

LEVEL 7 ASSESSMENT SPECIFICATION

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Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

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Management Report for Microsoft Corporation (MSFT) on implementation of Growth Mindset and the employee engagement issue

EXECUTIVE SUMMARY

Microsoft had been a leader in desktop operation system and Office application since she started her business. Although having 40 years of successful business, Microsoft had also missed the opportunity to develop a successful smartphone ecosystem and also the cloud computing business. Android and IOS are the standards of mobile operation systems. Google and Amazon shared the cloud computing business. Even worse, the market for PC is declining, with smartphones and tablets become the only computing device for a lot of the people. Both markets seem to be no room for Microsoft. Other than external business environments, Microsoft Windows had failed the customers in two Windows versions, Windows Vista and Windows 8, employees are of low morale, the old performance appraisal system forced the employees not to take risk by trying something new, innovation is not welcome. Steve Ballmer had started the program “One Microsoft”, however, the implementation was slow, the stock price of MSFT dropped to a low level. It seems that all stakeholders were disappointed.

Satya Nadella had taken the seat of CEO after Steve Ballmer stepped down from the post. Satya took one year to familiar with all the business of Microsoft and built his team. He had a good performance when he led the Cloud computing division. Using Satya’s words, “he is to rebuild Microsoft”.

Satya initiated a cultural change for Microsoft to a growth mindset mentality. An analysis using the Kotter’s 8-step process to find out the people issues for each step of the change are performed.

From the analysis, employee engagement may be a problem which affect the change. We analysis the employee engagement activities using the 4-level employee engagement framework. To understand the effectiveness of the employee engagement, we used the employer rating from Glassdoor and found that the rating of Senior Management is the lowest. We further checked on the senior executive team and found from the new appointment of leaders, that there were 10 senior executives left Microsoft since Satya had taken the seat of CEO. These senior executives had served Microsoft for a long time, half of them are over 10 years with one nearly 20 years and another one over 27 years. We had made some recommendations to handle this employee engagement issue.

THE BACKGROUND OF THE CASE

Background of Microsoft

Microsoft (MSFT) is a well-known technology company enables digital transformation for the era of an intelligent cloud and an intelligent edge. Its mission is to empower every person and every organization on the planet to achieve more. (Microsoft official portal 2020).

Microsoft Corporation was founded by Bill Gates and Paul Allen on April 4, 1975, nearly 46 years ago. Microsoft developed and sold BASIC interpreters for the Altair 8800. It dominated the PC operating system market with MS-DOS in the mid-1980s, followed by Microsoft Windows and Microsoft Office. (Wikipedia) Time named the Apple II and IBM PC as the “Machine of the Year” in 1982 signify the booming of the home computer or PC market.

The huge success of Microsoft Windows, Windows Server, Microsoft Office and Xbox, created a cultural that Microsoft Windows was the star of the company and should have priority and resources over other product. However, the shipping of PC dropped since 2011, as the raise of smartphones and tablets, the PC market is declining, and it will affect the business of Microsoft Window (Kan, 2020) .

The first CEO of Microsoft was Bill Gates, one of the founders. He stepped down on January 2000 with Ballmer as the CEO.

According to an analysis by Steven J. Vaughan on ZDNet, a famous IT media, there are five reasons for Ballmer needed to go: (Vaughan, 2013)

1) Failure in Windows Vista and Windows 8

Windows Vista was a total failure. Microsoft had to extend Windows XP Home for some time to fight with the Linux netbooks in 2009. The netbooks are a low-end PC market that maybe once been ignored by Ballmer. Microsoft has to release Windows 7 to save the market share. Windows 8 was as bad as Vista, and the Metro interface of Windows 8 is annoying.

2) Uprising of Tablet and Smartphone

The uprising of smartphones and tablets indicating PC is not the only device to connect to the internet, instead smartphones and tablet were more convenience on the move. PC still has its market, but there's no growth. Under the leadership of Steve Ballmer, Microsoft tried and failed to make an impact in the mobile software market. Android is dominating

the smartphones. As for tablets, it has a bigger screen than smartphones, Windows 8 should have a better chance, however, Windows 8 did not work out. As for Microsoft's Surface tablets, they are not popular after it is launched. Surface RT did not find a right market and also failed.

3) Failure in Search Engine

Bing is not popular, and the market share is far behind Google Search. Ballmer launched it on May 2009.

4) The Corporate Culture of Ranking

Microsoft had adopted a ranking system, that one out of ten should be rank bad, but in fact it is not just as good as the others. Therefore, even the management promoted “One Microsoft”, but the reorganization plan was not working out fast enough, different departments, business units were fighting for the top position. The Windows OS group will perform better, as the market is there and mature, but new business may not have the chance to survive, so teams are hesitated to try something new. This ranking system was criticized by employee as unfair and lead to employee turnover.

5) The Investment Market Has No Confident in Ballmer

Steve Ballmer was a good salesman, but was not a good CEO, at least the investors thought so.

Ballmer became the Microsoft CEO in January 2000. At the last day of Gates, the stock was around \$55, and after about half year of Ballmer took up the CEO role (August 22, 2000), MSFT closed at \$35.62. Three years later (August 22, 2013), MSFT closed at \$32.39. Ballmer was not able to give confident to the investors.

Analysts had been screaming to change the CEO, Microsoft's stock has bounced up about 6%, when there was news that Ballmer is leaving.

