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Keynote Interview with John W. Thompson, Chairman of the Board, Microsoft & Ken Bertsch, Executive Director, CII

Ken Bertsch, Executive Director, CII:

I wanted to just start out with a little bit of your story. How did you get to be CEO, President of Symantec and Independent Chairman of Microsoft?

John W. Thompson, Chairman of the Board, Microsoft:

Well, I have had a long career in the tech sector. I went to a historically black college in Tallahassee, Florida called Florida A&M University. I Joined IBM right out of undergraduate school, with the expectation that I would work there for two years and then go to law school. Fortunately, for me, my father-in-law was an Attorney and he told me just how stupid that would be if I abandoned my IBM career to go back to law school and I got lucky. I had lots of great mentors over the course of 27 years, nine months and 13 days, and woke up one day and realised, I'm never going to get a chance to run this company, so if I really want to run a company, I'd better leave. And fortunately, Symantec was looking for a CEO.

A guy named Steve Miller was the Lead Independent Director, and Steve recruited me to Symantec. And ironically enough, along the way, I had both partnered with and competed with Microsoft. When I was at IBM, I ran the desktop software business at one point in time. So I had a very diverse career from sales and marketing, to development and what have you. And then, when I got to Symantec, low and behold Microsoft was one of Symantec's most important partners, because of the antivirus technology that we had, and its relationship to Windows. And so that relationship really did evolve from my landing at Symantec in 1999. And in 2008, when I announced my intent to retire, I got an immediate call from one of the members of the Microsoft Board suggesting that I should join their board. And my response was, while you may think you don't compete with us, we think we compete with you. And so, I'm not sure since I'm going to still be the Chairman here that that's a very good idea. And so three years later, the spring of 2012, I joined the board and it's been quite the experience.

Ken Bertsch:

We want to cover several subjects here today and I thought we'd start with shareholder engagement.

John W. Thompson:

Sure. Well, when I joined the Microsoft Board, it was quite clear that the engagement activity between our board and our investors was not as robust as I had experienced in my time at Symantec. And so I never expected, when I joined in the Spring of 2012, that six months later I would become the Lead Independent Director, but that was in fact what happened. John Seethoff and Brad Smith, and a number of the other members of the team felt that in that role it would be an opportunity for me to engage more directly with the investors in the company. That activity has literally ramped up since the fall of 2012. Obviously, as we entered the period of 2013, when we started the CEO transition activity, that engagement was not as welcomed, because I was pretty busy with what we were trying to get done. But since then, as I had become Chairman, it's clear that we have to have a more open dialogue with the investors in our company. We have to be more engaged to make sure that they understand, not just what we're doing, but why we're doing what we're doing. I think the most effective spokesperson for that is actually the CEO, but I'm more than happy to engage as well, and hence that's why I engage in activities like this around the country.

Ken Bertsch:

Do you have any thoughts on the quality of engagement, particularly the diversity of shareholders that you speak with and any suggestions for how we can engage better.

John W. Thompson:

Well, we have chosen to participate in conferences like this, as opposed to making individual investor calls. We have engaged with some investors in Southern California, or in the Greater Boston area, where there's a large aggregation of investors in our firm. I think as time goes on, we'll have to look at whether there are more effective ways for us to leverage our time and the time of our investors? Clearly, meetings like this are effective because I get to meet with lots of investors at one stop. But by the same token, many of our investors want a more engaged, one-on-one dialogue, as opposed to a big open dialogue. Now that I am retired from my little start up, I may have a bit more time to spend with John and the team on that individual engagement over the course of the next year.

Ken Bertsch:

One of the shareholders that you engaged with was ValueAct, which is known as an Activist Holder. I think they like to distinguish themselves from some of the other activists as being more relational. I wonder if you would describe that engagement a little bit.

