Teresa Jennings

From: Collins Hemingway
To: Brad Silverberg; Cameron Myhrvold; Jonathan Lazarus; wagged!or.wagged.com!msa
Cc: microsoft!anner; microsoft!garygi; microsoft!martyta; Waggener Group Executives
Subject: RE: MS and crises in confidence
Date: Monday, December 14, 1992 1:41PM

This is good thoughtful mail, though I don't believe that the analogies hold. The victims in all of your examples are, in fact, innocent bystanders. The real scenario is one in which the "victims" are fellow chemical companies and airlines. It's very hard to imagine the public would respond positively to BP or Shell attacking Exxon for spilling oil and saying, "Buy ours instead; we'd never do that." Or, if Borland were Exxon, saying they wouldn't have wrecked on the rocks except that Shell was undercutting them and so they had no choice but to steam full speed ahead in fog.

I'm being only somewhat facetious, but I do agree with Marianne that we have not fundamentally stepped up to our industry role, that we think any concession to outside perception is weak and downright unmanly rather than the best way to optimize our long-term sales. And I would like us to look at the long-term sales situation. In particular, I see a subconscious desire to "maneuver in the back room" and "leave all options open," which are counter to the position of the leader. (Consider the constraints on the U.S. today -- we can attack anybody we want, and win -- yet the worldwide fallout would be worse than any short-term gain, esp. if we picked on another Grenada.)

I think Jesse Berst made an interesting comment in one of the FTC articles last week. He said, "It's become politically correct in the PC industry to hate Microsoft." That, I believe, is true -- from our competitors to hundreds of small ISVs who don't REALLY compete with MS but are just afraid we'll mash them by accident -- the old mouse scurrying when the elephant dances kind of thing. I would like us to try to address this issue on a global PR basis -- this affects the whole company. I would like to see high-level PR brainstorm -- agency, MT, Anne et al -- on what is possible to be done about this: How do you, by actions and PR, change such a perspective?

I DO believe the "hate MS" mindset this comes from some of the things Marianne cites -- a literal-mindedness about competition, a desire to win w/o compromise, and a lack of sense of "what it's like out there" for other companies. It doesn't mean we walk away from sales or shackle our products. It just means: Don't take advantage just because you can, and act AS IF YOU CARE that there are potential problems and conflicts. We're in danger of winning the battles and losing the war.

In the undoc api situation, we so far as a company have not wanted to draw any lines because we're afraid of the inconvenience or of just screwing up, or maybe some people really AREN'T willing to give up any possible (however slight) competitive advantage. Then the company is frustrated and angry that we lose serious credibility points with the press and other companies for what is a fairly trivial issue -- running apps through some debugger at the end of development and changing any undoc calls or doc'ing some we don't want to change. We want the best of both worlds -- being seen as fair and yet not being allowed to be sloppy or doing what we want because we want -- and aren't grown up to recognize that sometimes you don't get what you want w/o making rational tradeoffs. (Forget the public black eye: I'll bet the company has already spent more $$ in time/energy in defending its position in the API war than it would have taken to implement a solid system to prevent the use of undoc APIs. And we'll get to keep on fighting this problem for months or years if we don't fix it.)

We have to realize this is a business issue. We have to ask: How many sales will undoc calls get us? My guess is, zero -- and that's on the high side. Versus, how many sales will "being dirty" (however slightly dirty) cost us in corporate credibility and potential sales? In the short term, probably zero. In the long term -- lots. And how much more wasted time and energy will it take to cope with public fallout? These are the issues to think about. And we should think through similar issues the same way.

Once you get to be a certain size -- and MS is clearly way past that size -- the warm and fuzzy attributes become important far beyond the literal facts of a case. MS going out of its way for ISVs or to assure industry fairness is the perceptual issue, not how trivial a certain api is.