THE NEW CEO – SATYA NADELLA

In view of the above situations, Ballmer decided to step down as CEO. Microsoft announced on February 4, 2014 that its board of Directors has appointed Satya Nadella as CEO and a member of the Board of Director. Satya previously worked in Microsoft's Cloud and Enterprise group as the Executive Vice President. Bill Gates said “Satya is a proven leader with hard-core engineering skills, business vision and the ability to **bring people together**. “ (Microsoft Corporate, 2014)

Satya's had overseen one of the fastest-growing divisions Microsoft, the Cloud and Enterprise Group, and helped to move Microsoft's server and tools group to a faster, more agile development model and no longer needed an 18 months long release cycle. He was a key player to shift the business focus to SAAS (software as a services) and cloud platform. (Cooper, 2014)

Although he had a good result from the cloud business, it was not easy for Satya to manage the whole Microsoft group under a bad situation. He sent email to all employees on the first day as CEO. He mentioned that the technology industry does not respect tradition, it only respects innovation. He committed to drive Microsoft thrives in a **mobile and cloud-first world**. He sent an email to all employees on March 31, 2014 to emphasis that he will turn Microsoft into a mobile-first, cloud-first technology company. (Microsoft Corporation, 2014)

Satya used more than one year to familiar with the job as CEO, set up his own team, investigated the whole Microsoft business and those projects that were running before he was the CEO. His next email to all employees was issued on June 17, 2015. This email told all employee about the new structure of the group and new leader roles.

THE ISSUES

In his email "Aligning Our Strategy & Structure" on June 17, 2015, Satya announced his decision on the organization structure, and different leadership roles. Satya had a year to engage his team and discuss with related employees to finalize his plan. However, his team left Microsoft very soon after he reorganize different business, some of them had been worked in Microsoft for a very long time. Microsoft lost these talents. The loss of executives were easier to notice, turnover of employee under executive grade was not easily been noticed.

This management report tried to analysis the causes and made some suggestions to apply **cultural change framework** during the implementation of change and also suggestions to **employee engagement** to minimize the loss of so many talents in less than 5 years due to the change of corporate culture.

THE CHANGE OF CORPORATE CULTURE

Under the leadership of Ballmer, Microsoft had launched program "One Microsoft" in July 2013. This program prompted a sweeping revamp of Microsoft's core organization structure. This program also envisioned a truly unified OS experience across different devices, such as

smartphone, tablet, notebook, desktop PC and TV. It was expected that different BU in Microsoft will collaborated together. (Chacos, 2013), however, the program was not roll out as fast as the Board of Directors expected.

Satya was chosen by his technical background and his people skill, mentioned by Bill Gates in an email announcing Satya to take up the CEO role.

MICROSOFT NEW CORPORATE CULTURE

Learn-it-all mentality (Growth Mindset)

Historically, Microsoft's has a 'know-it-all' culture, Satya changed it into 'learn-it-all' ("The Growth Mindset"). The Microsoft culture accepted that no one could know everything about the industry and their specialty. This culture also encouraged its employee, at all levels, to have an open mind towards learning new skill and try out new ideas. (McCracken, 2018)

Openness

Satya stated in an interview he welcomes anyone to tell him anything. (Lebowitz, 2015)

Value for innovation

Microsoft was often criticized for lack of innovations in its product portfolio under Ballmer. Satya using the growth mindset, not only encouraged the learn-it-all mentality, but also encourage experiment as a learning process.

Diversity and inclusion

Microsoft tried to promote to all stakeholders the culture of diversity and inclusion through multiple communication channels. (Anon., 2017)

For the growth mindset, Satya had published his book "*Hit Refresh*" co-authored with Greg Shaw and Jill Tracie Nichols talked about the "Growth Mindset". He told the inside story of how a company rediscovered its soul, transforming everything from culture to their fiercely competitive landscape and industry partnerships. As much a humanist as engineer and executive, Nadella concluded with his vision for the coming wave of technology and by exploring the potential impact to society and delivering call to action for world leaders. (Satya Nadella, 2017) In an interview with Caixin Media, Satya said his Growth Mindset is inspired by a book written by Stanford psychologist Carol Dweck, "*Mindset: The New Psychology of Success*". (Bariso, 2019)

Satya had said in his email that the technology industry did not respect tradition, but respect innovation. To enable an organization to have innovation, attempts should be encouraged as

mentioned in Dweck's *Mindset*, "Everyone can change and grow through application and experience." (Dweck, 2007)

In the same interview with Caixin Media, Satya described the concept "Growth Mindset" as "very simple".

The Growth Mindset explained by Satya Nadella (Bariso, 2018):

Never stop learning

Nadella mentioned in the interview that if you consider yourself an expert, then you will stop learning. As you thought there is nothing new to you in this area. Therefore, one should keep the continuous process of renewal.

Keep looking forward and Learn from the past

Nadella mentioned in the interview that the past has been happened, the way to go forward is to ask yourself what you are going to do tomorrow and the day after.

Encourage Experiment

A true learning should go through experimentation and mistakes. In contrast, if people feel safe to share new ideas and try new things, it will encourage the culture of learning and growth.

A real-life example is at Microsoft a couple of years ago, a Twitter bot named Tay is launched. The goal of this exercise is to experiment how AI communicates with real people in real time. But things quickly went wrong because hackers manipulated Tay to say racist profanity. Tay was shut down after just 16 hours, and Microsoft issued an official apology. The key lesson is to learn from the failure and to see how to do it better next time. Nadella expressed that he would keep pushing and will be with his team. The key is to keep learning and improving.

