Organizing for agility, Competing with focus, Building must-have software

To:	Windows and Windows Live
Re:	Organizing for agility, Competing with focus, Building must-have software
Date:	June 28, 2006
From:	Steven Sinofsky

INTRODUCTION

This memo outlines the next steps for the Windows and Windows Live team and how we will organize to deliver focused software – focused on the competitive challenges we face, focused on building software and operating services for the broadest set of customers in the world, and focused on improving our planning and engineering.

This mission hardly starts from scratch. In fact it starts from one of the greatest software assets in the history of the world—Microsoft Windows. The Windows Vista product, on path to RC1, is an amazing product that is poised to deliver a vastly improved PC experience for hundreds of millions of PC users in over 100 languages around the world. Connecting those Windows customers together are Live services about to release globally—over 30 services and more all the time. Building on the incredible success of HotMail, Messenger, and our MSN portal with these new services, headlined by an entirely new advertising-supported Search experience, Microsoft aspires to achieve a new level of reach and success with these advertising supported services.

To those that have been working incredibly hard to deliver Windows Vista and Windows Live, Congratulations and on behalf of Microsoft, our customers, and our partners—**Thank You**!

To set expectations, this memo is not *the plan*, nor is it *the vision* for the next round of products and services. This memo is not the magic answer to *how we will win*. This memo initiates change—change in the organization, change in the way we plan, and change in the way we work together executing plans. This memo defines a new "we" – from executives, to managers, through the entire organization, we will start to work and act together as a team. These changes position us to win, if we come together as a team and operate as a team. With changes like this there is a desire to see immediate results or to see how the changes resolve the problems we see right now, but that would not be realistic. With these changes we begin moving forward, as a team, and we start down a path where we learn from the past and adapt to improved ways of working together.

Across the organization the desire for change has been expressed in every forum. Yet some might say this is too much change and some might say this is too little change. To both views, I ask for patience. We are at the start of a *new era*. This memo presents the organization and the framework we will use in the next six months to develop the vision for the next round of products and services for Windows and Windows Live.

OUR SITUATION

Over the past three months I have had the privilege of joining a team chartered with building both the Windows experience (following the completion of Vista) and delivering online services as part of the newly created live.com portal and Windows Live offerings. This is more than just a "change at the top" but represents a renewed focus on bringing the best combination of Windows and Services to customers through an organization chartered with delivering this end-to-end experience. During the transition I have had the chance to meet with a large percentage of our team in big group meetings, team meetings, and one-on-ones. These meetings have been exciting for me as

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I've had a chance to see the energy, commitment, and also the desire to achieve the next level of success. From these discussions a number of recurring challenges have surfaced.

The challenges before us are dwarfed only by the opportunity to change lives, excite the marketplace, and create new levels of business success with the software we create. We are starting from amazing assets in software and people. But we have a lot of work to do. Taken as a whole, our organization and software are not where we need to be in terms of the following qualities:

- **Agility**. To put it simply, we are not delivering the right software to customers at the right pace. Agility implies more than moving fast, but must include heading in the right direction over the long term and having a significant impact on the marketplace. We must improve our ability to build Windows by creating a plan executing and delivering on that plan with the quality demanded. Our online services are moving quickly, but we are not achieving the impact in the marketplace we require in order to grow the business to the scale to which we aspire. For our team, agility is the right combination of engineering pace, market impact, and customer satisfaction. We want to be agile, but do so by developing a sustainable advantage through the right long term investments.

- **Competitive Focus**. While everyone is acutely aware of the big competitors we face and the macro issues, there is more we can do at the team and feature level. Many have said we sometimes fail to address the specifics of scenarios or technologies, or deliver with the simplicity of our competitors. There is more work we can do in specific areas where our software is evaluated head-to-head. We can do a much better job at delivering software that delivers simple and polished end-to-end scenarios, which is where the efforts of many of our competitors have focused, while still maintaining our unique focus on platform technologies. For our team, focusing on the competition will mean having clear product plans that deliver against competitive benchmarks we establish. Everyone will be expert on how competitors are progressing in your area and know how our plans stack up.

- **Must-have**. We are all familiar with the buzz that our competitive products and services have and frankly the lack of our products and services sometimes have. We all aspire to work on software that customers view as *must-have*, that people queue up at midnight to purchase, or that customers beg to sign up to experience. While it would be great to set out to deliberately create products with a buzz, that is easier said than done and it would be foolish to set out on a strategy that depended on creating instant hits. We will focus our energies on delivering software that maximizes for usefulness, usability, and desirability, and acts appropriately on customer feedback throughout the development cycle. With that foundation we believe we can optimize our disclosure, communication, and demand generation in such a way that we increase the potential for creating a buzz—that is if we will create innovative solutions to important problems and disclose/release in a way that maximizes impact. We will also be deliberate at the team level in identifying up-front the features that we believe will be differentiated assets for a release—what we assert will be *hot*. We will prioritize scenarios that are important in the marketplace, solve critical customer problems, and if executed with innovative marketing will set us up for the best chance to create the *must-have* perception that as a business we *must have.*

- **Process**. Time and time again, members of our team share situations where our processes are failing, and failing badly. We can start from the fact that we have too much process, some of which we need to abandon. We have processes for planning that are not yielding plans that people believe to be achievable or exciting, and even when we have these plans we seem unable to deliver on them in a consistent and timely manner, with the right software at the right time. Our processes for organizing, allocating

resources, and structuring our cross-group collaboration can be painful, and often seem to run counter to the very goals we have. Budgeting is a great example of a broken process—too much randomization, too many missed and/or mis-set expectations, and too many people working too hard with too little information. Checking in code and making a single bug fix, even considering the scale of our code base, is just too hard. Our processes are opaque and with that come frustrations in understanding both what we are doing and how we will get it done. Most painful is hearing about the processes we have for managing our team, creating a streamlined and empowered organization, and growing the engineering skills we require as an organization—as a company based entirely on the intellectual output of our team, failing to invest in our people processes and teams is a failure of the first order. The fix is not about more heads and money, but about more clarity from management about our priorities and evaluation against commitments, not unchecked aspirations. For our team, and this new organization and leadership, we will be taking the approach of implementing best practices from around our team, around Microsoft, and the industry in order to significantly improve our processes in the near term in order to better position ourselves to attack the challenge we face as an organization.

This memo represents a change. Change is difficult. Change is uncomfortable. Changes that look good today might also have looked good before and failed. Changes that look good today might not be so great tomorrow. Change is risky. The changes outlined here are not just tweaks, but represent the first steps in working in a substantially different manner. Many of the issues raised by members of the team are about the culture of our organization—these are the aspects of "how we work" that must be addressed.

This memo is about the top line changes—the organization and priorities—and over the coming months the way we work together will also change. We will push more decisions down. We will aspire to a more consensus approach to decision making, rather than an escalation approach. We will streamline our organization with fewer managers overall, and fewer levels of hierarchy. We will value our core engineering disciplines more and demonstrate this by building an organization that focuses on the role of development, testing, program management, with integral contributions across the product line from design, usability, planning, localization, business development, operations, and more. We will ask our teams to be clearly focused on deep technical contribution in a smaller number of well-defined areas, rather than breadth of coverage at too shallow a level. We will allocate resources more deliberately and generally in smaller teams. All of us may not operate with the same tempo, but we will all operate with a rhythm and not move from crisis to crisis. We will operate with a clear framework with a clear understanding of how we will define success, a framework that is flexible and has vast room for innovation, yet represents a commitment to customers that we will deliver.

