

Employee motivation and retention strategies at Microsoft

Introduction

Computers have become important technologies in every line of work at present. Majority of the current responsibilities and tasks being done at various companies and organizations are already computer-based, and this is a sure sign that they are willing to invest heavily in these technologies to make their operations much more effective and productive. Even if the computer software market is filled with tough competitors, there is no doubt that Microsoft is way ahead of the pack in terms of being the most reliable and progressive computer software producing company all over the world.

Ever since being established by Bill Gates way back in 1975, Microsoft has transformed itself into a global empire in the world of computers (Manes 2002, p. 61). Its massive resources and competent people have allowed the organization to produce a wide array of products that are able to address the different computing needs and activities of its global customers. Microsoft's presence all over the world has also become stronger over the past couple of years as the company aims to separate itself from the rest of the competition and have a firm grip at the top spot of the computer software and hardware industry.

With CEO Steve Ballmer handling the day to day operations of the company, Microsoft has truly never looked back and has stayed strong and profitable even as the present financial crisis has negatively affected the operations of its competitors. Experts predict that Microsoft will continue to solidify its already dominant position in the computer software and hardware industry over the next couple of years as they keep on maximizing their profitability and extensive global reach.

Microsoft's Organizational Culture and HRM

During the 1990s, it could be recalled that the world's computer software and hardware industry was being dominated by IBM, while Microsoft was still way behind but nonetheless was already providing excellent competition. At present, the situation has completely reversed, as Microsoft now has already gained the upper hand and it is IBM that is desperately trying to chase Microsoft to regain the top spot in the industry.

It would be safe to say that Microsoft got the top spot at the world's computer software and hardware industry by taking advantage of the wrong decisions and costly mistakes that led to the downfall of IBM. During the height of its success, IBM decided to neglect the development of its organizational culture and its employees and concentrate more on efforts to sustain their profitability. They invested heavily in research and development activities to find out the most important computer products that were being needed by the people. They were so obsessed in dominating the computer software and hardware industry that they wanted to wipe out the competition including Microsoft once and for all by releasing what they thought were world class computer products that were impossible to be duplicated and would be well appreciated by the public.

Unfortunately, the ambition of IBM to become the world's best computer company was not realized. The various computer software and hardware products that they launched in the market received mild receptions which were way below their expectations. Because IBM invested heavily in these computer software and hardware products, they were not prepared to handle the lack of profitability of these products. The profit loss significantly hampered the operations of IBM in the succeeding years, and this was the opportunity that IBM grabbed to be

able to steal the top spot from IBM, a position which they have never relinquished since the beginning of the 21st century.

On the part of Microsoft, instead of worrying so much about maximizing their profits, Bill Gates prioritized on strengthening the organizational culture of the company. He helped instill the values, mission and vision that would remain as the solid foundations of achieving success in Microsoft. Bill Gates focused more in addressing the needs of the employees and making sure that they would be working in an environment that can bring out the best in their capabilities and skills. This way, Gates was able to establish a strong relationship between the management and employees.

Such was the vision of Bill Gates that he knew that profitability and progress would eventually come if he took care of Microsoft's organizational culture first. He did not worry about the big lead that IBM was having during the 1980s because he knew that Microsoft's time to dominate the computer hardware and software industry would come (Tsang 1999, p. 121). He was not worried about the slow results because Gates realized that as the employees and leaders of Microsoft are given adequate time to understand the purpose and objectives of the company, the more productive and profitable the company is going to be in the long run.

The prophecy of Bill Gates turned out to be correct as the strong and solid organizational culture of Microsoft that took years to establish eventually proved to be the winning formula for Microsoft to go ahead of IBM in the computer hardware and software industry. However, it is important to know that there were plenty of challenges that Microsoft had to face especially in its human resource management prior to achieving an excellent organizational culture.

Problems in HR Strategy and Practice

At the start of the 21st century, the leaders of Microsoft initiated an intensive reorganization of the whole corporation. The main goal of this initiative was changing the emphasis of Microsoft from being focused so much on producing high quality computer hardware and software products to focusing more on the interests and preferences of their clients. The management explained that this initiative was being done as part of Microsoft's strategy to cope up to the challenges of the intense competition that was already being experienced in the entire computer hardware and software industry. Microsoft was restructured into various departments so that the company would be able to better address the needs and demands of their clients all over the world.