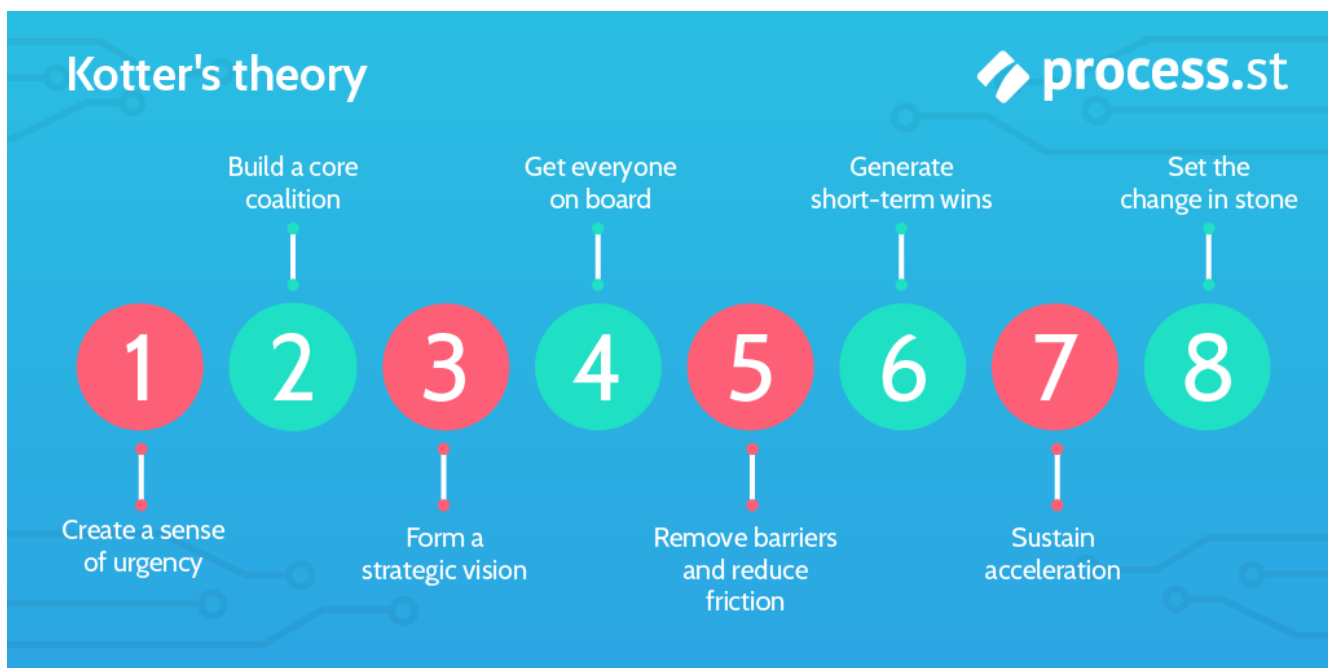
The benefit of the Growth Mindset

The growth mindset enables innovations. Microsoft's annual hackathon is one example of a growth mindset in action. Chances will be given to employees, who have an idea, or a hack, to form a team to develop a business plan and pitch it company-wide. Funding will be given to develop their projects, and some move into leadership roles, even if these employees have no management career track.

CULTURAL CHANGE FRAMEWORK

The cultural change of any organization is a critical task, it involved significant planning and implementation. There is no public information on the framework Nadella has used or whether he has any framework on his mind. We apply the Kotter's theory as the framework to examine the change process.

The 8-Step Process for Leading Change was developed from Dr. Kotter's observations, over four decades, of countless leaders and organizations as they were trying to transform or execute their strategies. Based on these observations, he extracted and identified the success factors and compiled them into a methodology, the 8-Step Process for Leading Change. (Kotter Inc, 2020)



Create a sense of urgency

First you need to have a sense of urgency for your change – this will provide the initial traction you'll need to get your team on board and motivated to adapt.

From the background of this case, the rise of smartphone as the primary computing device threatened the growth of PC market, the worst thing is the PC market is declining (Kan, 2020). Microsoft seems to have no relevance in the smartphone market. The failure of Windows Vista and Windows 8 indicating a decline of the technology giant. The stock price declined significantly compared with the time when Bill Gates was the CEO.

All these situations are well known to the employees and stakeholders and created a sense of urgency for the changes.

Build a core coalition

Satya took a year to plan his work and formed his team for the change. He is expected by the Board of Director, the employees and the investors to change Microsoft. Unlike other cases, Satya did not need to convince the stakeholders to change. In this case, it is not about the reason to change, but how to change and what changes are needed.

In the email on June 17, 2015 on aligning engineering to strategy, Satya had reorganized the business units and appointed new leaders role to support him for the changes, however, this step did not carried out perfectly, key senior executives left, indicating problems in employee engagements. A detail analysis of employee engagement is carried out in later section of this report.

Form a strategic vision

The vision for Microsoft is to empower everyone to do more and work less. Satya had reorganized different business units, to implement his strategy for Microsoft to be a mobile-first and cloud first technology company. Satya stated in his first email to all employee on first day as CEO that “Many companies aspire to change the world. But very few have all the elements required: talent, resources, and perseverance. Microsoft has proven that it has all three in abundance. And as the new CEO, I can’t ask for a better foundation.” For Microsoft, the vision is very clear. Satya had showed his confidence to the success of the changes.

Get everyone on board

Now it’s time to share the idea for change to the rest of the organization, including the front-line employees.

Satya had organized a Q and A meeting the day after each email to ALL Employees. The section is a chance to provide face to face contact to all employees in Redmond to address their concerns. Although there is no public information on these Q and A meeting, the meeting itself can address the concerns of all employee and engage them to the changes. It is unavoidable to affect the benefit of individual employee for greater good, so having a face to face contact will be able to help address these problems and balance individual benefit and overall benefit.

There are also a number of focus group in the company to ensure the voices of employees are received by the management. (Satya Nadella, 2017)

Employees and Board of Directors are internal parties and can be easily connected, however, other stakeholders are not easy to be connected, therefore, Satya had published a book “*Hit Refresh*” co-authored with Greg Shaw and Jill Tracie Nichols. The book may influence the general public, scholars, business partners, consumers and other professionals in the industry all over the world.