These changes are part of the agenda of this memo and our organization moving forward, but will require all of us to learn and grow together. I am committed to doing my part. I will not dive into the middle of situations. I will not randomize your work. I will not be a bottleneck for decisions. I am here to work with the senior leaders of the team to provide the framework, define success, provide the resources that map to those, and make sure we have the right people with the right skills in the right jobs to get the work done that you commit to doing. That is my commitment to change.

OUR PRIORITIES

The breadth of our product line is unparalleled, but our software shares a common thread—the end-user in front of a PC will routinely step through our full range of experiences. In order to build this unified experience while still maintaining a rational team structure we will need to factor our work into the right combination of efforts focused on scenarios and efforts focused on horizontal platforms. Our approach to prioritizing our engineering efforts will

be to first establish top level engineering areas for our team—these form the basis of scenarios and platforms. We will look at resources on the team as the number of SDEs, which is a proxy for the full range of disciplines it takes to deliver our software. Program management will be responsible for defining the next level of specifics. At the risk of sounding a bit too *Dilberty*, the following is a taxonomy for this memo:

- **Product Line** – Windows and Windows Live is a product line that represents the work of over 1000 SDEs in our organization. Our responsibility is to deliver the full experience of Windows and Live experiences for all of our customers around the world.

- **Engineering Areas** – Within the product line we define 4 engineering areas: Windows Experience, Live Experience, Search, and Internet Explorer. An engineering area represents the work of hundreds.

- **Focus Areas** – Within an engineering area this memo will define areas of focus for the work we are doing. These are not necessarily the organization, but as we gain clarity through a vision process the organization will become clear. The scope of a focus area is generally that of a senior development manager and for each Engineering area there are will be 4 to 8 focus areas. An example of a focus area might be *Searching and Organizing* in Windows. Focus areas are the topic of this memo and are used to help us to begin the planning and organization process. Sometimes a focus area is a single team and other times once the planning begins it might represent two teams or get folded into another existing team, all depending on the ability to define compelling scenarios and execution plans. When we write a vision document these are represented in the vision and along with specific features and scenarios there are well-defined success criteria and prototypes of what we commit to building before we start the work.

- **Feature Team** – Today most people associate with their feature team, which usually represents the work of about 25 SDEs (on average, though there will be a distribution) and a dev manager, group program manager and team, and test manager and team. We expect to have no more than 40 feature teams across our organization based on the current level of staffing (40 *25 = 1000). As a management team we will structure our vision and our priorities such that looking at the ~40 teams yields a *very clear* view of what the priorities and output of our organization will be. We will organize, staff, and function as a set of feature teams. In addition these feature teams provide our unit of scale—as we take on new initiatives we can easily add additional feature teams within our organization or scale our existing feature teams as appropriate. Several feature teams will contribute to a related area and will likely be organized that way. My direct reports, and the next levels of management of approximately 120 senior leaders represented by these development, testing, and program management triads along with the leaders of planning, design, usability, and business development represent the Windows and Windows Live senior leadership. My commitment is to make sure communication to this group flows effectively and clearly by routine communication and meetings.

The primary concept to keep in mind is the **feature team**. That is the unit of work that our organization cares the most about. The feature team is led by each of the development manager, group program manager, and test manager. Together these three form a triad of leadership, ownership, and decision making working side-by-side with the shared engineering and operations disciplines.

Over the next two months the focus areas and thus feature teams will continue to be refined and clarified. The key driver for this work will be the creation of *vision* documents for each of our engineering areas. The leaders of program management and my direct reports will be responsible for working in parallel on a consistent vision process outlining the business situation, customer needs, and focus areas. While each of these vision documents

will represent potentially different project lengths and scopes, we are at a unique time in that we are all at roughly the same point in terms of starting a new wave of deliverables (with Vista and Live wrapping up).

I am committing on behalf of each of the leaders of our organization that as the details are developed, the process will be transparent, appropriately inclusive, and result in well-documented priorities. This is the first change we will be making in how we work—everyone should expect that our plans will be written down with the rationale and success factors clear, and above all the plans will be based on a combination of top-down and bottom-up work so they will reflect the best of the organization and the highest degree of commitment to delivering on these plans.

Finally, it is worth including a word about *innovation.* This memo outlines the places we will do work. It does not define the innovative features themselves. Whether our work is innovative, tail-lights, or copy-cat is really a function of how well we execute.   As with agility our goal is to have impact with the innovations we bring to market—innovation is more than invention in that it takes inventions to the world that have great impact and that is our goal. The intention for our organization is to be innovative. The framework in which we will innovate begins here. The degree to which our efforts are judged as innovative is really up to everyone on the team.

WINDOWS EXPERIENCE

The Windows Experience represents the work our team will do to build the Windows client platform for end-users, developers, OEMs, and information professionals. This experience starts with the Windows desktop experience and extends through networking, devices, entertainment, and the developer platform. Of course we start by building on Windows Vista. Without a doubt, the Windows experience represents the most important software at Microsoft and the effort most critical to our corporation's long term viability.

The most important priority for the Windows Experience is finishing Vista. As we finish Vista we will also be learning from customers (through mechanisms such as OCA/Watson and SQM) and prioritizing the work required in servicing Vista in the marketplace. For the purposes of planning we will make the following assumptions.

First, that many developers will at some point over the 12 months after RTM be required to dedicate time to servicing Vista—this will get factored into the schedule and features of the release and is incredibly important work to be done. We will not double book teams.

Second, Windows SP1 will be timed with the release of Longhorn Server which has the top priority of shipping in the fall of 2007. SP1 is not a feature delivery vehicle and no group should think of trying to jump on to that *train*. Anything released with SP1 will be something we would release to customers through the Windows Update vehicle—SP1 is not a feature release that could cause customers to reset their evaluation of Vista for corporate deployments. SP1 will be free of user interface changes unless we are addressing security concerns or critical support issues from OEMs. The primary focus of SP1 is addressing known and reported issues. We will set forth a process, across Windows, Server, and COSD, that optimizes SP1 for Vista quality and Longhorn Server release, and nothing more. We will also be sure to work with the Server group to assure that we do not push features to SP1.

Third, we will focus on the next release of Windows—working with a clear and deliberate plan that we will all execute against. This means we are going to take a step back and eliminate work that *bets against* Windows shipping. *Out of band* releases or features through DCRs, while sometimes rewarding for teams, have proven to be a non-trivial support challenge and our impact in the marketplace with them is not what it could be if we delivered

these as part of a more significant release. Our bar for *out of band* work is now higher and we will meet specific legal and contractual obligations as they currently exist and then deliver only on the most over-arching of strategic goals. We will not plan on teams doing new features out of band and will insist that these features be part of the next release of Windows.

