

**From:** Kevin Johnson  
**Sent:** Thursday, March 23, 2006 10:01 AM  
**To:** Platforms & Services Division  
**Cc:** Executive Staff  
**Subject:** Aligning PSD for Growth and Agility

Since taking on my new role last September, I've spent quite a bit of time focused on how best to position the Platforms and Services Division (PSD) for the future. I want to share with you some of that thinking and some new changes we are undertaking today.

We continue to see a strong wave of innovation from Microsoft making its way to market. PSD is a big part of this wave. The recent launches from our Server and Tools business, including SQL Server 2005, Visual Studio 2005, BizTalk 2006 and Windows Server R2, have been well received by customers and partners, and the team is now focused on Longhorn Server. The Windows client team continues to drive forward on Windows Vista with the latest CTP that was released in February. The MSN division continues to deliver new innovation such as Live Mail, Live Messenger, our constantly improving search offerings and many other Windows Live offerings. MSN itself has enabled new channels and content and continues to expand. All of these product and service releases are evidence of a strong wave of innovation and momentum in the market.

Over the last few months, I've made it a priority to listen to what's on people's minds. I have had the opportunity to conduct more than one hundred 1:1's and have met with over 2,000 of you at all-hands meetings and roundtables. Not surprisingly some common themes have emerged. Your questions, concerns and feedback, taken together with the dialogue within our leadership team pointed to the need to address three key questions for our division:

- What are the next steps for advancing our vision of software + services?
- Are there growth opportunities upon which we should be more focused?
- How can we be more agile?

As our current product pipeline hits the market, it's a good time to lay the foundation for the future of PSD. I have been working with Jim Allchin and other PSD leaders to establish an organization that positions us for the future. This has been a very collaborative process and we have considered many options. The PSD organization changes we are announcing today are driven by the following objectives which are rooted in the input I've received from so many of you:

1. **Software + Services:** Position for the next wave of innovation relative to our vision for Windows Live. Ray Ozzie and I continue to work closely to advance the Live vision announced last November. End-to-end scenarios that enable seamless experiences across client, server, and services are critical for all customers, and Windows Vista + Windows Live begins to address this vision. Utilizing services as a distribution vehicle for user experiences enables us to embrace the concept of software + service and deliver innovation to market faster. Doing this requires us to think about the Windows Live platform as a key to the value proposition we deliver to developers. These changes provide clear connections with Ray and his team to help shape the Live platform, Live experiences and the marketing that supports Windows Live.
2. **Growth:** Focus on the key growth opportunities ahead of us, specifically online advertising, emerging markets, and enterprise computing infrastructure. Our Server & Tools business has shown strong growth over the last few years, and has great opportunities to continue that momentum. Windows Client has growth opportunities in premium offerings, new solutions for emerging markets, and in reducing unlicensed PCs. Certainly the upcoming launch of Windows Vista will spark a new wave of growth across our broader industry and partner ecosystem. Analysts predict the online advertising industry will grow to \$35B+ by 2008 which creates opportunity for our MSN and Windows Live businesses.

3. **Agility:** Lay the foundation for accelerating our pace of innovation, including focusing on ways to improve clarity of decision making, drive greater accountability, and reduce layers in the organization so we can move faster. It also means utilizing existing expertise within the division to embrace services -- and rapid release cycles that services can enable -- to all aspects of our business. Our software + service approach and the expertise we have built in MSN can support innovation agility as we enable the Live era.

As part of the next step of Jim's transition, we discussed when it was appropriate to move his direct reports to me, and decided that this organization change was the right time. Jim's overall partnership role with me in running PSD will not be changing.

