Theory Y meets
Generation Y

Julian Birkinshaw and Stuart Crainer look at a Microsoft team that is changing the way it works by incorporating the interests of its young employees to increase creativity and productivity.

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Think of the most innovative high-tech companies. What comes to mind? Most people start with Google Inc. and then perhaps Apple Inc. After that, it's less obvious. Microsoft Corp. is usually overlooked in these discussions. Conventional wisdom views the software colossus as the innovator of the previous century and now the master of carefully orchestrated software development projects such as Windows and Microsoft Office rather than a developer of creative and innovative working practices.

Think again. Ross Smith, an 18-year veteran of Microsoft and now director of the Windows Security Test Team, is working to show that innovative management techniques are alive and well inside the world's best-known technology company.

Smith leads an 85-person test team in the company's Windows division. The team works to ensure the quality of Windows security-related features. It may not sound sexy, but it is high-pressure, high-status work within Microsoft. Marc McDonald, the very first Microsoft employee, is part of the team. Others have chosen to join the team after successful development manager jobs elsewhere. Expectations are high as hundreds of millions of people trust – and demand – that features work correctly and Windows is trustworthy.

After Windows Vista shipped in 2007, Smith took over the Windows Security Test Team effort. As part of his preparation, he met individually with everyone on the team – all 85 people.

"As I was doing these meetings, I began to realise the depth of talent in this group. Over a third of the team had a master's degree or higher, which is very unusual. And from the annual employee survey, I knew people were feeling underutilised. The nature of our work is unusual – it is intense and painstaking, but it ebbs and flows, which means sometimes there's spare capacity in terms of brainpower, and even effort. And of course, if you've got your doctorate from Carnegie Mellon University and you're running some manual tests to verify a piece of code, it's logical you would feel underutilised. So it got me thinking about what we could offer these people in terms of figuring out how to apply that talent?"

The team is filled with people routinely labelled "Generation Y." This time the broad brushstroke label actually applies. As a Millennial on the team puts it, "Despite everybody talking about how Microsoft is an old company, there's still a lot of young people being hired, and a lot

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them are being hired because they want to be there. They are sharp and tend to do many things on top of their normal duties – a lot of the time this is what you have to do to get noticed." The testing team members live online, love competition, devour technology in any form and, perhaps surprisingly, are avid readers – particularly of books such as Malcolm Gladwell's *Blink* and James Surowiecki's *The Wisdom of Crowds*.

Add in the fact that Generation Y learns differently and embraces social networking tools, and the challenge to conventional management becomes clear. As one of the Windows Security Team says, "Generation Y wants to work on cool, cutting-edge projects, and Generation Y wants to be recognised for its work by peers, family and friends." And if such projects aren't provided in the workplace, many will choose to find them in online communities and work on them – for free – in their spare time.

As Smith got to know his new team and started to understand what made them tick, he saw an opportunity to do things differently. "We wondered if we could bring that extra effort inside Microsoft's walls and share our human and corporate resources to encourage some of that innovation to happen right here. We wanted to create an environment where the team could have more freedom with the 'how' rather than be relentlessly preoccupied with the 'what.'"

The challenge, in other words, was how to apply Theory Y to Generation Y. Theory Y says humans are intrinsically motivated to do a good job, and if the right conditions can be created, employees will give their discretionary time for free. Theory Y behaviour came naturally to Smith. Two decades at Microsoft had given him a good intuitive feel for how to get the best out of people. And he attracted a loyal following.

"He genuinely cares about people, and in a very unique way. There's a lot of humour. He's, really down to earth, and a lot of fun to work with," says Lori Ada Kilty, programme manager, one of Smith's closest colleagues.

Starting points

In early 2007, Robert Musson, a developer on the team, stumbled on a paper by John Helliwell and Haifang Huang at the University of British Columbia that examined the relationship between trust, pay and job satisfaction.

Musson reflected: "Trust in management is, by far, the biggest component to consider. Say you get a new boss and your trust in management goes up a bit at your job (say, up one point on a 10-point scale). That's like getting a 36 per cent pay raise, Helliwell and Huang calculate."