John W. Thompson:

So I'll give you a little bit of the background. So on a, let's say, a Friday afternoon, my father and I were driving up to Napa and the phone rings in my car and it's my assistant that says, "I have someone on the phone named Jeff Ubben." So I got on the phone and Jeff said, "John, I'm Jeff. We have a sizeable investment in Microsoft and I'd like to talk to you about what we think about Microsoft, and what we'd like to do," and so on and so forth. And so I listened for a few minutes and then I said, "So, obviously you have a playbook, and I'd like to know what your playbook is, and what plays you're likely to run, in your engagement with Microsoft?" And he goes through the set of plays, one of which is, we'd like a seat on the board. And I'm thinking, okay, you've got a huge investment. $2,000,000,000,000 in this company, but that's less than 1% of the market cap of the company, and I'm not so sure that's the right thing to do. But we did not want to completely ignore that.

So the board came together and decided that Chuck Noski and I would be the two people to work to vet and determine whether or not this was a good path for Microsoft. I will admit, Chuck was the good cop and I was the bad cop. We were in the midst of a CEO transition. We had not announced Steve's intent to retire at the point, but the board knew that Steve was going to retire. So we had to make a call that we want to have a proxy fight and a public engagement with ValueAct, in the midst of what was a very important leadership transition for the company. So part of that process was to go and speak with people who had engaged with ValueAct, to determine whether or not they could be constructive and helpful to what we were trying to do in transforming Microsoft. Fortunately for me, one of the people that I engaged with, was the former CEO of GlaxoSmithKline who was a friend of mine. And when I spoke with him he said, "Look, they had been tremendous in the firm that I'd been on the board with them, and oh, by the way, ValueAct is one thing, but Mason Morfit is something else. And so if you have an option to bring ValueAct on your board, consider

Mason Morfit as the candidate from that firm to join." So ultimately, we went back in November, I think, of 13, and agreed with ValueAct that they would join the board. They would join the board in March of 14, and Mason would be the representative of the board.

If I were to page forward to today, I would say Mason Morfit has been an unbelievably constructive and helpful participant, both to the board, as well as to the management team of the company. Their approach to engagement is not at all like what you see from many of the activists that are so visible here in the US. They are constructive. They are analytical. They are thoughtful and insightful, and not at all bashful about stating their opinion. But if their opinion differs from other members of the board, they're willing to be open-minded and listen as well. So, I'm a very big fan of Mason Morfit and therefore the firm, ValueAct.

Ken Bertsch:

That's a great story, and since you raise the executive transition, let's talk a little bit about that. You had a succession process at Microsoft which is a big and complex company so I imagine the CEO transition was complex. Would you describe the process in arriving at your decision?

John W. Thompson:

The board knew that if we were going to do the right job for our shareholders that we would have to have an extensive search that we would have to look both inside the company and outside the company. Our view was the process would likely be four to six months. Well it did take us six months, but we did do a very exhaustive search of both candidates externally from the company in the industry, and people who were not a part of the tech industry. Then we looked internally at the best candidates that we had. As we narrowed down the list of external candidates and internal candidates, we asked ourselves one important question, what are the important decisions that this company will have to make and the CEO will have to make over the next two to three years? Are the candidates that we are looking at now, prepared to make those decisions in a way that will have an impact on Microsoft, ten or 15 years from now?

Our belief was that the most important decisions that the company would have to make would be technology related decisions, because we know that every eight to ten years there's some inflection point in this industry. And we know that if you catch that inflection point, the revenue and earnings opportunities are quite substantial. So if we chose someone who didn't understand the industry, and didn't understand our company, that could be significantly impactful ten to 15 years from now. So that immediately caused us to shift more to the internal candidate in Satya Nadella. The question then became, if it is an internal candidate, how should we think about the governance model for the company, and what should we do as a board to make sure that the shareholders of our company are confident that we're going to do the right job for them? That's when I didn't step back fast enough and I got nominated to be Chairman. It was a tough decision for me because I didn't think an outsider could have much influence in a company of that size and scale with the founder still on the board. And I will also admit that I was wrong. That Satya and I have developed a wonderful working relationship. We have an unbelievably different and exciting board, and Bill is very constructive, both in working with me and in working with the team. And so it's been quite the transition for me personally, and quite frankly for the company.