As we create the vision, select features, and schedule out the work based on specifications we will get a clear view of how long we should spend on the development of the next release of Windows. For the purposes of the product plan, we will not expect to spend any more than 18 months from the start of project coding to RTM. We will be date driven. The plan will dictate the features we put in the product. The purpose of this first release using this process is to establish a release rhythm and as an organization and to create and work within the scope of a clearly articulated product vision—one where we are all on the same page. We will be innovative. We will have a clearly focused product. But we will not embark on an open-ended process and we will start and finish this work as a team. This is not a management dream. It is not an attempt to squeeze years of work into an incredibly short schedule. The goal is to be disciplined and focused and to deliver great software to customers in a predictable manner by being deliberate in what we choose to do.

In developing the vision for this release we will prioritize three equally important goals for the Windows Experience. First, we are going to build this release through a vision and planning process that picks the date, picks the features, and then executes on a robust engineering plan that delivers on those with quality, security, and compatibility that we would expect of a Windows release (that is continued improvements on top of Vista's level of achievement). Second, we will deliver a release that includes compelling advances in the core technologies for developers and user experience, including progress on the architecture of the presentation layer of Windows. And third, we will deliver a release that is true to our business goals of having a revenue positive SKU selection, appropriate legalization initiatives, and focus on global business opportunities. Of course above all the release will be exciting—and we will know why it will be exciting when we start.

As we transition from Vista to developing a vision for this next release of Windows we will prioritize our work along the focus areas below. This means that we will allocate all of our developers to these areas and that within these we will make sure that our feature lists are compelling and achievable within the timeframe of the vision. Before we write any code we will know which features will be candidates for the buzz list for the release. You will notice that there is not a distinct focus area for work that is the responsibility of every developer: quality, compatibility, performance, and security. Rather than try to centralize this, we will develop our feature set and schedule by accounting for the work that needs to be done in these areas—these too are features and count towards the great work we do each release. The focus areas for the next release of Windows include:

- **Telemetry.** Broadly, across the entire Windows code base we must continue the focus on *telemetry* and *data collection*. We must make sure we have appropriate SQM (for usage and performance) and Watson (for crashes and asserts) collection points across the entire code base, something each team will budget for and execute on. A clear focus on making sure this is part of the everyday engineering we can also use downtime between releases more effectively as we both improve the daily build test release cycle as well as improve the product based precisely on what customers experience.

- **Shell.** Within our work on the shell we will focus on improvements based on feedback from the first customers of Vista. Using the learnings from the field and instrumentation we will act on usability, performance, quality, accessibility, and compatibility. From an innovation point of view, we will look to bridge the innovations in the shell with the work in the two other focus areas of searching and organizing,

and the graphics and presentation work. We will also look to continued integration of the user experience around devices and hardware, which today are not as seamless as customers demand.

- **Searching, Organizing, and Assisting.** We will use this next release to bring together the efforts around indexing, desktop search, as well as our work in speech and natural language, to create a compelling update that shows substantial improvements in working with files on my local PC and network shares, and helping people to use these tools effectively. This release will set us up to continue to be the leader in providing desktop search with the richest and most enterprise-friendly client experience.

- **Graphics and Presentation.** With Vista we introduce the most modern graphics available on any platform, with DirectX, the new WDDM, and with the MIL developed by the Avalon team. In addition we have started down the path of developing a lightweight, cross-platform, browser-hosted runtime that will be aimed at developers wanting the richest graphics and audio-video integration for their applications. Yet despite this level of innovation our efficiency internally and our architecture for developers are fragmented—while we have a blessing in capabilities, we are fragmented in how we offer those capabilities to developers. We will use the next release to put us on a clear road to having a unified graphical presentation strategy. There are many possible ways to align this work and as the vision develops will articulate the points of synergy and integration that allow us to maximize impact across customer types and reduce our own inefficiencies in code and people. A key part of success of our graphics initiative will be the integration with Internet Explorer and our developer tools and frameworks—there should be an architectural view of the relationship of these different elements and a message to developers that makes sense in the marketplace as it currently exists. It is critical that through our work in presentation, and media technologies, we put in place the first steps of a clear strategy for developers around how to write applications for Windows and where we intend to take the platform for developers, especially given the context of AJAX (and Microsoft's ATLAS) and other alternatives.

- **Media technologies.** The Windows platform must make progress at being the very best platform for the playback and integration of audio and video. While we are prioritizing our corporate efforts around music libraries and device integration in the Entertainment and Device Division, the Windows Experience will be the place where we enable developers of all types to easily incorporate media into their applications. Nothing could be more critical as part of our foundation of graphics than this work, and of course this work provides the platform upon which our entertainment efforts are based. As important as text is, we are in a world where movies and sounds are becoming not just commonplace but required. Windows needs to establish a clear leadership position by making these technologies much better for developers and end-users.

- **Printing and Document technologies.** With the release of Longhorn Server our print server continues to improve in corporate manageability and scale, and along with the work of XPS in terms of providing a modern document format we have the start of a foundation for the best end-to-end solution for printing and documents in the industry. We need to define customer scenarios and determine how to take this to the next level—although the use of screen-based documents continues to grow at a phenomenal rate all usage studies show that printing too continues to rise, which creates a great opportunity for us. Since most every printer, especially for consumer and small business customers, is a scanner and a fax machine we have an opportunity to continue to enhance scenarios incorporating scanning and faxing.

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- **Mobile PCs.** Within the Market Expansion Group we have an effort around the mobile PC experience. This taps into the enthusiasm our customers have for laptops and the opportunity for us to define a great laptop experience. This focus area will consider not just the laptop experience but how that experience relates to the overall shell experience with respect to hardware and devices around mobile scenarios. The laptop/mobile PC represents a business opportunity as well if we can define a critical set of features that can be differentiated in a new SKU. Closely related to this is the experience around removable storage and how we can effectively deliver roaming state, and machine to machine migration, using removable media. And as the removable media technologies advance, and our application model improves, we can consider how you can carry your PC experience with you all the time as a mobile user.

- **Business and SKU Initiatives.** With Vista we introduced six editions targeted at various customer types and optimized for distribution through certain channels. We will learn and improve upon this approach for the next release. While it will not be possible to know up front how we would like to package the next release, we will know for new features how we will be flexible at delivering SKU-based differentiation. We will also continue on the path we are on with respect to Starter Edition and Genuine Advantage which are being developed by the Market Expansion Group.

Every release of Windows represents the work of all of Microsoft. Everyone is involved in testing and ultimately everyone is an evangelist for the release. During the course of development there also are very strong partnerships in design and coding. Part of the vision process will identify these and establish them up front. It is not possible to try to isolate work such that there is no cross-group effort, but we can be clear at the start of the project regarding the expectations of cross-group work and make sure the partnership is balanced and everyone is working under the same assumptions. This is really the difference between a partnership and a dependency. Dependencies carry with them too many negative connotations so we will use our vision process to make sure these are positive relationships based on mutual empathy, mutual respect, and shared priorities. Clearly the Core OS division owns improvements to the engineering day-to-day cycle and broad architectural initiatives such as componentization that will become part of our plans and we will be great citizens of engineering improvements such as componentization and core architecture. I am signed up to make sure that the partnership between the Windows Experience and the Core OS delivers improvements in our code base, architecture, and engineering process.