Our failure to respond will cost us sales, if not on this issue then on the cumulative impact -- IBM is out there saying, How can you trust MS, they cheated on OS/2? Novell is saying, they cheated on WFW. FTC is saying, they may have cheated on MS-DOS. ISVs are saying they cheat on sys/apps. Cumulatively, this
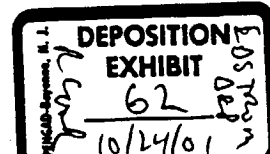
is killing us. Eventually this will sink in at the corporate level. No customer wants to do business with a cheat. Regardless of the self-interest of the accusers, we have not done anything to show that they might be wrong. We stand accused, and our response is, "All our accusers are dirty too." This has roughly the weight of Nixon's "I am not a crook" speech.

From: <MSA@or.wagged.com>
To: <microsoft!anner>; <microsoft!collinsh>; <microsoft!garygi>; <microsoft!martyta>
Subject: FW: MS and crises in confidence
Date: Monday, December 14, 1992 11:05AM

fyi, I had this stuff on my mind so I wrote it down this weekend
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From: Marianne Allison
To: MSbradsi; MScameronm; MSjonl
Cc: MS TEAM EXEC
Subject: MS and crises in confidence
Date: Mon, Dec 14, 1992 11:02AM

The recent undocumented API situation give us a chance to reflect back on Microsoft's role of the industry and how the company is perceived. I am spending this time because I think this relates to a fundamental Microsoft self-concept that affects how the company communicates and is perceived. If we understand this we have a greater choice on how we wish to respond when something similar happens again. This isn't a plan but does suggest a way of categorizing our messages.

First of all the assumption should be that this was a crisis. We usually think of a crisis as a "disaster," where lives are lost, for instance. But crisis is essentially about loss in confidence precipitated by some event or disclosure. The assumption is that some public trust and goodwill is essential to do business; so the real issue for the company in crisis is not so much cleaning up the actual event/problem as rebuilding confidence and trust.

There are three main things that companies have to communicate in a crisis:

1) That they are in control: the company recognizes the problem, is taking responsibility for it and is taking steps to fix it.

Communicating this is step#1. It does not imply admission of guilt or fault. It simply means saying, we recognize there is a problem that we are connected with in some way. We may not even know what happened. But there are victims or possible victims. We care about them. So we will do what it takes to participate in fixing it.

This message has to be communicated quickly and broadly and by an empowered person at the company who is the icon on behalf of the victims. This is why the president flies to Miami after Hurricane Andrew.

This action will never fix the problem. At best it will neutralize the situation and take some of the power away from people who might benefit from filling the vacuum created if the company doesn't take responsibility. And it can calm the situation down. Fundamentally in a crisis, people are worried. They want the company to say, "we have stepped up to this, we will take leadership." The premise is that the company is powerful and often the public feels powerless -- so if the company is not in control, there is chaos.

2) The second thing the company has to do is communicate that it acted responsibly and in the best interests of public, i.e., that it didn't cheat, lie or steal to precipitate the crisis.

Communication in this phase is usually oriented around getting lots of information out about what the company did do or will do, bringing in outside experts/omsbudsmen to verify the company's points (because they are unlikely to be trusted at this point in the process) and most importantly to communicate an understanding of the problem SO THAT the company can generate confidence that it won't happen again.

The company must move quickly during phase 2 to get the facts out but must be VERY CAREFUL about moving into this phase until they can make assurances or explanations that are reliable.

3) The third thing the company must do is indicate what will change as a result of the crisis and prove that it is taking steps to compensate the victims or ensure it won't happen again.

(There are also times where the crisis the result of a freak accident but hte company still has to clean up after the crisis even if can't guarantee it won't happen again. In this case it still may need to show it will be better prepared next time. Sometimes it is simple as saying, we apologize.)

During the undocumented API crisis, Microsoft focused on #2. We looked at "what happened" and gathered lots of info/white papers and submitted them to the press. The communication objectives objective driving these actions was proving that there really wasn't a problem and that Microsoft didn't do anything wrong.

WHY? Because Microsoft did not/would not grasp that the information about the undocumented APIs was a crisis in confidence. It did not recognize that there are "victims" or potential victims. A victim is anyone who feels dependent on the problem being fixed, yet who at the same time, feels powerless to fix it himself. Apart from altruism, the reason we care about these "victims" is that in the business context, they are our customers.