The book has ranked 4.5 out of 5 in Amazon with 85% of customer rated 4-5 stars.

In this sense, Satya had really got everyone on earth on board and created a totally new image and hope.

Remove barriers and reduce friction

Satya had re-organized the business units of the organization to ensure the implementation of the change. It will remove certain barriers and reduce friction. Re-organize the business units also enable better collaborations. The best part is Microsoft has talent, resources, and perseverance.

Generate short-term wins

After deploying the changes, one must be aware that the initial momentum to change won't last long. Instead, one needed to make sure there are short-term wins associated with the changes that you can present and praise employee for. It was also to show to the stakeholder that the direction of change is correct, so to get their support and understandings.

Under Satya's leadership, Microsoft had a shift the business to become a cloud computing giant through its Azure platform. It had led to re-organizations inside the company and job cuts in the company's global marketing and sales team. (Palmer, 2017)

Wall Street had been applauding Satya, too. Share price of Microsoft have more than doubled since he became CEO. Most of Microsoft's biggest bulls are expecting a strong growth build on continued success in the cloud. (Palmer, 2017)

Microsoft and Apple had been in competition for several decades, but during Satya's leadership so far, the rivalry had somewhat simmered down. Microsoft announced in 2014 that its Office apps would be available on the iPad, which brought Kirk Koenigsbauer, corporate vice president of Office 365, on stage at Apple's WWDC event a year later. Satya made bigger

waves when he used an iPhone at Salesforce.com Inc.'s Dreamforce event in 2015 to demo a new Outlook app.

Another achievement was the purchase of LinkedIn and it run well, although the Wall Street has some reservation when Microsoft announced the acquisition. Moody's Investors Service placed Microsoft's "AAA" rating under review for downgrade. (Rooney, 2016) LinkedIn's revenue growth was now much higher than it was when Microsoft bought it. (Jhonsa, 2018) All these achievements strengthened the support internally and externally.

Sustain acceleration

In this stage, the focus was to sustain the momentum that you generated for your changes. If the changes are successful, the acceleration can carry you far enough that the changes become the new norm. Satya had a very good start, and have several achievements, as mentioned above, sustaining the change will not be a problem, especially with the support from the Wall Street.

Set the changes in stone

It is still early to say that how far the changes can go as a cloud-first and mobile first company, however, from people management point of view, the growth mindset ignited the employees' hope to contribute to innovation and empower the everyone in the world to do more. In fact, under the growth mindset, there is no final destination, but forever growing, that is changing. Having several achievements, all stake holders will have confidence in the management team and the employees are rewarded, it will further reinforce the change to take place. Once the employee is engaged, they will have happiness at their work and further drive the improvement. (Puff, 2017)

Jerry M. Hiatt, Author of Employee's Survival Guide to Change, stated that:

"Most employees, when targets of change, experience these feelings and concerns. What most employees don't know is that they play a key role in the success of change.

In fact, the more informed you are as an employee about the change process, the more likely you will not only survive the change, but thrive in a changing environment."

Using the Kotter's 8-step process to analysis the cultural change process of Microsoft under the Satya's leadership, the result is that the Microsoft's process, in the recent 5 years, can fit in the Kotter's theory and nearly all steps in the theory are well satisfied, except in the step of "get

everyone on board”. We found that during this cultural change, employee engagement has much room to improve.

EMPLOYEE ENGAGEMENT

Employee engagement is the emotional attachment employees feel towards their place of work, job role, position within the company and this attachment has impact on wellbeing and productivity of the employee. (HRZone, n.d.)

Engaged employee feels that their efforts will make a difference to the performance of the company. An engaged employee stays with the organization is not just because of the salary, but the overall success of the company. (Kenton, 2018)

Kento further stated that according to Society of Human Resource Management, there are some characteristics for an engaged employee, including: (Kenton, 2018)

They understand what their role is, what their job entails, and they want to do it.

They are loyal to their employer, self-driven and productive.

They are motivated to work toward the success of their organization and know how to work toward it.

They are connected rationally and emotionally to their organization and motivated to perform at a high level.

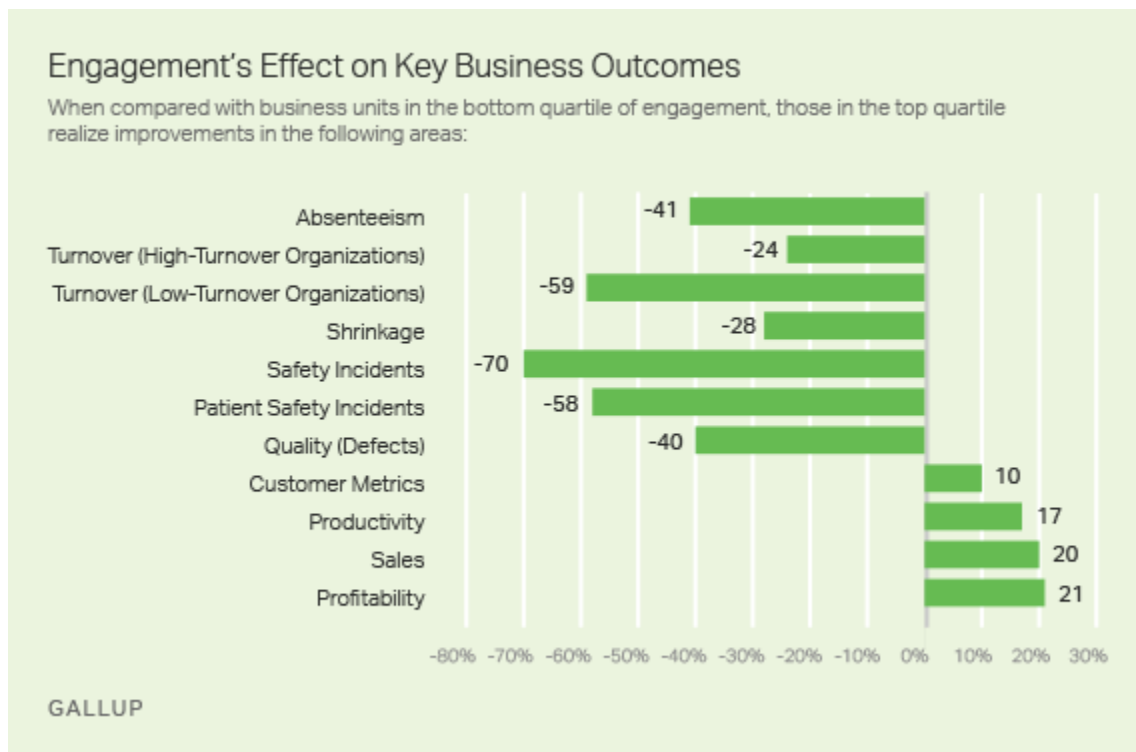
Employees today had increased bargaining power because of the internet age, the job market is highly transparent and a lot of information are public, such as job vacancy, the compensation package and the rating of employer by employees and attracting top-skilled workers is a highly competitive activity. (Bersin, 2015)