Competitively, we are in a very fortunate position relative to the overall marketplace as we have been successful at creating software customers want. In practical terms, our primary competition is not necessarily a different operating system but all the alternatives customers have in terms of how use their limited resources. First, Windows does not wear out, so we must do a great job making sure we have a compelling upgrade for customers so that they can continue to use existing hardware. Second, we must have compelling features that make new hardware stand out and thus attractive for both OEMs and end-users. Third, we are competing against alternate devices such as mobile phones as substitutes for PCs. At the same time there are two **very compelling** alternatives for customers in the operating system they choose to use, both of which run on PC hardware. Linux (broadly, with specific distributions having the most significant usage) remains compelling for a number of customers because of the low cost and select benefits around manageability, performance on old hardware, and security. For this release we will begin a deliberate effort to identify specific customers that are choosing Linux varieties and understand at a very actionable level of detail what features we need to do to win those customers—whether that is something like kiosk lockdown, specific componentization or setup alternatives, or particular management or deployment scenarios (as examples). The Mac OS X represents the other end of the competitive spectrum in offering an alternative targeted at ease of use and graphic-intensive customers. We must be much more deliberate about focusing on the platform elements of Apple's offering and develop competitive understanding at

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the OS API and Finder level, with the developer division committed to delivering robust application frameworks for developers. The Live Experiences group will own the competitive offering relative to iLife and .mac, while the Windows Experience will own the offering relative to horizontal usage scenarios.

Defining success for this next release is very straight forward:

- We will develop a compelling vision, a date driven schedule, and execute on both the vision and the date with excellence in engineering.

- We will not over-promise and under-deliver. We will not under-promise and over-deliver. We will promise and deliver. The feature set will be aggressive, but achievable.

- We will gain confidence as a team at our ability to plan the work and work the plan.

- We will make progress on the architectural integration of our efforts around graphics and presentation.

- We will deliver a release with the highest quality, best security, and greatest ease of use of any release of Windows or any OS on the market.

- The impact of the features will be known before we embark on the work. Our resources will be allocated in support of the vision we create as a team.

INTERNET EXPLORER

As an organization we consider browsing with Internet Explorer a top-level engineering area because of the importance it holds with customers and developers. Browsing is a key way most customers experience new things in computing and it is a key way businesses deliver information and applications to their customers and employees. In the Windows operating system, Internet Explorer 7 represents a significant move forward in browsing for Microsoft and for the Windows platform. The team deserves a lot of credit for building a great release, delivering innovative features, and making progress in the minds of influentials in the marketplace.

Of course finishing Internet Explorer 7 is the top priority for the team, and we expect to be dedicated to servicing IE7 (and other currently supported IE releases) in the market after RTM. We will move forward with the next release of Internet Explorer on a timeframe similar to the next release of Windows (though possibly shorter), with the clear goal of delivering Internet Explorer across the next release of Windows and on Windows XP SP2/Windows Server. The vision for the next IE will follow the same process as all of our engineering areas and include the creation of an IE Vision document.

As with each engineering area, Internet Explorer will deliver on the ever-increasing expectations for reliability, security, privacy, compatibility, performance, management, and accessibility. While this list is long, we will be sure to incorporate into the schedule and resource allocation the specific features and development time required to achieve these. Of course it will not be enough just to get better at the things the browser already does—we will set out to deliver valuable and marketable features across several focus areas:

- **Service integration.** Internet Explorer will provide the best platform for integration with services, for Microsoft services and third party services. Examples of these services can include features such as search, roaming settings, or navigation add-ins and toolbars. We will listen to what developers of services want in terms of integration opportunities and be sure to provide both improved and new models for integration. The expectation is that through a partnership with the Search and Live Experiences team we

will create substantial innovation in the integration of browsing and services and deliver that to customers for Microsoft's services as well as third party services.

- **Developer experience.** As a platform, Internet Explorer will improve the experience for developers by providing better tools for debugging, application and site compatibility, and robustness. In particular, we will focus on the making sure Internet Explorer is the best performing, most compatible, and most usable host for those developing the next generation AJAX applications (especially using ATLAS). This includes a much more performant and robust implementation of mainstream scripting done in collaboration with the developer division. A key part of the developer experience will be to innovate in the area of "browsing beyond just HTML pages" as we currently experience with "pages" made up of WPF, Flash, PDF, or AJAX where all the existing browser conventions fail to work effectively (refresh, next/prev, print, and favorites).

- **Standards.** Internet standards support is a core component of the Internet Explorer value proposition for end users, developers, and sites. We need to substantially improve both our support and our reputation of support across key standards.

- **User Experience.** We will continue to improve the end-user experience for browsing, as we have done with RSS integration while also providing the platform elements of that end-user experience so that developers can capitalize on that work. In particular, we will look to the innovations in the next Windows release to develop richer client visualizations as a way of improving the overall experience for customers running the latest release of Windows.

With every focus area of Internet Explorer we will work to assure that third parties have the very best access to the right level of customization and integration. A key design tenet for the release is to develop better mechanisms for third parties integrating with browsing, while improving the overall security and robustness of the browsing experience.

Competitively, there is most decidedly a renewed and invigorated competitive landscape in browsing. One example, Mozilla Firefox, is not just a credible browser, but a world-class program. We will develop the next Internet Explorer with careful attention to a set of performance, compatibility (standards), and security benchmarks where we compare ourselves to the latest releases of competitive technologies. At the same time, we must weigh the innovative feature investments we make with the need to be sure to respond to competitive features that appear to be gaining traction in either usage or significant attention from customers. Just as our competitors do, everyone on the team should be well-versed in how competitors perform and invest in your area.

Internet Explorer represents a runtime for important application development and as such requires a strong partnership with the Developer Division – which will also maintain partnerships with other groups charged with extending many such application development innovations to down-level and third-party browsers. We expect scripting performance to improve and developer division expects ongoing improvements in performance, standards approaches, and more. Also important for developers is the idea of running multiple versions of IE side by side to streamline the developer process. And together we will improve the experience around debugging, security, and overall developer throughput.

Without a distinct revenue stream we will measure success of Internet Explorer by the usage of the latest version against both commercial sites as well as in specific target audiences. We need to be sure we understand completely the drivers for usage of competitive browsers and not just assume it is the *anyone but Microsoft camp*, particularly those users on Windows Vista. We currently face a slipping usage number with Internet Explorer, so

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success will be defined by switching people to the latest Internet Explorer, starting with IE 7, and continuing with the next release. Where we identify product shortcoming that drive the usage of alternatives we will address those and through the right execution of marketing we will focus on the issues of perception that drive this usage.

SEARCH

No one should doubt the commitment Microsoft has to developing the greatest search experience on the planet. We entered the market late. We are behind. No one doubts that. Yet our platform, relevancy, and experience are making extraordinary progress and the team is doing an amazing job along with forging great partnerships with Windows Live Platform and MSR. In a short time a strong team has been built and our end-to-end search and advertising experience has come on line. We are not yet gaining share, but continue to fall behind, which is due to the combination of the lack of an advertising ecosystem, lack of awareness, and the lack of momentum that comes from being in third place behind very strong competitors. As you have heard Bill Gates and Steve Ballmer say, we are a company that thinks about the long term and focuses on the long term goal—our job is to take our aspirations to provide search to our customers around the world and make it happen sooner rather than later.