In the undocumented API crisis the victims were developers. Regardless of whether they exploited the situation there was still a potentially injured party. AND EARLY ON IN THE CRISIS, MICROSOFT DID NOT IN ANY WAY ACKNOWLEDGE THAT THESE PEOPLE HAD A RIGHT TO FEEL INJURED, THAT IT WAS CONCERN OF THE COMPANY'S AND THAT THE COMPANY WAS TAKING RESPONSIBILITY FOR ITS ROLE IN THE CRISIS.

Imagine if a train was derailed and a car with an impressive-sounding chemical name emblazoned on it lay on its side. This substance might be completely inert and of no danger. An environmental group that has been lobbying the chemical company to move materials safely actively starts complaining. Neighbors are worried. There is really nothing wrong, no real damage done. But there is a crisis.

In effect, the company says, "there is nothing toxic in that railroad car and if you think there is you don't know anything about chemistry." When people say, "we are worried," the company says, "don't get hysterical."When the people say, "But the environmental group says this is a problem."The company says, "They have been after us for a long time. They are simply exploiting the situation to meet their agenda." When the media say, "why aren't you taking this more seriously?" the company says, "we would if there was a real problem, but there isn't. Here's a report on the chemical substance. Read it. We will remove the car, it's no big deal, chill out."

This is an overstatement and oversimplification but it contains the kernel of our response. The focus was on facts. This was important -- it was part of Step 2. But we essentially had the wrong victim. Our premise was that MICROSOFT was the victim and was being unjustly accused. This shows a fundamental lack of acceptance of the company's stature and responsibility in the industry.

What if the first thing an airline spokesperson said after a crash was, "well it wasn't our fault because the weather was bad and we'll prove it to you"? The absolute number #1 priority is to define the problem from the outside point of view and to express sympathy and commitment to the affected parties. The fact that an airline crash will cost an airline riders, is incredibly inconvenient, etc. is the LAST thing it can communicate in a crisis.

We also have not done #3 -- still not taken the definitive steps that have teeth in them to show that there is a change taking place, nor has it in a super public way said, "We apologize." I know Claire is working on this with Maples.

Why does this happen? I believe it has something to do with attitude and arrogance. But it also has to do with a naivete about how dependent the "victims" in this case are on Microsoft and how vulnerable they feel. How powerful Microsoft is. What it feels to be NOT Microsoft but a company affected by Microsoft. It is hard for Microsoft to internalize this because the businesses it is in are so competitive. Saying we are big and powerful seems like being complacent and no one wants that.

It also has to do with the fact that the "victims" in this case are in a position to exploit Microsoft in this crisis and in fact do. But how is this different from many other instances of crisis? Environmentalists can exploit the Exxon Valdez situation. Does this make it any less horrible that the environment was completely fouled?

Finally I think it relates to the technical, rational minds who comprise Microsoft management. These people tend to relate in a binary way to facts. They have a concept of truth. And a belief in sort of an intellectual meritocracy, that if you get out the best facts, you will be OK, as if there are no filters through which your facts will be viewed. If it is wrong, you just provide so much information that you will convince people you are right. If someone disagrees, they simply need more information.

This is best illustrated in a piece of mail sent near the end of the most recent undoc API episode. LewisI asked a ton of people on an email train, "should we take the remaining undocumented calls out of Excel? We don't need them." There was silence. My response was in effect, "why WOULDN'T you. To me your products will always be like the East German swimmers. People will believe they are on steroids and that's why they win so much. You should almost voluntarily submit them for "drug testing" to some kind of ombudsman to prove they ARE clean." To which one of Microsoft's GMs answered, "no, we shouldn't because that would be like admitting we have done something wrong. We just have to convince the industry is's no big deal."

I would submit that the industry has voted and MS's position in the industry makes the latter extremely difficult to achieve. At the least, it should not be the foundational objective of a crisis communications plan as we go forward.