The team began to think about how trust worked in the Microsoft environment and noticed a mismatch between the general theories and the situation of his team. "When it comes to trust, there's a lot

written in terms of innovation, risk-taking, experimentation and managing failure, but we're very focused on a set of predictable deliverables. There's an emphasis on predictability, stability and reliability and that's at odds with what you read about trusting, innovative environments. We thought that if we could encourage managers to work to build trust on their teams, then that might lead to more satisfaction, more innovation, employee growth and so on."

People are more likely to have fun at work if they trust each other. With that realisation, the team thought it had something tangible it could pursue.

Improving trust

Trust, of course, is a large and abstract issue – but one that lies at the heart of working life and working relationships. "It's like freedom and air," Smith says. "You know when you don't have it, but it's really hard to measure it and to know when you do have it."

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The first step, therefore, was to brainstorm to identify the behaviours affecting trust that people saw in their day-to-day work. As this progressed, the team created some games and experiments with voting to try to prioritise the lengthening list and to learn more about what could be done to increase trust.

At http://www.defectprevention.org/trust, readers can view one of the games the Microsoft team used to develop its trust model. Users are asked, "Which trust factor is more important to you?" and then given a series of two-option responses such as "Don't skirt real issues" and "Don't bury your head in the sand." Users can select from as many pairs as they like, then view the compiled results from all who participated.

The result was a better-ordered list of trust factors. The trouble with this approach was that it was situational – the ordered list might apply to me, but it might not apply to you, or, it might apply to me on Tuesdays but not on Fridays. More research led to the creation of a playbook for people to reference and use. Things like "be more transparent" or "demonstrate integrity" were highlighted. The challenge was to link these notions to tangible activity. Members of the team then worked to write up a paragraph on each trust behaviour. This information was then opened up as a wiki to generate community participation and build understanding. Around 40 per cent of the Windows Security Test Team actively contributed to this process.

Pizza with everything

To keep the dialogue open, the team started a weekly "free pizza" meeting in the autumn of 2007. It proved to be a powerful forum. As Smith explains, "These meetings started with trust and have evolved along with the program. They can range from people presenting their ideas to brainstorming, but really, the main goal is to keep the programme alive and build relationships around the team. The structure is really flat – everybody's ideas get equal billing, and everybody's comments are valid. We try to make sure that there's no hierarchy in the room. It gives people a forum to share their ideas and to share the projects they're working on."

One conversation led to another. Some Web-based tools for sharing information about project status, submitting calls for help and promoting new ideas were introduced. "The hope is that people will vote with their feet for good ideas," Smith says. "There's no community rating system or voting for each idea. Ideas are like children – everyone loves their own. And we wanted the programme to support that. If you see an idea you like, you can just talk to the person who's listed on the site. This gave people another platform for promoting their ideas." By now, the team has had a couple thousand slices of pizza, devouring topics such as debugging techniques, improving customer feedback, identity theft, how to think creatively through problems, and new products from other teams around Microsoft.

Giving it a name: 42Projects

The spirit of learning, trust and respect for new ways of working was coming alive in the Windows Security Test Team, but it needed a name. They needed a brand to represent the changes that were happening. They settled on 42Projects. For the uninitiated, the number 42 is the answer to the life, universe and everything in Douglas Adams' cult classic *The Hitchhiker's Guide to the Galaxy*. In the book, it takes the Deep Thought computer more than 7 million years to figure this out – "'I checked it thoroughly,'
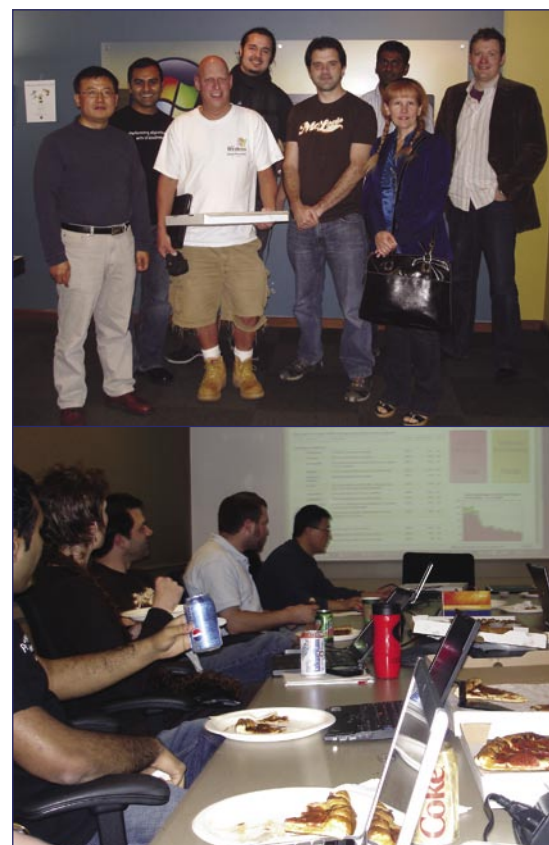
says the computer, 'and that quite definitely is the answer. I think the problem, to be quite honest with you, is that you've never actually known what the question is.'"

