due to a constant demand for feedback, and an overwhelming volume of information to process and analyze. Moreover, ethical concerns may arise when dealing with sensitive topics or non-anonymous channels for sharing input, which could lead to potential bias, peer pressure, or breach of privacy.

Microsoft's second weakness is the internal competition within distinct divisions, which can impede cross-functional collaboration and learning. Fierce competition may lead to duplication of efforts, obstruct knowledge sharing, and discourage collaboration amongst various departments (Ritala et al. 2015). To mitigate this issue, Microsoft should encourage a culture of collaboration and learning, where employees are rewarded for sharing knowledge, ideas, and best practices (Rohim and Budhiasa 2019).

HR recommendations include reshaping performance management systems to emphasise knowledge sharing and teamwork in addition to individual achievements . To encourage cross-functional collaboration, HR could establish dedicated teams of employees from various divisions to work together in tackling complex, strategic issues (Wilton 2019).Disadvantages of this approach may include excessive focus on individual opinions that could lead to division and disagreements, loss of productivity due to a constant demand for feedback, and an overwhelming volume of information to process and analyze. Moreover, ethical concerns may arise when dealing with sensitive topics or non-anonymous channels for sharing input, which could lead to potential bias, peer pressure, or breach of privacy.

Thirdly, Microsoft's pace of innovation is perceived as slower than its competitors, prompting concerns that the company may lag in a fast-evolving market . To foster a proactive and agile culture, Microsoft should focus on fostering innovation, creativity, and risk-taking. HR must actively challenge outdated mental models and assumptions to promote organisational

adaptability (Holbeche 2018). One HR recommendation involves providing employees with resources and opportunities to develop their skills and knowledge. Microsoft should also recognise and celebrate employees' innovative efforts, even if they do not lead to immediate commercial success. This can be achieved by implementing internal awards or recognising innovative efforts during performance appraisals. Nevertheless, drawbacks to these measures include the possibility of creating tensions among staff due to perceived favoritism or tokenism, resistance to change from long-time employees or those reluctant to relinquish privileges. Ethical considerations may involve potential bias in selection and promotion, potential violations of privacy through demographic data collection, and balancing the interests of various minority groups.

Lastly, with the rapid adoption of remote and hybrid working conditions, Microsoft must adapt its organisational culture and HR practices to support employees and maintain productivity in this new environment (Ybema et al. 2020). Microsoft should implement policies and guidelines that acknowledge employees' different circumstances, emphasising flexibility and inclusiveness (Buengeler 2018). Microsoft, as a leading technology provider and employer, must therefore actively adapt its organisational culture and HR practices in order to support its employees and maintain productivity in this new environment. This would involve implementing policies and guidelines that take into consideration the diverse circumstances of its employees, and emphasising flexibility and inclusiveness (Buengeler 2018). However, potential risks and costs include a lack of clear boundaries between work and personal life, resulting in burnout and loss of focus, diminished in-person interactions due to remote work arrangements, and increased investment in employee benefits and resources. Additionally, ethical concerns may emerge, such as unfair distribution of resources among employees, lack of accommodations for certain

disabilities or needs, and inadvertently fostering a culture that promotes overworking and productivity at the expense of the employee's mental and physical wellbeing.

Reference List

- Acs, Z.J., Song, A.K., Szerb, L., Audretsch, D.B. and Komlosi, E., 2021. The evolution of the global digital platform economy: 1971–2021. *Small Business Economics*, 57, pp.1629-1659.
- Armstrong, M. 2020. *Armstrong's Handbook of Human Resource Management Practice*. 15th Ed. London: Konan Page
- Daft, R.L. and Marcic, D., 2022. *Understanding management*. Cengage Learning.
- Geue, P.E., 2018. Positive practices in the workplace: Impact on team climate, work engagement, and task performance. *The Journal of Applied Behavioral Science*, 54(3), pp.272-301.
- Jehanzeb, K. and Mohanty, J., 2018. Impact of employee development on job satisfaction and organizational commitment: person–organization fit as moderator. *International Journal of Training and Development*, 22(3), pp.171-191.
- Walker, J.A., 2019. *What Characteristics Do Organizations That Successfully Innovate Possess and Are They Transferrable to the Military?*. US Army School of Advanced Military Studies.
- Denning, S., 2019. Lessons learned from mapping successful and unsuccessful Agile transformation journeys. *Strategy & Leadership*, 47(4), pp.3-11.
- Prakash, D., Bisla, M. and Rastogi, S.G., 2021. Understanding Authentic Leadership Style: The Satya Nadella Microsoft Approach.
- Sanhokwe, H., Takawira, S., Kunene, Z. and Maunganidze, F., 2022. Impact of COVID-19 induced teleworking arrangements on employees in NGOs: Implications for policy and practice for leadership. *Sage Open*, 12(2), p.21582440221079908.
- Bowman Williams, J., 2018. Diversity as a trade secret. *Geo. LJ*, 107, p.1685.
- Schrage, M., Kiron, D., Hancock, B. and Breschi, R., 2019. Performance management's digital shift. *MIT Sloan Management Review*.