Ken Bertsch:

Let's talk a little bit about the strategy and in particular, the board's role.

John W. Thompson

I think it's important that we be clear on who is responsible for the strategy of any company and in my mind, that is the CEO's job. That's not the board's job. The board's job is to challenge the CEO on whether or not that strategy's going to yield the right returns for our shareholders, and to make sure that the team is executing well against the strategy. But it's important to be clear. It's the CEO's job to set the strategy and direction of the company. Not the board. Now, what Satya declared when he stepped into the job was that it's a mobile first cloud, first world, and therefore, we have got to pivot or rotate our company, to the point where we are doing everything we can to embrace the idea that the users of technology today and tomorrow, will be more mobile than ever before, and the services that they subscribe to, or access, will be in the Cloud, as opposed to on premises. That's the starting point for both Satya and the team to transition Microsoft. That's the starting point for the board to understand, what does that mean in terms of long-term investment, return on investor capital, free cash flow generation and so on. It has been quite the remarkable transition for the company. Fortunately for us, Satya had been involved in the search business, and had been involved in The Cloud business, before becoming the CEO. So he had an appreciation for the value of that technology infrastructure, and the value of transitioning to a subscription based model, as opposed to the on premises licence model that we have had.

I think along the way, the board has had many questions about, what does this mean long-term for the revenue generating and cash flow generation of the company, compared to the historical Microsoft? It is very different. We've had to teach our board the differences in the old model versus the new model. We've got more work to do to make sure that our investors understand the difference between the old model and the new model. But let's start with where I started in this response. The strategy is owned by the management team, and the board's role is to challenge, to make sure that we're confident that we're executing and the strategy will deliver the kind of returns that are expected of a company of this size and scale.

Ken Bertsch:

In thinking about the board composition and the ability to really engage with the strategy, not set the strategy, but engage it. How does that work and how do you think about the evolving board?

John W. Thompson:

Yeah, that's a good question. Our company's gone through a dramatic transformation, and so has our board. Of the 11 members of our board, eight of them have four years or less service on the board. I'm actually the old guy in that group of eight, with four years of service. As we looked at the changes that we felt we needed to make, at each step along the way we were trying to address a particular gap that we felt needed to be filled, and I'll take you through a couple of them.

So John Stanton is a very prominent and well regarded local business leader, in the Greater Seattle area. He is also an entrepreneur and innovator around the mobile space. We had announced, the acquisition of Nokia, and we thought that having John as a part of our board could help us, given his knowledge of the mobile space, and as importantly, the link that he had to the local community. Ironically enough, when I was announced as the Chairman of Microsoft, there were people who were concerned that I was going to do what Boeing had done and move the company to Silicon Valley, as Boeing relocated its corporate headquarters to Chicago. I had no interest whatsoever in doing that. And having John Stanton as a member of the board, not only for his business knowledge and acumen, but his leadership in the community certainly put that to rest.

Charlie Scharf, the CEO of VISA, a young, dynamic, smart CEO, who could partner with Satya, is from a business that is very much tech oriented. Because if technology's not working at VISA, VISA doesn't work. You don't get the service that you expect. So he understands fully the implications of technology and technology based services.

Padma Warrior, one of the more recent board members was the Chief Technology Officer and Chief Strategy Officer for Cisco. A brilliant lady, who had also served on the Board of Box, one of our small competitors here in the Bay area, that is offering Cloud based storage services. Or data management services. So it was clear that she had insight and knowledge about, not just the technology space, but the transition that was going on in the tech space.