Bersin further stated, in the Delottie Review Issue 16, that the issues of “retention and engagement” had risen to number 2 in the minds of business leaders, second to the challenge of building global leadership. In the high-technology industry, 2/3 of all the workers believed they could find a better job in less than 2 months if they only took the time to look. (Bersin, 2015)

Microsoft, as a technology company, will also face the problem of employee turnover. Gallup had studied 82,248 work units, including nearly 1.8 million employees in 2016, using 339 research studies across 230 organizations in 49 industries and 73 countries. Research showed that the engagement effect will significantly affect the business outcome. Regarding the

employee turnover, for high-turnover organization, employee engagement reduce employee turnover by 24%, and 59% in low-turnover organization. (Gallup, 2014)

A diagram of Engagement's Effect on Key Business Outcomes is shown



The engagement issue with the cultural change

Any changes may lead to some pain, this was the reason, that stated in the 8-step process, to first engage a team and then everyone. If the employees are highly engaged, they will work for the success of the company.

An analysis of the executive's turnover since June 17, 2015, the date Satya announced the cultural change and the new leaders' role on his email, up to February 24, 2020 was listed. This analysis showed the turnover of executives during the cultural change process. A list of all the emails, up to February 24, 2020, to all employees since Satya as the CEO was listed for reference. These emails are found from the Microsoft official portal.

Date	Subject	
Feb 4, 2014	Satya Nadella email to employees on first day as CEO	https://news.microsoft.com/2014/02/04/satya-nadella-email-to-employees-on-first-day-as-ceo/

March 31, 2014	Satya Nadella email to employees on tuning our organization	https://news.microsoft.com/2014/03/31/satya-nadella-email-to-employees-on-tuning-our-organization/
October 9, 2014	Satya Nadella email to employees: RE: Grace Hopper Conference	https://news.microsoft.com/2014/10/09/satya-nadella-email-to-employees-re-grace-hopper-conference/
July 10, 2014	Satya Nadella to employees: 'Bold ambition and our core'(No content on web)	https://news.microsoft.com/2014/07/10/satya-nadella-to-employees-bold-ambition-and-our-core/
June 17, 2015	Satya Nadella email to employees on aligning engineering to strategy	https://news.microsoft.com/2015/06/17/satya-nadella-email-to-employees-on-aligning-engineering-to-strategy/
July 8, 2015	Satya Nadella email to employees on sharpening business focus	https://news.microsoft.com/2015/07/08/satya-nadella-email-to-employees-on-sharpening-business-focus/
June 13, 2016	Satya Nadella email to employees on acquisition of LinkedIn	https://news.microsoft.com/2016/06/13/satya-nadella-email-to-employees-on-acquisition-of-linkedin/
July 7, 2016	Satya Nadella email to employees: Senior leadership team update	https://news.microsoft.com/2016/07/07/satya-nadella-email-to-employees-senior-leadership-team-update/
March 29, 2018	Satya Nadella email to employees: Embracing our future: Intelligent Cloud and Intelligent Edge	https://news.microsoft.com/2018/03/29/satya-nadella-email-to-employees-embracing-our-future-intelligent-cloud-and-intelligent-edge/

Employees turnover is a loss to the company, as the company had put resources to train them, such as engage supervisors to train them and the knowledge loss. The cost of resources to

train the employee and to find a replacement can be easily quantified, but the cost of loss of productivity will not be easily measured. The employee turnover itself will also have influence on the company engagement effort that cannot easily be measured. (Davis, 2018)

According to an interview of HR Daily Advisor with Ari Bixhorn, VP of marketing at Panopto, an online video platform spinout from Carnegie Mellon University (CMU), according to a research by Panopto, employee knowledge consists of standard knowledge (58%) and unique knowledge (42%). standard knowledge is able to be obtained from the replacement of the job, but unique knowledge is very hard to be kept and should be developed from zero by the replacement of the job. (Davis, 2018)

The company's knowledge Standard knowledge, according to Bixhorn, refers to the fundamentals knowledge of the position, that is, the things you'd expect anyone qualified for the role to know. For example, it would be reasonable to assume any accountant would be familiar with accounting rules and regulations, company laws and taxation. (Davis, 2018)

Unique knowledge refers to knowledge from our own individual personal and professional experiences gained from our lives and career. The software developer who wrote the code for a particular piece of functionality in a product, may have knowledge on the reason for a specific coding design, which a replacement will take some time to find out. (Davis, 2018)

Therefore, engaged employees are more productive than their disengaged peers and disengaged employees are more likely to leave and cost loss to the company. (McCrimmon, 2009)

Principles and four levels for employee engagement

When deciding which employee to engage or how, there are two principles. First, no single engagement tactic will work with all employees, so one may need to try and measure the feedback. Second, from a cost and benefit point of view, the greatest payoff should target those can add most value or those will be mostly motivated by it.