- Naranjo-Valencia, J.C. and Calderon-Hernández, G., 2018. Model of culture for innovation. *Organizational culture*, 1, pp.13-34.
- Carvalho, A.M., Sampaio, P., Rebentisch, E., Carvalho, J.Á. and Saraiva, P., 2019. Operational excellence, organisational culture and agility: the missing link?. *Total Quality Management & Business Excellence*, 30(13-14), pp.1495-1514.
- Gartenberg, C., 2022. Purpose-driven companies and sustainability. In *Handbook on the Business of Sustainability* (pp. 24-42). Edward Elgar Publishing.
- Vlaicu, F.L., Neagoe, A., Țîru, L.G. and Otovescu, A., 2019. The organizational culture of a major social work institution in Romania: A sociological analysis. *Sustainability*, 11(13), p.3587.
- Chaudhry, H., Wall, A.E. and Wall, J.L., 2019, July. Exploring the Gender Gap in Tech Companies: Why Aren't There More Women?. In *Competition Forum* (Vol. 17, No. 2, pp. 275-280). American Society for Competitiveness.
- Cowgill, B.L., 2015. *Essays on the Economics of Organizations, Productivity and Labor* (Doctoral dissertation, UC Berkeley).
- Dinale, R., 2016. Hardware and software interdependencies for the purpose of standard creation: the Microsoft case.
- Ramirez, J.C., 2018. " *They Say Pushout, We Say Pushback!!!*": A Case Study Examination of Chicana-Latina After-School Youth Development and Transformational Resistance. University of California, Los Angeles.
- Bryce, V., McBride, N.K. and Cunden, M., 2022. Post-COVID-19 ethics of people analytics. *Journal of Information, Communication and Ethics in Society*.

- Park, B.J. and Kim, D., 2021. Coopetition dynamics between giant entrants and incumbents in a new convergent segment: a case in the smartphone industry. *Asian Journal of Technology Innovation*, 29(3), pp.455-476.
- Powell, R., 2021. Spirit of the Corporation. *Seattle UL Rev.*, 45, p.241.
- Goncalves, D., Bergquist, M., Bunk, R. and Alänge, S., 2020. Cultural aspects of organizational agility affecting digital innovation. *Journal of Entrepreneurship, Management and Innovation*, 16(4), pp.13-46.
- Flew, T., 2022. Why tech regulators need to think like Google. *TechReg Chronicle*.
- Alibage, A. and Weber, C., 2018, August. Nokia phones: From a total success to a total fiasco: A study on why Nokia eventually failed to connect people, and an analysis of what the new home of Nokia Phones must do to succeed. In *2018 Portland International Conference on Management of Engineering and Technology (PICMET)* (pp. 1-15). IEEE.
- Asatiani, A., Hämmäläinen, J., Penttinen, E. and Rossi, M., 2021. Constructing continuity across the organisational culture boundary in a highly virtual work environment. *Information systems journal*, 31(1), pp.62-93.
- Antony, M.R., 2018. Paradigm shift in employee engagement—A critical analysis on the drivers of employee engagement. *International Journal of Information, Business and Management*, 10(2), pp.32-46.
- Broučková, V., 2021. Utilising the Best Practices of Alternative Management Structures in the Gaming Industry.
- Darvishmotevali, M., 2019. Decentralization and innovative behavior: The moderating role of supervisor support. *International Journal of Organizational Leadership*, 8, pp.31-45.

- Aime, F., Humphrey, S., DeRue, D.S. and Paul, J.B., 2014. The riddle of heterarchy: Power transitions in cross-functional teams. *Academy of Management Journal*, 57(2), pp.327-352.
- Ritala, P., Olander, H., Michailova, S. and Husted, K., 2015. Knowledge sharing, knowledge leaking and relative innovation performance: An empirical study. *Technovation*, 35, pp.22-31.
- Rohim, A. and Budhiasa, I.G.S., 2019. Organizational culture as moderator in the relationship between organizational reward on knowledge sharing and employee performance. *Journal of Management Development*.
- Wilton, N., 2019. An introduction to human resource management. *An Introduction to Human Resource Management*, pp.1-632.
- Holbeche, L.S., 2018. Organisational effectiveness and agility. *Journal of Organizational Effectiveness: People and Performance*, 5(4), pp.302-313.
- Buengeler, C., Leroy, H. and De Stobbeleir, K., 2018. How leaders shape the impact of HR's diversity practices on employee inclusion. *Human Resource Management Review*, 28(3), pp.289-303.
- Ybema, J.F., van Vuuren, T. and van Dam, K., 2020. HR practices for enhancing sustainable employability: implementation, use, and outcomes. *The International Journal of Human Resource Management*, 31(7), pp.886-907.