The number 42 helped to capture the quirkiness of the team's approach and the broad objectives of the programme itself. It also tapped into the Generation Y spirit. During 2007 and 2008, the programme grew organically, and tentative steps led to a profound cultural shift within the team. As Jonathan Ng, a recent computer science graduate and software development engineer in Test observes, "The best thing about 42Projects is the fact that you can just jump right in and define your own role. Self-role definition in the context of a work career isn't really something that happened until recently."

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What's more, it appealed to senior members as well. McDonald was Microsoft's first employee, a friend of Bill Gates in high school and a key member of the Windows Security Test Team. As he describes, "42Projects tries to recapture the feeling and passion you have at a small start-up or at the beginning of an industry by breaking down the stratification of a large organisation." The team also has a dozen senior Microsoft employees on the team with more than 10 years at the firm. The programme appeals to them as much as it does their Generation Y colleagues.

42New – Engaging with Generation Y

Another important step forward was to capture raw feedback from new employees. The 42New programme, as it became known, targeted employees with less than two years' experience to share their ideas in a separate forum. As Kilty explained. "We hire really intelligent people and when they first start, they are left to figure things out on their own. Many feel we don't necessarily take the time to hear what they have to say because they don't have a lot of experience. So we started a group called 42New. It's a forum where there are no managers, and new hires can get their voices heard. They get together, get their ideas out and talk about things that are bothering them or things that they would like to see.

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They bring a fresh perspective and the information flow is in both directions."

One of the members is Sowmya Dayanand, software development engineer in Test: "42New is an opportunity to ask questions and not be judged. Nothing is out of bounds. Often things make more sense when you understand the history and the vision in informal discussions without fancy jargon and PowerPoint presentations."

The output from this group goes directly to Smith: "It's been a terrific place to identify some obvious areas of improvement – for new hires and for everyone"

Playing games

Games, and the spirit of gaming, are fundamental to Generation Y. The importance of game playing as a means of learning was not lost on the team. Smith explains: "When a product needs a bit of a push toward a certain behaviour, building a productivity game around it can help. A common approach in the past was for the Windows Security Test Team to host a 'bug bash' for an evening and give a prize to the person who found the most bugs during the event. We've tried to take this a step further. Using games is a powerful method to influence changes in organisational behaviour, though it requires care in the design and use."

Ben Sawyer, co-founder of the Serious Games Initiative, a Washington, D.C.-based start-up, concurs. "While everyone in the enterprise is chasing games for training, the real promise for games is in changing how enterprises work, think and administrate, which will have much more dramatic changes on productivity through games than the odd training efficiency. I sincerely believe that, and few people spend more time thinking about serious games than I do."

As an example of a productivity game in software development, team members might be encouraged to try a security feature and describe their experience or look for problems in other areas. Because this is not part of their regular job, they typically will not make the time to volunteer to do this, despite its effectiveness at eradicating defects. But, if a game is built around the activity, and each "player" is awarded

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points, or there is a leader board on display with the latest standings, then volunteerism and participation skyrockets. Games built around a goal like this have resulted in a 400 per cent improvement in participation levels for some activities.