Level One – Basic Engagement

Level One engagement uses motivational factors we are familiar with, such as good supervision, clear direction, career development, open communication, empowerment, recognition and

creating a great place to work. Such initiatives all involve doing something for employees, and are thus paternalistic.

Level Two - Employees as Suppliers of Services

Level Two engagement requires a culture that encourages employees to think of themselves as suppliers of services, and as running their own businesses. Employees should be trained on how to market and develop their businesses for themselves and learn to see their managers as customers. Such business development involves thinking creatively about additional ways of adding value for them and being proactive to keep abreast of the needs of key internal customers.

If employees were able to take on extra responsibilities for more pay, they might feel some of the ownership that small business owners feel and show greater initiative to improve organizational performance and be less dependent on managers to spoon-feed them.

Level Three - Engaging Leadership

Level three engagement requires a deeper culture change because it asks managers to fundamentally reframe how they see their roles. It goes beyond level two engagement by encouraging managers to be more proactive in seeking input from employees, but it also puts more pressure on employees to do more thinking and be less content to merely follow directions.

Level Four - Beyond Ownership to Passion

Level four engagement involves reframing the employees' contribution as bottom-up leadership, instead of viewing employee ideas merely as good suggestions. Greater confidence is thus required of employees to challenge their bosses while managers need to develop more receptivity to being challenged.

Employee engagement requires to change the way of work and the relationships between manager and subordinates. Therefore, the employment engagement for manager and subordinates may be different. Managers must rethink their role and the employee should be trained to equip enough hard skill and soft skill to the new role.

SOME MICROSOFT'S EMPLOYEE ENGAGEMENT ACTIVITIES

Corporate Mission and employment sense of belongings

Microsoft had events for employee engagement. Microsoft Ready was an event for internal employees, running parallel to Microsoft's partner focused Inspire. According to a blog from one of the Microsoft employees, during the event, Microsoft share successful cases to partners

and internal staff, it reaffirmed their belief in the Microsoft ethos – that their technology is designed to empower everyone. The examples mentioned in the blog were how technology transform and grow a small business and how technology improve healthcare for remote African villages.

The event provided a chance to connect with old and new colleagues and to discuss new ideas. Each session welcome feedback from employees to encourage participation. The blog author, Nas Taibi, stated that the organizing of this event was also an employee engagement activity. (Taibi, 2019)

[Corporate Social Responsibility, Employer banding and Employee's contribution to make a difference to the community.](#)

Microsoft had been one of the largest corporate philanthropies in the United States and across the world. (Optimy, 2017) This corporate social responsibility program was also an employee engagement activity. Microsoft matched the employees' donations one to one, that is every dollar the employee donated to a charity of his choice, Microsoft will donate the same amount to that organization with a maximum amount limitation (Microsoft Corporation, 1998). Microsoft also supported employee do volunteer work.

Some statistics for US employees in 2019 are obtained from Microsoft official portal.

- USD \$181 million in employee donations, inclusive of company match

- 825,000 employee volunteer hours

- 23,500 nonprofits and schools supported

- 77% employee participation

[Employee engagement and Innovation](#)

Microsoft had set up her first research laboratory in 1991 (Microsoft Corporation, 2011) and now has 11 research laboratories around the world, according to Microsoft Research Official portal. These laboratories were intended to advance state of art computing and solve world problems through technological innovation in collaboration with academic, government, and industry researchers. Between 2010 to 2018, there are 154,000 AI patents were filed worldwide, with Microsoft have 20% of the patents. (Wikipedia, 2020)

Microsoft Research are mostly academic research, which may be far from being a marketable product. Under Ballmer's leadership, each fall for many years, Microsoft employees must bundle up and go to Seattle's Safeco Field to listen as top executives attempted to inspire them with a vision for the company's future. (Bishop, 2014)

Satya replaced that tradition with a new one. He cranked a siren to start a 38.5-hour hackathon, bringing together more than 10,000 employees from across the company to work on a wide variety of projects. (Bishop, 2014)

Before attending the hackathon, employees should sign up for projects on an internal site, based on ideas posted by team leaders. (Bishop, 2014)

The winning team will be able to spend an hour with Satya to talk about their project and its potential future at the company. (Bishop, 2014)

It was good for Microsoft to have all these activities to engage the employee and benefit to the company and the community.

These employee engagement activities enabled employee to participate, enhance sense of belonging, encourage employee to provide solutions to problems to make the products better and even finance them to lead and run a new project. From these examples, Microsoft are able to engage employees in different pay grade, business functions and interests up to Level Four engagement.

