From: Steven Sinofsky
Sent: Thursday, June 29, 2006 4:00 PM
To: Platforms & Services Division <psd@microsoft.com>
Cc: Executive Staff and Direct Reports <execdir@microsoft.com>
Subject: Windows and Windows Live: Organizing for agility, Competing with focus, Building must-have software

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Our team has recently reached some significant milestones including releasing Vista Beta 2 and major updates to our Live Services. Everyone has worked super hard and deserves a sincere thank you to all. We are approaching Vista RC1 and Live will be moving from beta to release shortly, so everyone is very busy and that should clearly be the focus until these projects are complete.

At the same time we must begin to prepare for the next generation of our products and services. Over the past three months I have had the opportunity to listen to and to learn from many people across the organization—we have discussed the history of our team, the challenges, and the opportunities. There is a clear consensus that for us to take our software to the next level for customers we need change—we need to change how we work together, how we plan the work we do, and how we are structured as a team. The enclosed 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.

The enclosed memo (*IRM protected for the recipients of this mail*) is detailed because the scope of our work is broad and the situation warrants such discussion. Everyone is encouraged to read the memo, ask questions of me (email, blog, in person) or your manager or my direct reports as there are likely points worth discussing and clarifying. Our top priority is releasing Vista and Live services and so we are using this time to be deliberate about the changes and to work them one step at a time as we move to release.

In September 2005, Kevin Johnson assumed the leadership of Platform and Services Division (PSD) with Jim Allchin leading the completion of Vista. In the six months following, Kevin spent time learning about the organization and the business, and most importantly the people. In March, the next changes were put in place. This aligned our organization along functional lines including engineering groups for Windows Live Platform, Server & Tools, Online Services, Core Operating System, and our team Windows and Windows Live. This announcement does not change this alignment.

We are now taking the next step and aligning our efforts across Windows and Windows Live. Today we are announcing an organization structure and a realignment of development efforts. More than that, we are beginning the transformation to a new way of working to help us realize our goals of delivering better and cooler software to customers sooner and more effectively. This structure and the role model that the management team is committed to establishing are the necessary first steps. When combined with your efforts and your commitment to improving, we have all the right ingredients to deliver incredibly cool software.

Our new organization focuses our engineering along four key initiatives: Windows Experience, Internet Explorer, Search, and the Live Experience. First, we will align projects, teams, and resources to better and more effectively deliver end-to-end customer experiences. Second, we are organizing in a way that reduces management overhead and hierarchy in the right places and emphasizes the role of our core technical competencies.

Reporting to me, we will have general management where we need the disciplines to come together with business leadership and we will have discipline management where we want to bring together the most senior functional leaders for each discipline and assure the most visibility to each engineering perspective. Each direct report and each person on the team is responsible for making sure our software is competitive, our engineering process is agile, and our software represents high-impact, must-have innovations.

Windows Experience. The Windows Experience will be led by an engineering team of three direct reports. **Ales Holecek** will lead development. Ales, as the leader of development, is responsible for our engineering, architecture plan and execution and is accountable for assuring our code assets and healthy, modern, secure, reliable, and performant. **Julie Larson-Green** will lead program management, planning, design, usability, user assistance, and business development. Julie, as the leader of program management, coordinates the vision process and planning and is accountable for our work plan for SP1 and future releases. **Grant George** will lead testing. Grant, as the leader of test, is responsible for our commitment to quality and validating that our work meets the standards set by customers and our own expectations. The leaders of the Windows Experience will each work with the leaders in COSD at every step and, in particular, will lead the coordination of planning releases of Windows client going forward. Together this team will organize around the principles and initiatives outlined in the enclosed memo.

Live Experience. The Live Experience team will be led by an engineering team of three direct reports. **Steve Liffick** will lead development. Steve, as leader of development is responsible for our engineering, architecture plan and execution and is accountable for assuring that our services are scalable, secure, cost-effective, reliable, and fast services. **Chris Jones** will lead program management, planning, design, usability, user assistance, and business development. Chris, as the leader of program management, coordinates the vision process and planning and is accountable for the next wave of Live Services which will include both browser-based services and our Windows applications that connect to these services. **Arthur De Haan** will lead testing. Arthur, as leader of test, is responsible for our commitment to operational quality and scale, validating that our work meets the standards of cost, quality, and completeness the services business require. The leaders of the Live Experience team will each work with the leaders of Blake Irving's Windows Live Platform team to deliver the world's best loosely-coupled combination of platform and services. Together this team will organize around the principles and initiatives outlined in the enclosed memo.