In looking at search from a business perspective, we fully expect Search to become the economic engine that funds our online services business. We are not there today as today most of our revenue comes from display advertising across the MSN network. The latter is growing and a strong business, but the opportunity for revenue on the search side is there and means gaining share of a growing market and wooing customers from our competitors (or just getting them to use our service as well). So to be crystal clear, our work in Live Services, MSN, and using the platform provided by IE are all very focused on helping customers to find, value, and continue to visit our search experience.

For the purposes of this memo, everyone should assume our efforts on Search are clear and the team is working feverishly. The plans for the coming fiscal year are in place and in execution mode. To summarize them along the line of focus areas, Search engineering consists of the following:

- Search backend (index size and quality, relevance, and operability and scale).

- Search user experience and live.com destination site.

- Answers, Questions and Answers network.

- Geography and Local (geography and coverage, mobile, merchant listings, dining, Virtual Earth).

- Verticals (news, video, images, books, blogs, academic).

- Developers (macros and APIs).

Everyone has a role in partnering with Search – it is our goal to help customers find the information that they need from the very best sources, whether that is on their desktop, in their corporation, or available on the internet. In that sense, every team probably has some connection to Search to improve the experience within their context of getting to search results or making those search results better. The Search team also needs to partner with other teams to make it easy for information to be indexed, searched, and presented to end-users.

In terms of development dependencies, the Windows Live Platform group provides the AdCenter advertising platform for Search. The partnership here is very deep and we should think about these teams as moving together at every step.

LIVE EXPERIENCE

The Live Experience is a new initiative for Microsoft. It starts this fall with the launch of live.com which includes a search and personalization experience and a set of updated experiences for mail, spaces, messenger, and other services. The team has done an amazing job making the transition from the MSN experience of those services to the sleeker and more user-friendly live experience.

At the same time there are still a lot of open questions and no area seems to cause more frustration than the unknowns around Live. A few questions that I've received from just about every group meeting:

What is Live? Live represents the moniker we apply to services offered by Microsoft that enhance the computing experience. Live services extend to everywhere that computing experiences might be enhanced–across platforms, serving consumers and information workers and businesses alike. Xbox Live extends the gaming experience with community, personalization, game selection, and interactivity beyond the living room. Office Live provides the service-based collaboration that useful for small-business. Windows Live provides the services that make the consumer PC user better able to realize their creative potential and also maintain the integrity of their PC. Our Live Experience engineering area is about building the primary end-user applications and solutions that define our Windows Live offerings.

Who competes with iLife? Competing with any competitor is not an end to itself nor should it be the exclusive focus of any team. If one takes iLife to be a packaging of a set of programs for consumer scenarios, and .mac a set of paid services that extend those programs to the internet, then Live Experiences is our engineering effort to build an even more compelling offering for Windows customers. We have many different opportunities to distribute the software to customers such that everyone can have an enhanced Windows PC experience and over time we will pick the optimal distribution strategy.

What is the difference between MSN and Live.com? MSN is a content brand offering news, weather, sports, guides, personals, health and fitness, real estate, shopping, and dozens of other information channels. MSN.com is the primary place that content is consumed on our network and offers advertisers a great inventory for their campaigns. MSN.com is *powered by* Live Services such as Search, Mail, IM, etc. MSN revenue will come from display advertising across the homepage and network of channels, and represents the bulk of our revenue today. Live.com is the destination you go to for search and a customized home page experience. The subdomains of live.com represent our next generation experience for communication, community, and creativity services. Live revenue comes primarily from being the referring site for search and represents a substantial growth opportunity for Microsoft. Live services will also provide relevant advertising in context as our advertising engine supports this. There are seams and this will continue to be something we will work on. There will be one golden rule, which is that we will not do any engineering twice. For example, we will not skin experiences for one place or another. We will spend our energy on building one fantastic experience. Over time we will see that the strategy of having two experiences will help maximize the opportunity by offering both display advertising and search-based revenue, which will be a very strong offering for our advertising customers.

With Live Experiences, our approach will be unique and will demonstrate that our competitors, no matter how strong they are in one area, are lacking a complete offering. Our approach brings the best of internet-based software together with the best of Windows-based software to provide the easiest, fastest, and most broadly-available set of services for communication, creativity, and community. Our goal is **to build an essential suite of both software and software services for Windows users** around the world to create and share information about their lives with the people they choose. To achieve this goal we will focus on the follow focus areas:

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- **Communications.** Email, calendaring, and messaging represent the anchor tenants of the internet service offering. Along with our updated web experiences we will offer rich client experiences, through either dedicated clients or through standards based clients. A key aspect of success will be the use of these programs and services across all the other focus areas.

- **Social Networking and Sharing.** With Spaces we entered the blogging and sharing category and with the work in Circles we will expand the offering substantially. We want to be sure that people can share their creative projects easily with communities they select and establish and will do so through our service offering.

- **Creativity.** Whether it is using photos, audio, or video we want to offer the richest suite of creativity tools on the client that connect up seamlessly to our service offerings. Through Live Experiences running on Windows Vista consumers can go straight from their camera to sharing photos with their friends and family. At the same time, from a storage and organization perspective we want to be sure that customers can take advantage of the vast storage on their local PC without having to think hard about what information is stored locally and what is copied to their sharing place.

- **Advertising.** Within each of our service offerings today we have elements of advertising tools, but we do not have an integrated approach that advertisers want. We have support in gadgets that requires one type of development, support in Messenger that requires one or more other types of development, etc. Each of these is a nice opportunity, but we cannot effectively present all of these to advertising customers. Therefore we will be sure to establish a single focus area that has the responsibility of developing an integrated offering for how advertisers can offer great campaigns across the live experiences—great relevant campaigns based on the context of usage, and where appropriate to the user experience display advertising.

- **Search, Find, Roam, and Organize.** To complement our work on sharing, we will invest in a great experience to for individuals to share and publish their information to themselves, and access it from any browser or Windows client. This will include a "my account" page for simple management of customer settings and allow peer to peer and cloud-hosted synchronization. We will exploit cloud based storage as we develop it and work to provide innovative solutions that bridge cloud and local storage in a strategic manner. As part of this, we will invest in embracing the Windows search platform and delivering an enhanced experience with new capabilities for both consumer and enterprise customers.

- **Shared Infrastructure (toolbar, account management, agent).** As with any suite of software we will invest in elements that are shared across the suite. It is important that we are consistent in the use of shared code and as such we are likely to build not just the platform infrastructure but the use of the platform infrastructure within a single focus area. This tends to improve the customer experience and reinforce the goal of sharing, which is that we want consistent use of shared code across our experiences. Our strength will be in integration and offering a set of tools developed together.