The Windows Security Test Team looked for ways to build the principles of gaming into its work. For example, one team member had a desire to learn a new development technology and built a prototype of a customer feedback game. He was able to connect with another employee who was developing an idea to use native language speakers to help verify international versions of Windows. The two collaborated and built a game system where people can play games to validate localised text strings. "Our culture is competitive. People by nature love to compete and play games and want to see themselves at the top of the leader board," says Mark Hanson, test manager.

Reading material

Even before Smith took the helm, one of the sources of inspirations for the team was the written word. Defying the Generation Y stereotype, a big portion of the team is composed of voracious readers. One book in their eye-opening library was Gary Hamel's *The Future of Management*. "It felt like he'd been sitting in our meetings," Smith said. The team started a book group called 42Books, which encourages reading and discussion on various texts, and blew their book budget, mostly centred on books about innovation, leadership and trust.

"You can learn a lot and stay current by just attending a book review," observes one Generation Y team member. "If you like what the book is about, then you can go read it."

The team had a visit from Mike Armour, author of *Trust-Centered Leadership*, and recently hosted a discussion with Adrian Gostick, one of the authors of *The Levity Effect*.

"When we heard from Mark Hanson at Microsoft [Windows] Security [Test Team] about the 42Books programme, our first thought was, 'Hey. Bill Gates wants to buy 42 million copies of our new book, *The Levity Effect*,' Gostick recalls. "'Unfortunately, it really was 42 copies. But after speaking with Mark, we realised that Microsoft [Windows] Security [Test Team] was a real find. The leaders of the team had actually read the book and were working hard applying the techniques to enhance camaraderie, communication and creativity in the Windows Security [Test Team] environment. We joined one of their pizza-book-chat meetings via the phone and answered questions, laughed a lot and explained more about our research. This is one group that proves the findings of the million-person research study in *The Levity Effect* – it really does pay to lighten up."

All of this is linked to an evolving process of change. "We have had a few cases where someone has an interest in learning something and instead of going home and working on it, they have brought it inside. Whether it's a book, an idea, a project, a course – doing it here exposes them to more resources, people who've done that,

used that technology before, as well as potential 'customers' for their end result," Smith says.

Trust, too, is constantly evolving. "We're giving people the latitude to go off and do their own thing. We trust them to do their regular jobs and to experiment, innovate and have fun. We're developing a level of trust where there's no required accountability that you need to log your time or provide an example of what you did during that day when you worked from home," Hanson says.

As ideas are implemented and gain popularity, the team works with other "incubation" efforts across the company to find more permanent homes for projects, or individuals may continue to plug along at their own pace.

Spreading the word

Success has not come easy for the team. Dramatic change doesn't normally bubble up from the bottom. But there is now solid evidence that the change programme kicked off by Smith in early 2007 is paying dividends.

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Employee retention rates within the team are higher than they have ever been – an important factor in a specialist activity such as testing. Productivity numbers are improving as skill levels rise and people become more knowledgeable about each other's areas of expertise. Engagement and cross-team contributions are rising.

What's next for Smith's cultural revolution? How can the engagement he has created in his division be leveraged and scaled across other parts of Microsoft?

Word is starting to get out. In September, Smith was given the chance to post his views on the Microsoft internal blog site, which is open to Microsoft's 60,000 employees around the world. With only one open slot every week or two, this was a big deal. His post focused on the spirit of 42Projects: "It was basically, think back to the day you started at Microsoft and the energy you had, the feeling that you were there to change the world. I asked, 'Do you still feel that way today?' And then I touched on some of the themes of 42Projects: trust and empowerment, those things. That these things can start with anybody. You don't need an executive to say, 'OK, let's all start to trust each other.' You can actually take steps yourself. If you improve how you manage work, the profit potential is unlimited." The blog got a lot of responses from people across Microsoft, most of whom added their names (the usual format is anonymous). So people were willing to put their name out there along with their comments.

Avatars - 42Projects 'online'

Jan Nelson, programme manager for the Windows International and Management Excellence Leadership Team, describes his reaction: "What I find most valuable about the idea of a 42Projects community is the potential for anyone, irrespective of hierarchy, to be creative, create new tools, products, work on team dynamics, whatever. 42Projects is an effort to provide an open framework where it is OK to try stuff out and publish what worked and what did not without fear of performance assessment. In a meritocracy, this is a fresh and rare opportunity that needs closer examination and support."