The PSD leadership team I've put in place to align against these key objectives includes:

- Steven Sinofsky, SVP Engineering, Windows and Windows Live Group
- Brian Valentine, SVP COSD
- Blake Irving, CVP, Windows Live Platform Group
- David Cole, SVP, Online Business Group
- Yusuf Mehdi, SVP, Chief Advertising Strategist
- Mike Sievert, CVP Windows Client Marketing
- Will Poole, SVP Market Expansion Group
- Bob Muglia, SVP Server and Tools Business Group
- Sanjay Parthasarathy, CVP Developer and Platform Evangelism
- Brent Callinicos, CFO and CVP Finance Group
- Rick Thompson, CVP supporting a special assignment
- Darryn Dieken, Technical Assistant
- Brian "Skip" Schipper, GM Human Resources
- Mary Snapp, CVP and Deputy General Counsel, Legal and Corporate Affairs

I know change is never easy but I truly appreciate the focus that people throughout PSD have on innovation and the wave of products and services our team is delivering to the marketplace is impressive. These changes are intended to help us increase our agility, embrace the concept of software + services, and position us for an exciting future together.

Let's continue to impress customers and partners with our innovation, and drive satisfaction to levels we've never achieved before. Let's also stay focused on our priorities as we make this transition and align our organization for the future.

For those of you who will be on campus in Redmond on Friday, March 24, I hope you can join me in person, in B33/McKinley Room, from 10:00 – 11:00am. The meeting will start promptly at 10:00 a.m., so please plan on arriving a few minutes early to ensure you get a seat.

I hope everyone else will watch the [webcast](#), which will be streamed live on the intranet and archived there for later viewing.

Whether you attend in person or via the Net, you can submit your questions to [execqa@microsoft.com](mailto:execqa@microsoft.com) before the meeting begins.

Thank you for your contribution and your continued focus on innovation and our customers.

Kevin

## Windows and Windows Live Group

**Steven Sinofsky** is joining PSD to lead engineering for the Windows and Windows Live Group.

Steven has worked in the Office engineering organization for many years, and is a proven leader with a track record of predictable release cycles, strong planning processes, and customer-focused innovation. He has worked on the Office products since 1994, working on all the 32 bit releases of Office. Steven's skills and experience in software engineering and in building engineering disciplines to plan, execute and deliver on large scale development efforts will be a great asset to PSD, and I am thrilled to have him join our team.

The Windows and Windows Live Group brings together engineering teams from MSN and Windows Client that will now jointly focus on customer experiences that make up Windows Live and our client platform offerings. **Amir Majidimehr** and the Windows Digital Media Division will now report to Chris Jones. Chris continues to own the engineering deliverables for Windows Client to Windows Vista. This new organization also brings together strategic Live technologies such as search, Internet Explorer, Live.com, and Live communications/collaboration in a unified engineering organization that will drive innovation at a very rapid pace.

Live Labs, led by **Gary Flake**, will foster innovation across all of our Internet technologies, including the Windows Live platform and online business groups, and continue to expedite the transition of research to products and foster the connection to Microsoft Research.

Steven will drive Windows planning and will integrate planning efforts across Windows, Windows Live, COSD, and Server & Tools.

As part of our broader effort to strategically align assets across our three divisions, Robbie Bach and I are taking this opportunity to move **Joe Belfiore** and the eHome team to the Entertainment & Devices division. By aligning Xbox, MSTV, and Media Center Edition we will provide an even better entertainment experience for our customers and partners.

Steven will immediately begin the transition from his current role in Office to this new assignment and we expect that the transition will run through May. This enables us to do a smooth transition as we make this leadership change.

Steven's direct reports now include: Chris Jones, Christopher Payne, Dane Glasgow, Gary Flake, Mike Conte, Nishant Dani, Steve Liffick, and Colleen Johnson.

## Core Operating System Division (COSD)

Brian Valentine continues to lead COSD and will report to me. Brian's mission remains unchanged: Shipping Windows Vista with the highest quality and user experience possible.

COSD will continue to focus on building the industry's leading operating system foundation to power Microsoft platform products.