[Employer Company rating for Microsoft](#)

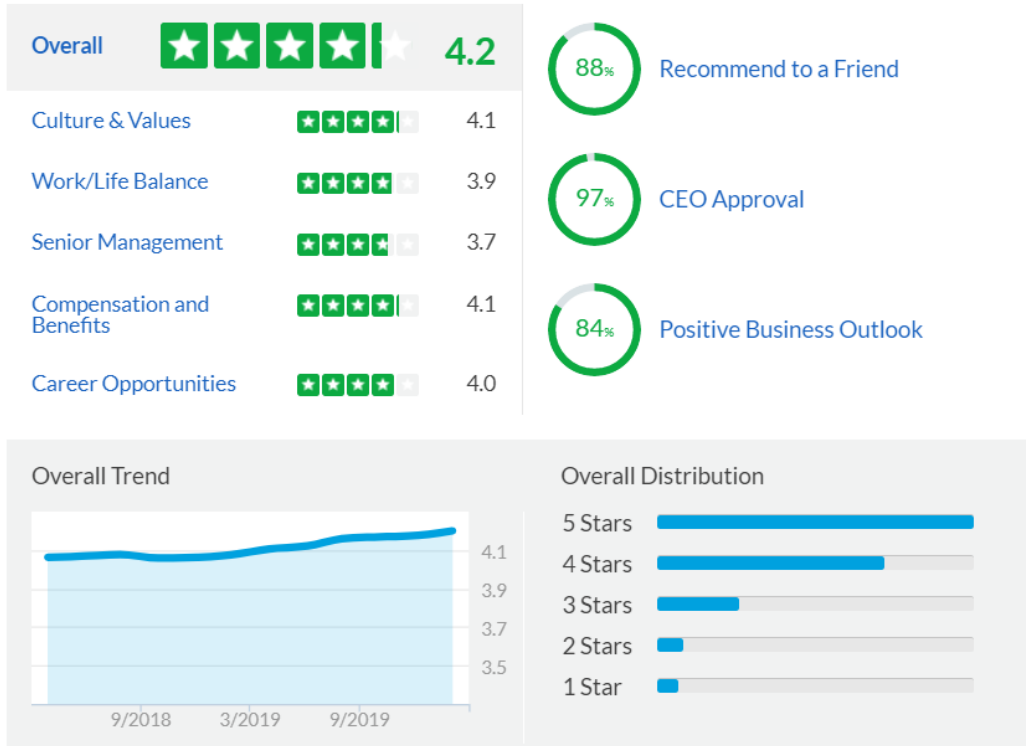
Microsoft has various engagement activities, how the employees feels about working in this company is a way to measure the effectiveness of these activities. According to Glassdoor, a major job search engine and review site, Microsoft was rated 4.2 out of 5, as at 24 Feb, 2020. (Glassdoor, 2020)

Microsoft Ratings and Trends

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About Glassdoor ratings

Ratings may vary depending on what filters are applied, but ratings include reviews in all languages. [Learn More](#)



Company ratings are based on a 5-point scale:

- 0.00 - 1.50 Employees are "Very Dissatisfied"
- 1.51 - 2.50 Employees are "Dissatisfied"
- 2.51 - 3.50 Employees say it's "OK"
- 3.51 - 4.00 Employees are "Satisfied"
- 4.01 - 5.00 Employees are "Very Satisfied"

Microsoft received 4.2 out of 5, indicating the employees are very satisfied with the company. 88% of the reviewers are willing to recommend Microsoft to a friend as an employer. 97% reviewers approved the CEO, Satya, indicating employees approve his leadership. In fact, Satya has been awarded Best 10 CEOs in America in 2019 by Glassdoor. (Connley, 2019) 84% of the reviewers have positive Business Outlook. The overall points can be further break down into 5 categories, namely Career Opportunities (4.0), Compensation & Benefits (4.1), Work-life

balance (3.9), Senior Management (3.7) and Culture & Values (4.1). Among these five categories, senior management is the lowest at 3.7. It seems that the weakest link in employee engagement is in the senior management.

Level three engagement is about engage leaderships, from the activities mentioned above, employees are engaged as a whole. However, whether the activities also able to engage the executive team is questionable. Information on activities only for executive's engagement are not known from public information or official portal. Any analysis has been done on the executive team/leaders to see whether the team is highly engaged based on the executive turnover since Satya announced the change of culture and new leaders' role.

A general employee may cause so much loss for his turnover, how about the senior executive?

List of executives and leaders left Microsoft with their years of service since the announcement of the cultural change

(source: Satya's emails and individual LinkedIn Profile)

Name	Last Post	Responsibility	Left Date	Years of Service
Mike Angiulo	Corporate VP	leading Xbox hardware, Cloud and AI	Apr 2018	9 yrs 10 mths
Terry Myerson	Executive VP	Windows and Devices Group (WDG)	Sep 2018	21 yrs 7 mths
Qi Lu	Executive VP	Applications and Services Group (ASG)+ Education Solutions	Sep 2016	7 yrs 9 mths
Kevin Turner	Chief Operating Officer		Jul 2016	11 yrs
Jill Tracie	Chief of Staff		Feb 2017	12 yrs 10 mths
Stephen Elop	Executive VP	Devices Group	Jul 2015	8 yrs 9 mths

Kirill Tatarinov	President, EVP, CVP	Business Solutions	Oct 2015	13 yrs 4 mths
Eric Rudder	Executive VP	Advanced technology and education efforts	Oct 2015	27 yrs 3 mths
Mark Penn	EVP and Chief Strategy Officer	Design new business and marketing models to his work in data analytics	Aug 2015	3 yrs 1 mths
Joseph Sirosh	CVP and CTO of AI	AI Cognitive Services & Platform	Dec 2018	5 yrs 6 mths

From the list above, most of these executives had served Microsoft for a long time, half of them are more than 10 years. The company had invested resources to train up an executive, it would be a loss if they left the company. We notice these employees' turnover just because they are executives. Microsoft has announced their replacements. Turnover of employees under their pay grade may not be noticed easily, because no announcement has been made.