Finally, Sandi Peterson. Sandi is with J&J. Sandi had spent ten years on the board of a tech services company, Dunn and Bradstreet, which is all about delivering technology services to businesses around the world. And hence had a strong appreciation for the technology service model, given the ten years that she had served on the D&B Board. She was in a business farmer, that has a similar profile to tech. Huge R&D investments and a long tail on the revenue stream for your successful products. We felt that that linkage, her knowledge of technology, her knowledge of the investment cycle and the revenue cycle associated with those investments, would make her an ideal candidate for our board. Ironically enough, as you look through the changes that we have made, we have a more diverse board, and quite frankly, a younger and more dynamic board than the one that I joined four years ago.

Ken Bertsch:

I think a diverse board composition is really critical for a lot of folks here, and that's a great description of the Microsoft board. There's always been a lot of focus by investors on capital allocation but there's been focus on share repurchases and whether, at this point, the pendulum has swung too far and companies are overdoing it, and whether they're being too responsive to the most activist shareholders. What does the board at Microsoft think about capital allocation?

John W. Thompson:

So I'll go back to the ValueAct discussion. So in Mason's first board meeting in March of 2014, as we worked our way through the dialogue of the day, he raised his hand and says, "Can we talk about capital allocation?" I thought, my gosh, the CEO's been in the job 30 days. We don't even know what the strategy is going to be at this point. Are you sure we really want to talk about capital allocation, which is a sub-element of the broader strategy of the company? I pulled Mason aside and I said, "You know, I think it's appropriate that we have this conversation, but I'm not sure it's appropriate that we have it now. I think we ought to let Satya evolve what he thinks the strategy of the company ought to be, and once we have that in place, then we can deal with capital allocation." To his credit, and it's in part why I have so much respect for the man, he says "You're right," and did not raise the issue for, probably, another six or nine months, until we were comfortable in The Cloud First, Mobile First strategy and what the changes were going to have to be as we executed that strategy.

But then we decided to create a little subgroup to focus on what the capital allocation strategy of this company should be. And while we made a long-term decision about preserving our dividend and continuing to grow that dividend to shareholders on a regular and consistent basis, we also made a decision that says, this may be an opportunity to do a bit more share repurchase than we have historically done. We announced one of the larger share repurchase programmes that Microsoft has ever done. With our recent linked in transaction, we also said, "Oh, by the way, we're not going to change our commitment to share repurchase." One of the factors that we had to consider as we were going through the analysis was the changing dynamic of our revenue and cash flow stream, associated with the on premises software business, versus the Cloud business that we were moving to. We needed to make sure that we had enough confidence in the continued cash flow generation of the company, that we would be able to, not only deliver the dividend, but to deliver the share repurchase capabilities as well. And that was why we made the choice that we did at that moment in time, that we knew that there was a degree of uncertainty, but we also knew that it was important to send a signal about our reallocation of the capital assets of the company.

Ken Bertsch:

Shifting gears a little bit to the non-financial narrative, the company tries to communicate to investors, on sustainability, including environmental and other factors, but also long-term business sustainability. Can you talk a little bit about that?

John W. Thompson:

We produce a report, annually, on our sustainability initiatives and the goals that we've set for ourselves. Today we have 32 of the largest data centres in the world, around the world. It's one of the most extensive Cloud networks on the face of the planet, and it's also one of the most secure and private industrial Clouds on the planet. So we're proud of all of that. But we also know that data centres are huge consumers of energy. So today, a little over 40% of the energy that we consume in those data centres is green. We have goals that we've set for ourselves that over the course of the next five to ten years, will move the needle to the point where more and more of the energy consumption is from green production.

We also do a lot around carbon credits, where we certainly use the leverage that comes from that to make sure that we are also driving down the impact of what we're doing. So the company has done a very thoughtful job of not just moving to The Cloud in a sustainably responsible manner, to make sure that we aren't consuming more energy than is necessary and that we're consuming the right kind of energy along the way.

One of the interesting things that just happened is that we know that solar and wind, or turbine energy, has its volatility and if you can embrace things like large storage capacity for energy, you can use those capabilities far more broadly in managing data centre's requirements. We just launched an initiative with a small, early stage company, right here in the Valley, called Primus Energy, that is building large scale batteries, where you can use wind powered, or solar powered energy, save that energy and then use that as the source of consumption for powering the data centres along the way. The company is doing some innovative things itself, and looking for people who are doing innovative things in the industry, to make sure that our sustainability is at the peak of what it should be.