There were some critics, though, that believed that Microsoft had different intentions in initiating the reorganization of the company. They thought that it was done to address the concerns and problems that were getting out of control among the workers of the company. In establishing new departments, the management aimed to increase the enthusiasm of the workers of Microsoft through providing them with more challenging tasks that will bring out the best of their abilities (DeCenzo 2006, p. 65). Prior to the restructuring initiative, majority of the choices and plans still needed the acknowledgement from the corporate leaders. This was changed to allow the team leaders and supervisors to be given the opportunity to make excellent decisions through consultation with their employees. The management believed that the decentralized approach in decision making would be an excellent way to inspire their workers and leaders once again and rekindle their passion for excellence that seemed to have been lost after so many years at the top of the computer hardware and software industry.

It was also well documented that Microsoft had to deal with another huge dilemma also at the start of the 21st century when majority of its competent leaders decided to bolt the organization to formally end their professional careers or accept better career opportunities with rival companies where they could also excel. This was a devastating problem for Microsoft as majority of these leaders were already tenured and had valuable contributions for the success of the company. As Microsoft kept in developing and progressing into such a dominant force, it became more focused on sustaining profitability and less on the needs and demands of the workers that used to be the formula for its success. This left many workers disappointed and frustrated, so they simply quit their jobs and decided to work with the rivals of Microsoft.

Among the many other HR problems that Microsoft faced include the following:

1. Discrimination

Some Black American employees of Microsoft complained of unfair practices being done to them by the management which led them to eventually file cases. They were mentioning about their low salaries as compared to white Americans who were experiencing bonuses and incentives out of their performances. Black Americans also frequently did not get any high ratings during performance assessments that essentially prevented them from getting accepted with regard to their applications for higher office. These poor performance assessment scores also were usually used as basis for the management of Microsoft to expel what they believed were underperforming employees from their workforce and replace them more competent workers.

In order to find immediate replacements for the terminated Black Americans, Microsoft recruited contractual workers, but they too were not able to perform their responsibilities according to the standards of the company. Even these contractual workers complained about the unfair treatment that they were getting from the tenured employees of the company, as well as the lack of adequate training for them to be able to perform their jobs better. This was the reason why many contractual workers did not even bother to finish their contracts out of their disappointing experiences with Microsoft.

2. Hiring problems

Since there were plenty of tenured employees that unexpectedly left Microsoft, the company became hard pressed to intensify its efforts to find immediate replacements for the employees that bolted the company. True enough, Microsoft found it very hard to find excellent replacements especially for the tenured employees that they lost as majority of the people that they targeted as potential replacements knew about the disorganized state of the organizational culture of the company at that time (Thielen 2002, p. 35). Even though Microsoft was offering excellent opportunities for career growth and attractive incentives, their prospects frequently backed out due to their fear of not being able to blend well with the tough and competitive work environment of Microsoft. Even fresh graduates were hesitant to apply for jobs at the company because of their impressions that Microsoft was not able to handle their employees very well. Instead, these fresh graduates aimed to begin their careers at the rivals of Microsoft that were not as powerful but had better assurances of career stability and opportunities for improvement which were exactly what they were looking for.

3. Tough and strict leadership

Microsoft was notorious for being tough on its workers, with the management wanting their workers to always provide excellent outputs because they were working for the best company in the world. There was a perfectionist culture that was very evident within the company, wherein mistakes would mean extensive penalties and sanctions for employees. Employees were asked to always give their full concentration and best efforts regardless of whatever problems they were facing within the company or in their personal lives. No excuses were acceptable as all the resources needed for employees to perform their responsibilities effectively were already provided by the company.

The management also demanded their workers to provide explanations especially with regard to their actions related to their responsibilities. Everybody received positive and negative feedbacks, and even those employees who were performing well were asked not to celebrate but to bring their efforts to even higher levels (Dransfield 2000, p. 38). Those underperforming employees were being threatened to be expelled from the company if their performances and outputs did not improve within a certain period.

With this kind of work environment, what was once an enjoyable and challenging place to work for eventually transformed into a frustrating, pressure-packed office where the leaders were very eager to find the faults and weaknesses of the employees that always brought down their morale and motivation to work hard. It was not surprising that this tough and very demanding culture in Microsoft also contributed to the HR problems that haunted the company as this also forced many employees to bolt and transfer to other companies.

4. **Surge in attrition rates**

When IBM was still dominating in the world's computer hardware and software industry, Microsoft was perceived by the public as an up and coming company with tremendous potentials. This was the reason why many people, experienced or fresh graduates, wanted to work for Microsoft because of its exciting appeal and clean image despite being just second to IBM in the competition. It was actually IBM that soon began losing its tenured employees because of the sudden change of priorities of the management from being employee-centered to focusing on profitability.