Mike Tholfsen, a test manager in the Office Division adds, "Finding 42Projects was like walking into a haven of all the things I hold dear – building trust, experimenting with new ideas in management and group dynamics, trying out new innovation concepts, and a little bit of rule breaking."

Interest in the work of the team continues to spread across Microsoft, and it has established a Friends of 42Projects e-mail alias for people to stay connected with its progress. Readers can join Friends@42projects.org by going to http://www.42projects.org/4.html.

Julian Birkinshaw (jbirkinshaw@london.edu) is Professor of Strategic and International Management at London Business School and co-founder of MLab. Stuart Crainer (scrainer@london.edu) is editor of Business Strategy Review.

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Lessons: How others can learn from Microsoft

Use games to get the work done

The use of games in the business world is long established. Game playing is a key ingredient of Generation Y. By using games – often comparatively simple ones – the Microsoft team has tapped into the culture of its own employees and provided a motivational level of competition and enjoyment to sometimes mundane tasks. Even a $100 meal card as a prize for a game can concentrate minds in a different way. This is where Theory Y meets Generation Y.

The journey is the destination

Trust is an important business and personal issue. By involving people in thinking about trust, the Microsoft team ignited debate and heightened consciousness about individual behaviour. At the same time, the team has not identified a prescriptive list of the characteristics of change. Change and values are rarely black and white. Indeed, exploring the gray areas are where the real fascination – and innovation – lies.

Volunteers rule

Change may require leadership, but it is a very different brand of leadership to that conventionally used by most corporations. At Microsoft, the 42Projects consortium has an opt-in culture. According to Smith, "One of our guiding premises is that we're learning, we're experimenting, we're humble, we're open to feedback – and this is all opt in. We didn't send a big memo out that says, 'OK, everybody start trusting each other.' So it's been very important to retain that theme throughout. We have the rigor of the product development cycle, so it's very important that people feel they can choose how frequently or how much or how little they want to contribute because it varies week by week, person by person."

In fact, participation is high – the majority of the team participates in some form every month.

A cultural revolution is as much in the minds as the actions of employees

The changes discussed are not founded on actions, but rather they are based on encouraging people to think – and to think differently. People are constantly thinking about how to do things better or about the deficiencies in the way things are done now. This promotes active thinking about how to improve and create forums for people to voice their thoughts. No idea comes fully baked, so an atmosphere that supports gestation is critical to getting the ideas out of people's heads and implemented.

Change does not come from the top

Smith is not a senior executive at Microsoft, but he has kick-started significant cultural change among his team of 85. He didn't ask for permission. "The feeling is that this will snowball. People take a step to improve one thing, and they see that one improvement make a difference or save them time, and they follow up with a bit more, and it just continues to grow. This is an ongoing experiment in the practical application of management innovation techniques. We are learning – humble and receptive to feedback as we go. It is a grassroots, organic movement."

Robin Moeur, a retired Microsoft director who's acting as a consultant to the team, provides the context: "It's important to remember that rather than this being any sort of manifestation of what would be regarded as a conventional approach to change inside an organisation, which suggests by definition that it's top-down, this is from Ross, his peer group and entire team taking the initiative. It is not the consequence of the CEO or executive leadership team issuing a mandate or direction. Can it scale beyond 85? Can it be cloned? Can other groups be given some guidance and some of our key learning? We believe that it could be. It's very organic. It has common denominators in it that people are looking for almost regardless of their level in the company, their time at the company or the kind of work that they're doing. People do want to know that trust exists. They do want to know that they can achieve great things and that they're going to be supported in doing so."

Ross Smith believes that the experiment is a continuing work in progress. "We're still experimenting. We're still learning. Every day we're learning what works and what doesn't. Our focus is on making the employee experience on our team the greatest we can make it, and from that comes innovation, productivity and employee satisfaction. Management becomes easier because people are motivated. It works at every level. We've got great, talented people. Now we just get out of the way and build the environment in which they can deliver on their potential."