As part of creating our Live Experience we are going to make a few big bets which are worth calling out:

- **AJAX (ATLAS) development for browser experiences.** While we will focus much of our energy on the connection between rich Win32 applications and services, we will also build very cool browser-based experiences. When we choose to do so and we choose to use AJAX we will be the world's best AJAX developers. We will provide feedback to and work with Developer Division and IE to make sure Microsoft offers the best runtime, tools, and experiences using AJAX across our whole network. We also want to

share best practices and learn from best practices. Of course AJAX is a tool and part of being expert will be knowing the limitations and appropriate use of the tool, and most importantly not over-using the tool.

- **Global development.** Currently most of Live is developed in Redmond with a substantial effort at our SVC campus. We also have work in China and India, but not in a strongly coordinated manner. As part of our development strategy for Live we are going to be clear, focused, and have a strategy around how we build great teams, making first class contributions to our vision imperatives, and building a sustainable work environment. Global development of course means global SDE, PM, and SDET, as well as coordination with our global data centers. Global development is an opportunity for us, not a mandate or a requirement, and as such we will be deliberate in how we scale up our efforts.

- **Operationally-savvy experiences.** As we begin the next generation of Live services we will do so with a renewed emphasis on our partnership with operations. All of our disciplines, but primarily development and test, will actively coordinate up front work with operations. We must reduce the costs of our current services and we must also introduce new services that can scale effectively at non-linear cost. A critical part of this is reducing the combination of redundancy and silos the backends of our existing services have. Doing so requires operations to be brought in earlier and that partnership to be clearly established. Ultimately development is accountable for the architectural approaches used and testing will validate those in partnership with operations.

- **Live Platform.** The Live Platform will represent both internally used services as well as external APIs. We will help to craft these and we will use them at every opportunity. We also must be sure to offer the right set of opportunities for developers to tap the live experience by providing client APIs that allow the integration of data from the client and the services, and of course work with Developer Division who is committed to providing tools support for service-based development. We might offer the ability to add photos to a blog through client-side code that allows for higher security and throttling, as well as a richer interaction or higher-level set of operations. Windows Live Platform owns our service API offering and is an obvious point of collaboration.

By far the most important partnership the Live Services organization has is with the Windows Live Platform (WLP) group. Some have asked about this organizational "split" and have raised concerns. As should be apparent, it is not really possible to organize all the parts necessary for a team under one manager, and even if that appears to the be the case it is only in the most narrow of definitions (i.e. it includes only engineering, or only the US, or is such a big team as to be effectively multiple teams, etc.) Our partnership with WLP is modeled after the internet itself—loosely coupled, architected for scale, separately innovative, yet integrated together. We are counting on WLP to deliver on massively scaled operations and platform back-ends. We are counting on the advertising platform, business intelligence tools, and CRM infrastructure necessary for running the business side of our services. And we are counting on the rich set of APIs that our service backends will expose—whether for our use or the use of third parties. We count on WLP to provide the absolutely critical mobile experience for Live Services. To accomplish this requires a partnership and a level of commitment to delivering on shared scenarios, which will be developed as part of the next level of integrated planning.

Live Services exist to provide a great user experience. Part of this experience includes presenting relevant and engaging advertising in very appropriate ways. To do so will require an ongoing partnership with the WLP AdCenter platform to deliver relevant advertising in the context of consumers creating and consuming user-defined content.

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While we are developing the current generation of Live Experiences outlined in this memo we will be concurrently developing the next generation Live Platform within the Windows Live Core (WLC) group currently under leadership within Ray Ozzie's team. It is still too early to determine the right level of reuse and synergy between the experiences described here and these new efforts, which will become part of our mainstream organization and offerings as WLC takes shape. I want to be extremely clear in the direction, however. We are making a bet on this platform and we will forgo near term features in order to be sure to avoid duplicating work which we know to be within the scope of the next generation platform. We will be deliberate in how our efforts relate to this work and we will work together on the staging of deliverables. I do not expect to hear "we thought about using it but it wasn't ready so we built our own". At the same time, we will be clear about making bets only when the technology is ready. As both the vision for Live Experiences and the next generation platform develop, the bets we make here will become clear.

The competition for Live services is varied, but we will focus our efforts while at the same time always looking out for opportunities. First, each service has numerous competitors in the *category*. Examples include photos competing with the likes of Flickr, Spaces competing with something like MySpace, or Live Mail competing with Gmail, for example. Second, we are competing with the likes of Yahoo and AOL where collections of related services are tightly integrated and delivered as a whole within a *walled-garden*. And third, we are competing with both Apple and Google who deliver client software in addition to services.

Relative to categories, we do not have a goal to be the very best in each of the categories, but rather our goal is to be the best collection of integrated services. For the broadest and most well-defined categories such as mail and calendaring, we do expect to win the reviews, whether those are established bloggers or mainstream press. For other categories or more vertical segments we expect to show the value of integration across our properties. To do this we need to define integration points and more important define innovative integration points—everyone will have an address book, but how will we show there is more to be done, for example. Our bet is on having the broadest set of services, focused on simplicity and ease of use, that share common metaphors, common implementation, and common backend resources. We should also have client-side extensibility that will distinguish our offering.

Yahoo is perhaps the most advanced competitor in terms of having a broad set of integrated services and a broad set of content offerings. At the same time, they are very much focused on keeping you in the network, a sharp contrast with Google. Microsoft will bring to online services the best of both of these approaches. With our Live Services we will create "destination" tools for consumers—that is tools people go to specifically when starting a session. And at the same time we will offer the broad set of published content found on the MSN portal (news, shopping, financial, and all the channels). Our goal is to make it seamless for consumers to move back and forth between these using the power of Live Search. We are totally fine with consumers leaving the network in order to view search results for some *tail* web site (perhaps one authored by our Live Experience tools). We aspire to be both the destination that Google offers and the content offerings of Yahoo—the best of both approaches.

OUR ORGANIZATION

This memo outlines the product strategy and priorities. To achieve these we are putting in place an organization that mirrors these priorities at the top level—form follows function. I expect this organizational structure to be something we sustain for several years as we build our portfolio in services and as we improve our Windows engineering and planning processes. At the level of my direct reports the Windows and Windows Live organization has the following people and responsibilities grouped by engineering area:

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Windows Experience	Ales Holecek, Director, Windows Experience Development Grant George, Corporate VP, Windows Experience Test Julie Larson-Green, Corporate VP, Windows Experience Program Management
Internet Explorer	Dean Hachamovitch, General Manager, Internet Explorer
Search	Christopher Payne, Corporate VP, Windows Live Search
Live Experience	Steve Liffick, Corporate VP, Windows Live Experience Development Arthur De Haan, Director, Windows Live Experience Test Chris Jones, Corporate VP, Windows Live Experience Program Management

As a team and as individuals this is an incredibly strong group of people that represents the best of Microsoft.