As soon as Microsoft grabbed the pole position from IBM in the world's computer hardware and software industry and experienced significant progress, it also experienced the same HR problems that IBM once faced and led to its downfall. The more success Microsoft experienced as years went by, the more obsessed the management became towards maintaining their profitability and lesser priorities were given to improving the skills and capabilities of their leaders and employees (Tayeb 2005, p. 32). As a result, the workforce became stuck with mediocrity and for a long period of time, they did not experience any positive developments in their careers, not even promotions or salary increase for deserving employees.

Because of these developments, Microsoft lost so many trusted employees and even their top leaders that significantly increased their attrition rates. What used to be single digit attrition rates has almost doubled, and experts predict that if no concrete actions are done by Microsoft, they will keep on losing their valued employees and leaders at faster rates than what it usually experienced before.

5. Lack of competition

Experts believe that because of the lack of competition that Microsoft faced in the computer hardware and software industry, the employees and leaders became bored over the same routines that they were doing that they began to desperately look for new challenges to jumpstart their stagnating careers. Microsoft's dominance of the computer hardware and software industry during the 1990s was so extensive that not one company came close to even challenging the company's supremacy.

Thus, Microsoft became a victim of its own success. Their perfectionist culture already assured that the products that they were going to launch in the markets would be sure success. Success became as easy as breathing, while its competitors were struggling to be at par with the standard of excellence that Microsoft had established. But success was not really a moment to be celebrated within Microsoft, as employees and leaders were taught to find ways to still improve in spite of the success attained.

While the desire for excellence and success was always connected to the culture of Microsoft, some of the employees and leaders responsible for the company's success eventually wore down because of the tight year long process of perfection. They craved for new environments that were less stressful and livelier, but still with the same goals of excellence and productivity. Some employees and leaders of Microsoft wanted to be free from a perfectionist culture and work in a free environment where they will have more freedom to express their ideas and learn from their mistakes without being afraid of receiving heavy criticisms from the management.

6. Politics and bureaucracy

As Microsoft kept progressing and expanding its operations all over the world, it had to recruit more and more employees to handle its increasing volume and range of operations. They had to improve their recruitment activities to hire only the most skilled and competent people that could be able to take up the challenge and perform well amidst intense pressures and difficulties.

At the beginning, handling a huge and diverse workforce was very advantageous for Microsoft as it was able to sustain its global operations and maintain its profitability and progress. They were able to choose the best employees for every position and as a result, the company was able to outpace IBM and topple them at the top of the computer hardware and software industry.

However, the same huge and diverse workforce also became the primary obstacle for employees who were aspiring to get promoted and achieve career development. The longer employees got promoted for their dream positions at Microsoft, the more frustrated they became in their stay at the company. Some of the employees that got left behind envied those of their colleagues that were successful in their applications for promotion, which paved the way for politics to emerge (Foley 2008, p. 30). Lobbying for promotions became more obvious especially among those who were desperate to get promoted. There were other employees, though, who didn't bother waiting for their time to get promoted and decided to leave the company to seek for career development opportunities elsewhere, which also contributed to the already huge attrition rate of Microsoft Corporation.

Critical Analysis of Solutions of Microsoft

1. Improving communication lines

CEO Steve Ballmer decided to improve communication lines between the employees and the HR department to ensure that the needs, demands and sentiments of the employees will be heard, identified and addressed effectively (Stross 1997, p. 19). Unlike before where the employees of Microsoft had nobody to depend on, Ballmer made sure that under his leadership, the employees would be able to count on a responsive and competent HR department that will be prepared to listen and most importantly take action.

This is an excellent move for Microsoft that can help restore the confidence of the employees to the management through the HR department. The HR department is the extension of the corporate leaders and serves as the channel of communication, so it is only logical for Microsoft to fix the communication lines and prevent the loss of employees due to their frustration and misunderstanding.

By enhancing the effectiveness of its HR department, Microsoft can be able to easily resolve conflicts and issues that may develop between leaders and employees. The HR department can serve as the mediator every time tension arises in the workforce of Microsoft. Ballmer's idea can really work as empowering the HR department can help assure that the employees of Microsoft have allies that they can depend on, which can help to prevent them from easily getting frustrated and upset that their needs and demands are not being heard. Improved communication can also help to strengthen the relations between the leaders and the employees with the HR department serving as the bridge.

