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## Reorganization: A necessary art in a fast-changing world (2/29/96)

**By Bill Gates**

In the corporate world, the word "reorganization" can be chilling.

"Did something go wrong?" people ask. "Did somebody in the organization lose? Did somebody win?"

Corporate reorganizations may be prompted by failures now and then, but more often they are essential elements of success. Done properly, a "reorg" can move people into new areas where they can be more creative and effective.

People often hit plateaus, get too comfortable in their jobs, and no longer come up with new approaches. A realignment presents them with fresh challenges.

Great results can happen when people who have been working in product areas get closer to customers, and when people who have been working with customers join the product-development cycle. This mixing of the pot helps customer-driven companies conceive and deliver better products.

But whatever the impetus, reorganizations are a lot of work, and they carry risks.

For example, if you elect to broaden the experience of an executive by moving him or her from one important job to another, you run the risk that neither job will be performed as well as it was. And there's always the chance that the new structure won't work as well as the old one.

Still, a company unwilling to ever reorganize is probably pretty calcified in terms of how it responds to the marketplace. That's a risk, too. Today any company can find itself driven out of business if it isn't adaptive.

Sometimes it takes several years for a company to recognize it should have changed, and by then it may be too late.

About every two years in its 20-year history, Microsoft has undertaken a major reorganization. We changed the structure of the company at the beginning of 1994 and again in February of 1996.

I'm sure we'll change it again many times. Reorganizations are expected around Microsoft.

But that doesn't mean they don't create anxiety. They do, for almost everyone affected—including me.

My concern is always whether or not we're making the right decisions, and whether key employees will be enthusiastic about their new roles. I gain confidence about a potential reorganization when I see that it makes clear what every group is supposed to do,

minimizes the dependencies and overlap between groups and offers developing employees larger responsibilities.

Employees worry about how their careers will be shaped by the new corporate structure. Managers become overly concerned about how their title or the number of people reporting to them will change.

At Microsoft we try to keep titles from carrying too much meaning, simply because descriptive titles encourage inflexibility among people during reorganizations.

For example, many people here have the title "product manager." We give each of these people significant marketing responsibilities, but some report to others who have the same title.

Some of our best people don't have anyone working for them. Some run large groups, but others are asked to take on a small but important project or even work on a solo basis. You must have great people in every corner of an organization.

In designing a new structure for an organization, you must strike a balance between keeping it logical and keeping particular executives happy and effective by giving them assignments they want and will handle well.

I think the media industry often errs on the side of organizing around the people, while the manufacturing world may error on the side of designing around a logical organization.

Our recent change was designed to give us a structure that would promote building Internet software as fast as possible while retaining a strong focus on Windows.

We asked ourselves: What are our goals? How can we move them into practice? What does this imply for our structure? How do our people map into this? Can our people get excited about it? Will they really sign up for their new roles?

Discussions took almost two months, and our thinking evolved a lot as a result. We tried to limit the number of people involved, because if word of a reorganization starts to leak there is a strong temptation to rush decisions.

Finally, how you communicate the news of a reorg is significant. I'm a big believer in electronic mail, but describing the details of a reorganization to employees is the kind of communication that is more effective in person.

We gathered thousands of employees together, put key executives on stage, and allocated more than an hour for questions and answers. We welcomed tough questions, and wanted employees to see first-hand how we responded. We wanted to know what employees were thinking.

In any reorganization some people distinguish themselves by really helping make it succeed, and by showing that the interests of making the company better are foremost.

Other people show inflexibility, and an inability to rise above their own view of their personal interests. A few managers always choose not to fit in to the new structure or actually don't fit in.

It's okay to lose some managers, but a high level of turnover is quite damaging, and probably reveals that the company has not done a good job of showing managers a long-term career plan.

Employees who can only see their next career step, and who don't understand how the company values their skills or where those skills can take them, are bound to be restless.

And that can mean an unhappy, ineffective organization-whether reorganized or not.