Since its inception, the COSD "dream" has been to lead our transition to a more layered Windows operating system; one where the core OS and our customer experiences in client, server and embedded are architecturally isolated from each other and where these teams can ship on independent cycles, innovating at a pace appropriate to their business requirements. This "dream" will continue to be a key focus area for COSD and will be a key element in the post-Vista Windows planning efforts.

The Security Technology Unit within COSD has delivered product innovation, managed the engineering process that focuses on security of all products, and led the security outreach and communication process for our customers and partners. **Mike Nash** has led this team and made a significant contribution in this important area over the last 4 years. Mike will be preparing for his next assignment at Microsoft and will begin a transition process from his current role leading security. **Ben Fathi** will succeed Mike and over the next two months, Mike will be working closely with Ben to ensure a smooth hand-off. We will announce Mike's next assignment as he completes this transition and his planned sabbatical this summer.

Brian's directs include: Amitabh Srivastava, Darren Muir, Mike Nash, Jawad Khaki, Ben Fathi, Lori Brownell, Chuck Chan, Deb Weissman, Marshall Brumer, Alex Simons, and Susan Boyd.

### **Windows Live Platform Group**

**Blake Irving** will lead a newly formed organization called the Windows Live Platform Group, reporting to me. This group's mission is to build and operate the most efficient, global Internet-scale services platform with the broadest and most profitable advertiser and developer ecosystem. To execute fully against the mission, Blake's new team unites a number of MSN teams that have been building platform services and operational capabilities for our online offerings.

This new organization recognizes that a "platform", in the services context, includes not only the software engineering functions, but also the service operations organization – critical for "operating a platform" 24 hours a day, 7 days a week. The Windows Live Platform group will be a center for operational and engineering excellence and will include datacenter and technical operations, advertising platform, storage and payments infrastructure, backend communications and collaboration platform, business and customer intelligence, security and safety, identity, VoIP, mobile, global development, and supportability capabilities. The new organization will support application services built across the company, including Windows Live, Office Live, Xbox Live, and other Microsoft applications. Providing a scalable platform at the highest efficiency and utmost quality, in tight partnership with the Windows and Windows Live Group are key elements of this group's mission.

Blake's new organization will also have a tight connection to Ray Ozzie and his team for strategic direction and collaboration on v.Next of our Windows Live platform, our future effort to seamlessly deliver new software and services platforms to our customers (including end users, developers, and IT Pros). Having a tight alignment with Ray's team will position us to better deliver on this broad vision in the future.

Blake's direct reports now include: Arnold Blinn, Brian Arbogast, Debra Chrapaty, Craig Unger, Gerard Zytnicki, Leslie Osborn, Ryan Hamlin, Tarek Najm, and Janice McKeever.

### **Online Business Group**

**David Cole** will lead this group in an interim capacity until a successor is named. This group will include MSN.com, MSNTV and MSN Internet Access programming, advertising sales, business development, and marketing for Live Platforms, MSN and Windows Live. This team's mission is to deliver world-class go to market leadership, that wins customers to our services and builds a world leading advertising business. The responsibility for the monetization of our Live Platform, MSN and Windows Live assets is owned by this team, and includes end-to-end management of the online P&L.

**Yusuf Mehdi** is taking on a new assignment as Chief Advertising Strategist reporting directly to me. Yusuf will play a key role working with the leadership team and me to shape our strategy for the growing online advertising market. He will ensure that we are connected across groups and

collaborating with other Live offerings across Microsoft, and be a key spokesperson for the company in the online advertising industry.

In support of these efforts, **Martin Taylor** is named CVP of Windows Live and MSN Marketing, reporting to David. Martin will run product management and marketing for Windows Live services, MSN.com and our Live Platform, focusing on developing the brand and bringing our new service innovations to customers.

As mentioned last month, David and I are working on naming his successor, and it is our intention to name and have someone onboard before David begins his leave of absence.