Both the Windows Experience and Live Experience teams have more organization to work do. The enclosed memo details the planning focus areas for each team. Over the next 4-6 weeks each of these reports will be announcing the team structure and leaders. This time will allow us to do the best job at including all viewpoints and perspectives in the team structure and make sure we have the best organization going forward. This will mean some management changes remain.

Internet Explorer. The Internet Explorer team will be led by **Dean Hachamovitch** as it is currently structured. As the leader of the team, Dean is accountable for delivering the industry's leading Windows browsing experience for end-users, developers, and our enterprise customers. With our new organization, there will be a renewed focus on the platform capabilities of Internet Explorer as they relate to integrating third party service connections. Dean will also lead the partnership with Developer Division with respect to the runtime and development tools that use the Internet Explorer platform. Dean is accountable for delivery of browsing for all of the Windows platforms and for delivering the right set of features to best enable services integration.

Search. The Search team will continue to be led by **Christopher Payne** as it is currently structured. Christopher has built the team from scratch to a credible and growing position. The work on relevancy and corpus, and innovations around the user experience and local search all form a strong platform to build upon. We are just coming on line with our advertising support through the partnership with the Windows Live Platform. Christopher is accountable for search relevancy, experience, and monetization.

Live Labs. Gary Flake will continue to lead Live Labs. Gary will personally continue to be a key strategic contributor to our overall online services strategy.

Today, you will hear from each of our new leaders with follow-up mail. Starting Friday there will be various forums announced where you can meet them, ask questions, and begin the discussions of how we will together make this transition.

We have a few tasks ahead of us which will take priority. First we will be shipping Vista. Chris Jones will continue in his responsibilities for shipping Vista. If you think Chris can help you to ship Vista then by all means ask him. Dean Hachamovitch will also continue to focus on the Vista browser. Second, we will be shipping Office 2007 and Grant George will have some responsibilities through the next few months. Third, we will be releasing Live services through the fall. Steve Liffick will continue with his existing responsibilities for Live services through their release.

We will also begin planning Vista SP1 and how we will structure the next release of Windows. SP1 is going to be critically important for the acceptance of Vista as customers expect a level of servicing from us that speeds deployment, but does not introduce changes that might result in resetting evaluations. Julie will be leading the efforts working with Windows Sustaining Engineering to determine the current workload for SP1 and the requirements due to the Longhorn Server release. We will be doing everything we can to craft a *hardcore* SP1 that meets the needs of our enterprise customers and the marketplace and the needs of Server, without adding features that will slow development or make it impossible to complete with the Server release, which itself is date driven. SP1 will be very focused and tightly controlled.

It is worth adding two points of housekeeping. First, it is has been suggested that we need to have fewer people working on our projects. We will have fewer people working on our projects by being more effective at managing our resources, more effective at up front planning, and not just having priorities but executing against those priorities. If we do those things then we can be more efficient and effective with the people we have, each working on clearer and more focused projects. Our bet is that we can be better at building more software and thus use our scale to an advantage. Our competitors are hiring more aggressively than ever before and have more people working on services than we do—and we will rebalance our portfolio to reflect that opportunity and continue aggressively hiring only the very best of the best. Second, we are in the midst of performance management season. None of the changes here impact the review process; your manager today will continue to be responsible for your review. In terms of establishing commitments for the next year, we will take advantage of the new system and update these over the course of the year as our plans are locked. Over the next 4-6 weeks all headtrax changes will be completed.

I wanted to invite those interested to open q&a sessions on **Friday**. Please join me at either:

- 1:00 to 2:30 B 33 Hood
- 3:00 to 4:30 Red West E – Emerald room

In addition, there will be office hours and other sessions with the new leaders as indicated in their follow-up email.

With this structure in place we begin the next wave of software and services for customers around the world. I've been asked many times "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.

--Steven Sinofsky

To add a postscript, at the transition in March a commitment was made to being transparent in how our team is managed. By sharing a memo of this detail broadly you are experiencing this transparency. In return, please commit to maintaining every element of this communication within the bounds of Microsoft confidentiality at all times.