Senior executives held to run the business, but at the same time they are also employees of the company, they need to be engaged. From employee engagement point of view, CEO and the executive team should be the role model to all employees. (Cutting Edge, NA) Consider the feeling of employees, they are engaged because they have trust in the company and the management, however, the executive team leave the company one by one. The employees will be in doubt of the commitment of the executives to the cultural change, and the sustainability of the change. It will neutralize the engagement effort and may even disengage the employees. It may indicate that the senior executives in Microsoft are not well engaged. The reason for leaving Microsoft is not known to the public. For this level of employees, Level Four engagement is very important. They are all leaders and they also need to engage their team. If they are not well engaged, they may also not able to well engage their team.

CONCLUSION AND RECOMMENDATION

Satya started the cultural change a year after he sat in the corner office as CEO. He should be well planned for the implementation. We have first analysis the implementation of the cultural change using the Kotter's 8-step process. The implementation was able to satisfy the 8-step process, and the engagement level was important to the success implementation. We further looked into the employee engagement using the 4-level framework. The framework divide the employee engagement process into 4 levels. A few examples of the employee engagement activities were stated and they meet all levels of engagement framework. To understand the effectiveness of the employment engagement, we used the employers' rating by Glassdoor. The rating is based on the input from current and former employees. Microsoft has 4.2 out of 5 points in the overall rating. Satya has 97% in CEO Approval rating. The overall rating is divided into 5 categories. Among these 5 categories, senior management scored the lowest rating of 3.7. The highest rating are "Culture & Values" and "Compensation and Benefits", they were both rated at 4.1. The categories ratings indicating employees were less satisfied in Senior Management than the other categories. Further analysis in the email communications from Satya to all employees are shown above, an up to date (24 Feb 2020) list of senior executives left after the announcement of cultural change is shown above.

These senior executives have been with Microsoft for a long time, half of them are more than 10 years. It may be the reason that the rating for senior management is the lowest rating. As the management team should be the model to all employees, any executive turnover may disengage the employees or neutralize the engagement effort. The engagement behavior should stem from the top. (Cutting Edge, NA)

The following recommendations may be helpful to engage senior executives.

Senior Executives are the top few triers in the corporate hierarchy, they do not have much room to promote. They already have many responsibilities, increase their responsibility may not able to provide them more challenges. As a senior executive, they are well paid (employer rating is 4.1, the highest score), therefore engaging senior executives are challenging to CEO. CEOI may consider the following strategies.

Building Trust

Executives are also employees; they also need to be engaged. Trust is an must-have ingredient in increasing engagement. The first thing leaders need to know about building trust is that it does not happen just because you are trustworthy, especially when organizational change due to cultural change. Organization change will inevitably move someone's cheese. It is very important for CEO to gain the trust of the executive team that the benefit will be better, if the whole team is well performed. Be frank to the team of the goal to achieve. Trust them they will try their best.

Mentoring

Let the team know what challenges they will face and how the team can work it out together. No cultural change is easy to achieve, ask the team to raise their concern, difficulties and resources required to engage the whole team to find out alternative solutions, if situation happened. It is easy to blame someone else when the expected outcome does not happen, find ways and share the responsibility together. Either success or failure for the whole team. Pointing finger to each other is not an engagement. Employment engagement is not a show to the employees, the engagement with his executive team should be from the CEO. Employees need feedback, they need to know how they are performing regularly, and be able to discuss the help they need, even they are the executives. Be helpful when the team needs support, even it may be mental. Cultural change is a difficult job, everyone in the team may be in doubt, confused or has no clue how to work it out, give them a strong hand as a coach, as a listener, as a mentor, or even as a friend or colleague. This is a way that increases commitment and engagement.

Inclusion

Whether the team feels like an insider or an outsider may also impact on their level of engagement. Effective leaders know that everyone on their team has different strengths. They understand that people with different personal values can work together effectively when they commit to the same values about trustworthiness and standards of work performance. Competition, work conflict in previous role should not affect the existing morale of the team.

Alignment

Engaged employees feel aligned with their organization's Purpose, Values and Vision. The executive team should be familiar with that. Unlike other employee, they may be in their mid-career or are going to retire, they may have other life goal than advance in career. CEO must understand their personal life goal, what they are interested to achieve and align with organization's success. See whether the personal goal of each team member can be align with each other and with the company, then achieving the success of the company will help all members to achieve their personal goal at the same time.

Team Development

The CEO should understand the potential for significant increases in performance through high performing teams. He should make sure that all team members understand the strengths they and other team members bring to the team and work at developing a process that capitalizes on all of these strengths. He also has to aware that the new leader roles in fact forming a new team. It may need to have some time to let all members to familiar with working with each other. Although these executives may be colleagues for a long time, but it does not mean that they are a team before. The interpersonal relationship may be different if they work in a team. People worked together will have chemistry. A few executives left the company very soon after the new roles indicating the building up of the executive team is not smooth. Some team building exercises may be helpful.

Microsoft is a great company. Under Nadella, Microsoft has more subscribers than Netflix, more cloud computing revenue than Google and a near-trillion market cap. (Bass, 2019) Although Microsoft has such a good result, but there are some employees engagement problem as analyzed above, otherwise, Microsoft may achieve these results even faster.

THE LIMITATION OF THIS MANAGEMENT REPORT

Microsoft is definitely a well know technology company, the information used in this management report is based on Microsoft Official portal, public interview, articles, published work of scholars, and other online material. We are not able to access internal emails, meeting notes and data to further analysis the situation. Microsoft established more than 40 years, and is a very large organization with more than 140,000 employees, any changes to the company

involved complex situation, we are not able to have the full and detail picture on what is happening, unless we are able to have in depth information and even interview with individual employee. So, certain level of generalization is unavoidable, but the suggestions are still relevant.

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