Ken Bertsch:

Thank you. I wanted to ask you about Executive pay given there have been some criticism of Microsoft. Partly because CEO pay had been very restrained at Microsoft. Can you discuss that?

John W. Thompson:

John Stanton, who Chairs our Comm Committee, and I are disappointed that we haven't gotten it right yet, to the point where you are happy with what we're doing. And you'll see more changes as our proxy unfolds this fall. But a bit of history. I don't think it's necessarily fair to compare comp for Steve, or Bill, to the comp that would be required to hire and retain Satya Nadella, or someone like Satya in the job. Steve and Bill are essentially founders. They had a huge equity stake in the company and so the need to give them huge cash comp every year was not quite the same as what we would do for someone like Satya, or someone else if we had hired them. That's point one.

Point two, I think it's important for our company in particular to make a transition toward more performance based comp. We started that process with the appointment of Satya as the new CEO of the company. Prior to that the company's plan was not performance based for its CEO, or for the members of the Executive team. I think a lot of the angst in the first year, came from the size of the initial grant that we gave Satya and the retention grants that we made for key leaders in the team, at a time of great volatility. While you may not be happy with those, I am awfully happy with those, because mission accomplished.

We got to keep the team that was critical to the transformation of Microsoft. I think in year two, the most recent year, where the criticism was perhaps warranted was lack of visibility into the metrics that drive the awards and the degree to which we, as a board had discretion to make grants or awards, without you having insight into what drove that discretionary decision. As we move forward, certainly as we release insights in the coming proxy, you'll see in 2017 a shift toward a higher level of performance based comp. So rather than Satya having a 300% opportunity, it'll be 200%. Rather than the named Executive Officers having a 400% opportunity, it too will come down. So we'll do many things that will adjust our model to be more aligned with the feedback that we've gotten over the course of the last two years. I hope, you will vote favourably this year.

Ken Bertsch

Let's go back to one or two theoretical issues. Chairman, CEO. You've been in both situations with a combination of roles, and now you're an independent Chairman. In a US context, what's better?

John W. Thompson:

I don't know that there's a cookie cutter answer to that. I think it is situational. I got to be Chairman and CEO of Symantec candidly coming in the back door. What I mean by that was Steve Miller, who was the Lead Independent Director, had recruited me and I had gone through my diligence process, and I went back to him and said "Okay. I'll take the job on two conditions: condition number one is we have to get the economics right. I've spent almost 28 years at IBM, I don't want to walk away from my gold watch and my retirement cheque without having the right economics on the other side. Number two is you become Chairman of the Board. In my opinion, no leader of a company fails by himself or herself, and so the board has to take some responsibility for that, and I think you need to transition the board, while I'm trying to transition the company." And his answer was "Well, that's a problem."

Then I said, "Well, why's that a problem?" He says, "Because the founder is going to become the Chairman of the Board." And I went "You're right. That is a problem." He says, "Well why's that a problem?" I said, "Because if he's going to become the Chairman, I'm not going to become the CEO." And then end result was, he came back to me 24, 48 hours later and said, "Okay, new deal." I said "What's the new deal?" He says, "You are now going to be Chairman, President and CEO." I went "Well, wait a minute. I don't want the extra work." And so I called a friend of mine whose board I served on, and he says, "You're going to have to do the work anyway, so why not take the title?" And so I did. But I had a working relationship with Steve Miller that was unbelievable. He was our Lead Independent Director, and quite frankly, he was not at all bashful about telling me what he thought or didn't, what he didn't like or didn't like, and so it seemed to work out okay.