2. Improved performance appraisal and compensation system

Another solution implemented was the change of the performance appraisal system from the forced ranking system towards commitment rating. The problem with the forced ranking system was that it was a biased process of determining the employees that are going to get the incentives for excellent performance. In the commitment rating, all employees of Microsoft will have equal opportunities to get incentives particularly in the management of their stocks in the company depending on their performance (Kandula 2004, p. 87)

This is another excellent move by Microsoft which can finally put to rest those issues and controversies regarding its unfair performance evaluation process that even led to some Black American employees filing lawsuits against Microsoft. It is easy to see why the forced ranking system was perceived as biased by the Black American employees as the number of workers that could possibly be given incentives was restricted to a particular number only. Thus, majority of those hardworking employees of the company were usually not getting incentives, and unfortunately this included the Black Americans.

By using the commitment rating, all employees of Microsoft can have equal opportunities to get rewarded because of their excellent performances. More stock options would be given to employees that have demonstrated their commitment to excellence and perseverance to their responsibilities in a given period of time. This is much better than the forced ranking system as the hard work and excellent performance of the employees are truly rewarded fairly and also helps secure their long term stability through getting more investments within Microsoft through their increased stocks.

3. Increase in employee benefits

With regard to worker benefits, Ballmer launched many changes, like the inclusion of health benefits, transportation, food availability, child care benefits and other essential discounts. All of these added benefits were done to impress the employees of Microsoft once again, that working in Microsoft is definitely a great experience (Chakraborty 2010, p. 11). By integrating all of these benefits combined with the competitive salaries of the employees, Ballmer believed that their commitment and motivation to work hard would be rekindled.

This move can be considered as a logical and practical solution to minimize the high attrition levels that have damaged the public image of Microsoft. This is the only feasible solution that can help change the minds of employees that are already thinking about bolting the company and planning to transfer to Microsoft's rivals. Once they get informed of the additional benefits that have already been integrated as part of their compensation, they can really do a lot in convincing them to stay. These benefits can be perceived as small, but if they are all combined together they can make a huge difference into helping the employees regain their lost confidence and passion for work.

By adding these benefits, the disgruntled employees of Microsoft will really think twice about leaving the company and will surely reconsider their decision, especially as not many companies can offer these benefits along with competitive salaries given the current economic crisis. There is a huge possibility, though, that these employees will get reinvigorated and motivated as it would also be hard for them to just let go of their extensive experiences working in one of the finest companies in the world.

4. New Workplace Setups

The last solution implemented by Microsoft to address its HR issues and problems was to create new workplace setups and creative office designs, and the aim was to encourage more effective communication among employees. The workers of the company were clustered together according to their roles and responsibilities to make sure that they would be able to build solid teams among themselves and perhaps leaders among their groups (Cusumano 1998, p. 72). Ballmer wanted to advocate and instill the value of team work and camaraderie among the employees which were very important for the success of Microsoft during the early years of its existence.

This move can be initially perceived as irrelevant to the HR problems and issues of Microsoft, but this actually a brilliant move by Ballmer in going back to the basics with regard to what made the company so successful. By making changes in the workplace environment meant to foster unity and cooperation among the employees, it helps send a strong message to the employees that they are indeed valuable resources for the company. It is an acknowledgement by the management of Microsoft that they cannot achieve anything and expect to continue to be successful without the valuable contributions of their employees.

With the new workplace setup, the employees can expect to regain their confidence and learn to trust one another once again as they continue to face the challenges at present and in the future. They will be able to understand and appreciate the concern of the management even more as they strengthen their bonds and relationships with their colleagues during the course of their stay at Microsoft.

Recommendations

Microsoft needs to focus more on being worker-centered instead of thinking about their profitability. The reason why so many tenured employees left the company was because they felt they were not needed anymore. They thought that their careers would not go anywhere if they stayed with Microsoft. The company has to learn from its previous mistakes and start addressing the needs of their employees to be able to retain them.

One aspect that Microsoft needs to focus is with regard to the training of their employees to improve their versatility. Through making their employees undergo intensive trainings, they will be able to improve their skills and knowledge in preparation for the challenging responsibilities that they are going to handle. It is always important for employees to feel that their efforts are contributing immensely for Microsoft to achieve its targets and objectives for the long term. When employees are getting trained consistently, it will send them an impression that they are indeed valuable components for the accomplishment of success for Microsoft amidst the intense competition.

Another aspect that Microsoft has to focus is to try to mellow down its perfectionist organizational culture in an effort to lessen the pressure that is always being felt by their employees. This was another reason why their tenured employees left the company because they could not handle the pressures and challenges that accompanied their responsibilities. Microsoft can try to adapt an organizational culture that encourages the employees to perform well while at the same learning how to enjoy success and have fun from time to time. This will help ease the tension and make the employees feel more relaxed.

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