This structure represents a shift in how we think about our organizational philosophy. Any organization we choose will introduce tradeoffs in how we operate. While it is nice to believe we can try to optimize away various factors through an organization, a core belief I have is that teams should be empowered not just by an organization structure but by a planning process that delivers up front an explicit set of goals and an execution plan based on those goals. This memo outlines the framework for delivering on those plans. The expectation is that we have will have plans that will empower individuals in our organization to creatively solve customer problems, develop innovative software, and bring that software to market, while doing so with significant latitude, tools, and resources to be successful. To do so requires that we all share the following goals which are implicit in this new structure and explicit here:

- **Clarity of vision.** We will write down what we will do and how we will execute, along with the parameters that define success. This needs to be clearly articulated to the team and everyone needs to be bought into the priorities.
- **Excellence in engineering.** We will focus our people management energy and bandwidth on creating the best environment for development, testing, and program management. We will focus on excellence at the discipline, including training and development necessary for everyone to reach their potential relative to the career stage profiles. Our organization will value depth of knowledge and engineering expertise over breadth as people develop their careers in our organization. We are optimizing this organization to work like a startup that places the highest value on deep technical knowledge and the engineering skill that turns those into successful products. Whether an individual or manager, employees can reach the most senior levels of Microsoft by growing by growing relative to the career stage profiles. A key part of excellence in engineering is making sure that each discipline has the tools that improve productivity and that we invest in those tools as part of our up front planning process—whether those tools are the daily build process, automated testing, specification management, project scheduling, etc.
- **Collaboration across disciplines.** Making decisions in our organization means collaboration across, not escalation up. This means that we expect development, testing, and program management to *walk in each others' shoes* and reach consensus over the plans, execution strategies, contingencies, and success metrics. It means that when there are partnerships across groups we expect those to be forged and maintained by peers working together under shared goals described by vision documents. The disciplines of operations, planning, design, localization, usability, business development, product management, and user assistance are all critical to the collaboration process and must be included for our efforts to be successful.
- **Flexibility in resource allocation and agility in development.** The vision is a commitment to get work done. But the degree to which we accomplish any commitment must be flexible because circumstances change. This degree of completeness will be incorporated in our success criteria for a release. Within

that we must be flexible and therefore we expect resources to move between focus areas as we learn more and uncover complexities in engineering or opportunities in business. We want to move fast, but we want to create software with staying power. An investment of "a few devs for a month" does not create a sustainable advantage in the marketplace—after all a competitor can clone and release in half the time. Our focus on speed will be balanced with our desire to be innovative and have impact in the marketplace, and of course with our need to release the highest quality software along every dimension.

- **Efficiency in management and process.** As an organization we will have few top down processes. At the same time we do not want to have groups spending our finite creative energy on process. So when there is an opportunity to free our creative energies to focus on domain specific work we will just roll with a "best available" process that is shared by everyone in an engineering area. For corporate processes around people management, budgets, recruiting, and equipment, our team will have a lightweight and centralized approach so that few people need to worry about the process side of these. We must all focus on innovating in our software, with just a few focused on innovating in the back-office of Microsoft.

Some will look at this organization and see one significant change which is a move from a structure that one could refer to as groupings with multi-disciplinary managers to one where more of our team is organized through functional engineering structures. This is a change and some might be uncomfortable with this approach. Our model is a hybrid—we have both functional managers and multi-disciplinary managers. We will have multi-disciplinary managers overseeing significant resources for a clear external deliverable when that deliverable is a distinct business/technology and where a leader is required to spend a majority of his/her time on those external deliverables. We will specifically not have multi-disciplinary managers where the role of the manager is to "pull together" development, test, and program management for an initiative. While such an approach can be a powerful way to kickstart new initiatives within a complex and booked organization it has also been responsible for a lack of many of the qualities we aspire to described above. We are done reorganizing at the top level for quite some time.

This organization structure is also one where starting today we are going to make a significant change in how we make decisions within our team. We are moving to a model where decisions are made locally and we will no longer *escalate* decisions up the management chain. This means that your management, no matter how high up, should not be slowing you down getting the right thing done for customers and the software. This can obviously be an invitation for chaos so how this works in practice is super important. First information must flow freely and in high volume—this is not an invitation to keep to yourself. So no matter how things are going you must communicate across the organization and there can be no surprises. Second, part of the planning process is growing our shared understanding of issues, opportunities, choices, and perspectives. Part of being empowered means understanding all perspectives of the problem space and solution space. For each of you to be empowered to decide what is right and get that done will require our organization to function with shared priorities and to execute against those priorities.

We will have a plan for each of our four main engineering areas and that plan will be specific in what will happen for a given development cycle—at the quarterly, service pack, or major release level. This plan will be owned by my direct reports for each of the areas. This plan is a written document, "the vision", and will be created as a way of committing to what work we will do, what resources will be applied to the work, how the results will stack up against the competition, how the work will achieve specific business goals, and finally describing what success will look like. We will no longer begin work, whether incremental, innovative, or incubation, without understanding, documenting, and aligning around this type of planning process. By having this process, a combination of top-down framework, middles-out alignment (that is consensus and alignment across the disciplines and across partnerships), and bottom up commitments to execution, we will enable each of you to come to work everyday

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owning your work and owning your potential for success. We will embark on new projects, incubations, long-term investments, and off-cycle work, but we will be deliberate and have a clear roadmap that defines steps along the way for even the biggest goals. My commitment is to help our organization create these plans, help socialize and vet these plans, and support an organization structure that is all about *planning the work and working the plan*.

NEXT STEPS

Of course the most important next step is to ask questions. It is certain that this memo raises questions for you and you should ask them of me or one of my directs. If you don't ask, but assume, then the process is not as transparent as it needs to be. Even though many contributed to this memo and many read drafts, there are still certain to be things that are less than clear or probably incorrect. That's ok. This is a starting point.

After you have gotten comfortable with the contents of this memo there are some concrete next steps.

If you are working on Vista, then this remains your priority. We need to get to RC1 and RTM without a hitch. Many people working on Live services today are also contributing directly to Vista and of course their priority remains delivering on their Vista commitments. Vista is the most important priority for the company. And of course if you are working on Internet Explorer then you have both Vista deliverables and Windows XP SP2 deliverables.

If you are working on services, then the focus is on the rollout of Live Search and all the Live services that release through the fall. This memo does not change those releases or the schedule.

Each of the new leaders of our organization will maintain the appropriate level of commitment to managing and releasing the projects they are currently working on.

At the same time many people will be part of new leadership on their teams. Some might want to wait until we have signed off on RTM/RTW to begin to consider what comes next, but this is not practical as we cannot afford to have significant downtime. I know everyone is capable of this small degree of multi-tasking. The work necessary at this point is to be clear on the organization structure and if you are a manager to do your part to assure a smooth transition.

With this announcement we begin the transition to this new organization and new focus. For some the changes are small or expected. For others the changes in organization are bigger. I know many would like one org announcement to say up front what each person will work on and who their manager will be. With an organization of over 3000 people this isn't a realistic expectation. The process unfolds as quickly as possible through the levels of the organization. This memo is about the top level structure. Following this my new direct reports will outline their structure, based on the priorities in this memo—this will happen in the next 4 to 6 weeks. Their direct reports will be structured to align with these goals and the people that lead these efforts are the natural leaders from development, testing, and program management. For Live Experience and Windows Experience development, testing, and program management will report up through appropriate direct reports, with the shared resources of planning, design, usability, and business development reporting to the leader of program management. As we transition from our previous structure it is expected that our most senior group managers will take on equivalent leadership roles within the engineering disciplines. This should not be viewed as anything more or less than it is—a realignment of our management efforts around core engineering disciplines and technical management. In fact, to make this transparent for everyone, based on the feedback received our team will move to *standard titles* during this fiscal year—these are address book titles that map to the career stage profiles (see http://hrweb/US/Career/Profession/engineering.htm).