David's direct reports include: John Matheny, John Nicol, Michael Rawding, Martin Taylor, Cory Van Arsdale, Alexandra Stewart, and Cheryl Kritsonis. Christa Davies, as the acting Online Business CFO, also reports dotted line to David.

### **Windows Client Marketing Group**

**Mike Sievert** continues to lead Windows Client Marketing and will now report to me. Mike and his team will continue to manage Windows Client marketing and product management, driving clear and compelling communication of our platform value to all segments of the market. Mike's team will be responsible for stewardship of the Windows brand, supporting all field organizations as they execute in-market, and driving overall performance against revenue and contribution margin targets for Windows Client. In addition, this team will work closely with Windows Live marketing to ensure we communicate the clear value proposition related to Windows Vista and Windows Live.

Mike's direct reports include: Brad Brooks, Brad Goldberg, John B. Williams, John Curran, and Cherylnn Houston. Hoke Horne, Windows Client CFO, will have dotted line reporting to Mike.

### **Market Expansion Group**

**Will Poole** is moving to a newly created position focused on reaching and empowering our next billion customers. His group will be expanding the opportunities in emerging markets for platforms and services, growing PC use in under-served segments of developed markets, and driving sales of more laptops, tablets, and new form-factors to PC users. Establishing a Market Expansion organization with dedicated marketing and R&D resources focuses accountability on these growth opportunities for our company.

The Market Expansion group has responsibility for emerging segment offerings such as Windows Starter Edition, pre-paid & subscription computing, and shared-access projects, as well as responsibility for coordinating across all R&D organizations on innovative solutions and business models that target emerging markets. Their charter includes working closely with Windows Client Marketing and the SMSG emerging markets marketing and field organization to drive growth and continuing to expand the Windows Genuine Advantage (WGA) initiative to drive reduction in unlicensed PCs. The group will also focus on electronic software and license distribution as a key growth opportunity for Microsoft and the industry. Finally, they will continue driving hardware innovation for Windows, especially focused on "tailored PCs" including innovative form-factors and the platform-level innovation needed to meet the explosive growth of mobile PC users.

Will's direct reports now include: Joe Peterson, Tom Phillips, Craig Fiebig, Bill Mitchell, and Michele Johnson.

### **Server and Tools Business Group**

**Bob Muglia** continues to lead our Server and Tools Business and there are no organization changes. STB's focus continues to be driving innovation in products and services that empower IT Pros and Developer teams across the IT lifecycle.

Bob's direct reports include: Paul Flessner, Ted Kummert, Bill Laing, Andy Lees, S. Somasegar, Kirill Tatarinov, Robert Wahbe, Roberto Cazzaro, and Heidi Krauer.

Colette Kress, STB CFO, will have dotted line reporting to Bob Muglia.

### **Developer and Platform Evangelism**

**Sanjay Parthasarathy** continues to lead our Developer and Platform Evangelism group and there are no changes in DPE. DPE continues to lead our evangelism and community efforts to reach developers, IT Pros and partners to help them build great applications and solutions on the Microsoft platform.

Sanjay's direct reports include: Charles Fitzgerald, Vic Gundotra, Dan'l Lewin, Eddie Amos, Rob Bernard, Pat Donka, John deVadoss, Mark Hindsbo, Jean Paoli, Bob Aoki, and Megan Tetley.

### **Finance**

Recently announced PSD CFO **Brent Callinicos** continues to lead our Finance group and there are no new changes to announce today.

Brent's direct reports include: Anne Gauthier, Cathy Corley, Joe Matz, C.T. Tomlin, Charlie DeJong, Christa Davies, Hoke Horne, Colette Kress, and TBH MSN CFO.

### **Human Resources**

**Brian (Skip) Schipper**, PSD HR, leads the Human Resources group.

Skip's direct reports include: Debra Bartlett, Jerry Dark, Kalen Holmes, Kathy O'Driscoll, Kristen Roby, Leslie Rosenfeld, Sherry Hill and Tim Dubel.