So I think every company's situation is a little bit different in the US. It's not like the UK, where it's more prevalent to separate the roles. As we were evolving our model at Microsoft, one of the tough questions that came up was, should I become Chairman, or Executive Chairman? My view was, I don't want to be Executive Chairman. One, I don't want that much work, but more importantly, I don't want that much confusion about who's in charge. In the model where you have an Executive Chairman, he or she is more involved in the day-to-day activities of the company, and in a company in transformation, as we are at Microsoft, that confusion about who's making the call about what, could be catastrophic. So we made the call from the very beginning that I would be Chairman of the company and therefore manage the governance and board related matters, not the day-to-day operations of the company. I think that's served our company quite well. I don't know that it necessarily would apply to every company, but our situation was in fact unique and different in my opinion.

Ken Bertsch:

My last question is, there's a lot of talk about public companies can't operate for the long-term. That private companies do it better. Private equity is the solution. You've been in private companies, you've been in public companies. What do you say on that?

John W. Thompson:

I think it depends upon your investors. Private investors are as interested in the financial performance of the company and whether or not the company is achieving its milestones and financial goals, as public investors are. So I don't know that there is a huge difference. There's not a venture capitalist here in Silicon Valley that doesn't want to see a company do better, just as all of you want to see the public companies that you invest in do better. So this notion that private companies have more latitude, I just don't buy that. I think it's important that you have a board, in a public company, that fully understand the strategy, and is on top of the company's ability to achieve the metrics and milestones along the way, of executing the strategy. If that board is engaged, and has the patience, then I think you can make the right long-term investments.

Microsoft has a research organisation that is second to none in the tech space, and those investments are critically important to the long-term, not just sustainability, but success of our company. And the board recognises that and we spend time with Satya and the team trying to understand where are the dollars being spent, and what is the likely return. I think that's the role of every board. Be it a public company or a private company.

Audience Q&A

Linda Yang, Chairman Emeritus, Asian Corporate Governance Association, Hong Kong:

You said that, “The board is there to challenge management CEO, in the execution of strategy.” I totally agree. However, strategy is only the second step. Somebody there has to set the ultimate goal. Once you have that goal, then you have the strategy of how to get there. Then following strategy are the tactics. So it seems that since the board is being held accountable to the shareholders, it should be the board that sets where the end product should be, years down the road. And it is up to the CEO management to set the strategy, how to get there. In setting the goal, the CEO will have to be one who actively participate, to help the board in reaching that result.

So I think there needs some clarification in terms, what you think is really the responsibility of the board. To me, the responsibility of the board is to set where that end product, down the road, a company should be. And with the active participation of the CEO, and the next is exercise oversight and challenge the CEO in how to get there. Thank you.

John W. Thompson:

Perhaps it’s subtle, but we’ll agree to disagree. I am convinced, in a business where you make enormous investments. Where the return on those investments in the early stages, or de minimis to none, and the returns long-term can be substantial, it’s important for the CEO to make the call on what the strategy and investment will be around that. It’s the board’s responsibility to hold him or her accountable for the results that should accrue from that set of investments. While I understand your point about financial goals, or targets, those align best with the strategy.

Linda Yang:

When I say the end product, it’s not how much money it is, it is where the company should be. So as you said that you like to see the IBM to be the leader in search and in Cloud, that is the board decision. The board is held responsible by all the shareholders, say five years, ten years, down the road, what kind of company it is to be, that should be shaped with the active participation of the CEO. And the CEO is the one to set the strategy, of course with the consultation with the board, how to reach that goal. The board will hold the CEO, and challenge the CEO on the execution of that strategy.

John W. Thompson:

So let me just approach it from a personal, practical perspective. So when I joined the company called Symantec, it was consumer packaged product company. If we could buy a piece of software, and put it in a yellow box, and put it on a retail shelf, that was nirvana. If I were to follow your logic. What you would say then, it was the board’s responsibility to make the decision about what the long-term view of Symantec would become. I decided that Symantec was better served to be a security company than to be a consumer packaged software company, and I had to build the operating model and plan to determine, how are we going to transform this company and what are the likely results going to be over the course of the next three to five years? Not the board. The board’s job, in my opinion, in that transformation, as in Microsoft’s, was to say “Okay, I buy in to what you say you want to get done and I’m going to hold you accountable for the results that are going to accrue from that commitment that you've just made." I don't think boards, certainly in a company as complex as Microsoft, can decide, this is what we want the company to be.