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After the fall, the next software release that is critical to the company will be SP1 for Windows. Developing a clear plan for this and how it relates to the next release of Windows is priority. The Windows Server team is committed to delivering Longhorn Server release this fall and will scale back features to make this deadline.

With the **completion of these releases**, some of you might wish to gain some experience in a new product or service with a lateral move. I would encourage this, especially if you have spent considerable time in your current group. If you have moved recently then for the benefit of your own career growth and development it is worth investing more in the learning you can gain from additional experience in your current group. I would encourage you to use this time and this organizational change to see if there is a mutual fit between you and some of the initiatives identified in this memo.

With the completion of releases we will spend time re-engineering our development process based on feedback from the teams. We will review architectures. We will continue with componentization. We will look at our investments in tools and automation and renew our commitments to these. We will invest in the quality and hygiene of our code bases. And I would also encourage people to explore ideas. Since many will be finishing their Vista work soon, you are encouraged to use this milestone to explore ideas on your own and do so with the full support of management. When as teams we are ready to begin specific pre-work or the release schedule we will all leave the starting line at the same time.

With the new organization in place we will begin the planning process. The planning process has two elements that will move forward in parallel. First the next level of the organization needs to be created. For Windows Experience and Live Experience, the focus areas described in this memo will morph into feature teams, with leaders in development, testing, and program management determined. Second, the vision process will get underway. These two steps happen in parallel because you want the organization to reflect the vision, and the vision to reflect the organization.

The vision process will be led by our most senior representatives of program management. Their job is to work together on the process and to have a shared view of the vision process and relatively consistent output in delivering the vision. The first step will be a planning document, which outlines the feature teams, competitive situation, business needs, release tenets (such as the timing), and major technology bets. This will happen quickly and will resolve the issues remaining open in this memo (such as SP1 timing, Live.com and MSN.com, etc.). Following this, we will have vision documents and resource allocations that match those for all of our work (Search, Internet Explorer, Live Experience, and Windows Experience). It is important to keep in mind that program management is not the source for all the content of these documents, but their job is to make sure all the good ideas are in the document and to own the prioritization—this means development, testing, planning, design, usability, business development, product management, and executives are all participants in the drafting of these documents, with program management the clear owner of the output. This output includes not just a written document but also prototypes that represent the actual target implementation—not inspirational prototypes, but the real work we intend to do. This means all disciplines and perspectives are integral to a successful vision.

The vision for a software release brings together the needs of customers, the needs of the business, our desire to deliver unprecedented and unexpected innovation.   This means the vision is informed by the business environment—advertising, search, OEM, enterprise agreements. This means that the business is informed by the vision—feature differentiation, new ways of meeting customer needs, new technologies. This feedback loop is critical to the execution of the vision. Product management, product planning, and program management must work in partnership to be sure that the vision reflects the best inputs to the development process.

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With those documents in place we will have a clear plan for the next wave of software for our organization, resources allocated to deliver the software, an understanding of why we will be successful, and solid engineering plans.

With this structure in place we begin the next wave of software and services for customers around the world. At the start I said this memo does not answer "How will we *win?*" We're here to deliver innovative software to the market and to have a huge impact on the work and home lives of customers around the world—winning signifies an end, and for me we are starting on a journey as infinite as the possibilities of software. Together as a team we will take big steps, do spectacularly well for Microsoft and shareholders, have a great time, and most of all we will change the world with our efforts.

# # # # #

APPENDIX

In an effort to provide an additional level of detail, the table on the next page lists all the development projects in our organization, the current direct report and the new direct report. In the case of Live Experience and Windows Experience, the reporting structure will follow the disciplines of development, testing, and program management.

For many this table represents the *important* information in this memo, but I do not want to attach undue importance to the changes here. Some might pay too much attention to where something is organizationally, but I hope by now in reading this memo you can understand that this is more of a reaction to groups working without broadly shared and understood plans and priorities, rather than necessarily an ideal way to solve cross group engineering challenges. In moving resources around, which should not be taken lightly, as a team we spent significant amounts of time looking at where we want to be and where we want to build on the organizational priorities in determining these changes.

In terms of performance management, your manager as of May continues to own your performance appraisal for September 2006. As a team we will update commitments throughout the year in the spirit of the new system.

Changes to headtrax will take place over the next 4-6 weeks as the next levels of the organization are finalized.

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Project	Current Manager	New Engineering Area
PIX	amirm	Live Experience
Windows Movie Maker, DVD Maker	amirm	Live Experience
Audio Editing (Monaco)	amirm	Live Experience
CODECs	amirm	Moves to E&D
HD-DVD (XBOX, Vista)	amirm	Moves to E&D
Media DRM	amirm	Moves to E&D
PTP and Device Sync	amirm	Windows Experience
Wireless/Cell Media	amirm	Windows Experience
WAVE	amirm	Windows Experience
WMP, QFE, Setup, Vela, Metadata	amirm	Windows Experience
Windows / DMD Business Development	amirm	Moves to Windows Experience and E&D as app.
Windows Media Server	amirm	Moves to Developer
Windows Client Platform Group (Avalon)	chrisjo	Windows Experience
NUI Search and Speech	chrisjo	Windows Experience
Windows DirectX and WDDM	chrisjo	Windows Experience
Windows Shell	chrisjo	Windows Experience
MSX (UA, Design, User Research)	chrisjo	Windows Experience
Search	chrispa	Search (no change)
Boards	daneg	Search
Gallery	daneg	Live Experience
live.com	daneg	Search
OneView, Desktop Search	daneg	Live Experience
OnFolio	daneg	Live Experience
Sidebar	daneg	Live Experience
Toolbar	daneg	Live Experience
Guides and Deep Answers	daneg	Search
SVC Incubations	daneg	Search
Online Services Product Planning	derrickc	Live Experience
Internet Explorer	dhach	Internet Explorer (no change)
Live Labs	flake	Live Labs (no change)
Shopping and Classifieds	mconte	Search
Account Management and Billing	stevel	Live Experience
Common AJAX Framework	stevel	Live Experience
Contacts Store, Sync	stevel	Live Experience
Hotmail Sustaining Engineering	stevel	Live Experience
Live Agent	stevel	Live Experience
Live Favorites	stevel	Live Experience
Max Project	stevel	Live Experience
Messenger	stevel	Live Experience
Windows Live Mail	stevel	Live Experience
Signup, Merchandising, Ideas	stevel	Live Experience
Spaces, Profile	stevel	Live Experience
Vista Calendar	stevel	Live Experience
Messenger VOIP	stevel	Live Experience
Web Calendar	stevel	Live Experience
Web Mail	stevel	Live Experience
Windows Mail	stevel	Live Experience
Customer Design Center	stevel	Live Experience