Deborah Gilshan, Head of Sustainable Ownership, RPMI Railpen Investments, UK:

I wanted to ask you about corporate culture within Microsoft, especially as you think about the integration of LinkedIn. And I think you've given us some insights of the board culture, within the boardroom, but perhaps you could talk about the wider organisational culture as well.

John W. Thompson:

So one of the big considerations and discussions that we had, as we were going through the CEO search process, was a philosophical belief the board had that a cultural transformation was important, just as much as a business transformation was at Microsoft. And that if anything, an outsider could perhaps do more to influence the cultural transformation, but that outsiders may not be as effective in driving the business transformation that was so necessary at the company. I think there is one critical difference in what has evolved at Microsoft that has been the catalyst for the change in its cultural norm. That is the humility of our new CEO. He is a brilliant man. He is very articulate. He's very highly regarded by customers, partners and employees, and he's humble. That humility has done more to drive a sense of change inside, and the perception of change outside, than almost anything else.

As we bring LinkedIn into the fold of Microsoft, it too has a very different culture than Microsoft. It's truly a valley based culture. It's one that we certainly don't want to destroy in any way, and we need to make sure that given what we are doing or spending to acquire LinkedIn, that we do all we can to preserve the culture and drive the synergies that are so important to the success of this particular acquisition. If you were to look around the industry, there are a couple of models that have worked. When Google bought YouTube, Google made the choice that rather than integrate YouTube, they would allow YouTube to run as a standalone entity, and YouTube has done exceedingly well inside of Google. Still operating as an independent entity with its own brand and its own team focused on that particular segment of the business.

The same is true at Instagram. Facebook spent a lot of money for Instagram and it has performed very well, because they've allowed it to operate as an independent entity, but recognising that it is a part of Facebook. I think one of Satya's tough calls, and an important call was, how do I integrate LinkedIn, in a way that ensures that we preserve the team and the culture of LinkedIn, and get the results that we expect out of this acquisition, and hence that's the decision that has been made, about how we will manage Jeff and the team as we move forward.

Rita Benoy Bushon, Chief Executive Officer, Minority Shareholder Watchdog Group, Malaysia:

In Malaysia and the region, we have a lot of founder based companies and I was just wondering, how does the founder get involved in the decision making process, and if there's a conflicting issue, how do you resolve it?

John W. Thompson:

Well, Bill Gates is an exceptional person. He created an iconic company and one that we hope will last forever. We hope Bill maintains his passion for Microsoft, and his willingness to engage in Microsoft tomorrow, just as he did 35, 40 years ago when he helped to create the company. But we also know that Bill just has one vote around the table. At the end of the day, while he's the founder and is a brilliant man with lots of ideas and thoughts about technology, he has one vote. I get to do the job every now and then of reminding him that he just has one vote. But I also know that Bill respects Satya, and he respects the board processes that we have evolved, where we want him engaged, we want his opinion, but, at the end of the day, he's just one vote. And is not completely independent and so form a governance perspective, at the end of every meeting, we excuse not just Satya, but Bill as well. So the independent Directors of the board can talk about what we've heard today and how do we want to communicate back to the management team, and in some instances, directly with Bill.

So, I think Founders can be incredibly important and valuable and instrumental in driving change in a company, and that's certainly proving to be the case in what's going on at Microsoft today.

Unidentified Male:

If I can just add a little bit of opinion on my part. Bill Gates, Microsoft, was set up as one share, one vote from the beginning. We have a little bit of a trend in the valley of dual class share structures and controls. So I think, Bill Gates set it up right in the first place, and that's part of the legacy.