How Microsoft Changed Its Mind

The software giant decided to take an active role in anti-discrimination. These internal e-mails and petitions tell the story of why

Here are five documents that track the evolution of Microsoft's stance on a piece of antidiscrimination legislation in Washington state.

After a Seattle alternative newspaper broke the news that Microsoft (MSFT) was withdrawing its support for the bill, CEO Steven Ballmer explained the decision to employees in this e-mail, dated Apr. 22.

Over the past two days, there've been a lot of stories about Microsoft and our position on an anti-discrimination bill in Olympia.

I've heard from a number of employees, and I take all of the input on all sides seriously, so I wanted to talk directly with all of you about the company's position and how I view these issues.

First, I want reaffirm my personal commitment -- and the company's commitment -- to keeping Microsoft a company that values diversity. That will never change.

As long as I am CEO, Microsoft is going to be a company that is hard-core about diversity, a company that is absolutely rigorous about having a non-discriminatory environment, and a company that treats every employee fairly.

I'm proud of our track record on diversity issues. We were one of the first companies to provide domestic partner benefits, or to include sexual orientation in our anti-discrimination policies. And just this year, we became one of the few companies to include gender identity or expression in our protection policies.

There have been several news stories that imply that Microsoft changed its position on an anti-discrimination bill, HB 1515, because of pressure from a conservative religious group. I want to make it clear that that is not the case.

When our government affairs team put together its list of its legislative priorities in Olympia before the Legislative Session began in January, we decided to focus on a limited number of issues that are more directly related to our business such as computer privacy, education, and competitiveness. The anti-discrimination bill was not on this list and as a result Microsoft was not actively supporting the bill in the Legislature this year, although last year we did provide a letter of support for similar legislation.

On February 1, two Microsoft employees testified before a House Committee in support of the bill. These employees were speaking as private citizens, not as representatives of the corporate position, but there was considerable confusion about whether they were speaking on behalf of Microsoft.

Following this hearing, a local religious leader named Rev. Ken Hutcherson, who has a number of Microsoft employees in his congregation, approached the company, seeking clarification of whether the two employees were representing Microsoft's official position. He also sought a variety of other things, such as firing of the two employees and a public statement by Microsoft that the bill was not necessary.

After careful review, Brad Smith informed Rev. Hutcherson that there was no basis for firing the two employees over the misunderstanding over their testimony, but did agree that we should clarify the ambiguity over the employee testimony. Brad also made it clear that while the company was not taking a position on HB 1515, the company remains strongly committed to its internal policies supporting anti-discrimination and industry-leading benefits for gay, lesbian, bisexual, and
transgender employees.

I understand that many employees may disagree with the company's decision to tighten the focus of our agenda for this year's legislative session in Olympia. But I want every employee to understand that the decision to take a neutral stance on this bill was taken before the Session began based on a desire to focus our legislative efforts, not in reaction to any outside pressure.

I have done a lot of thinking and soul-searching over the past 24 hours on this subject, and I want to share with you my thoughts on how a company like Microsoft should deal with these kinds of issues.

This is a very difficult issue for many people, with strong emotions on all sides. And that makes it a very difficult issue for me, as the CEO of this company.

On this particular matter, both Bill and I actually both personally support this legislation that would outlaw discrimination on the basis of sexual orientation. But that is my personal view, and I also know that many employees and shareholders would not agree with me.

We are thinking hard about what is the right balance to strike -- when should a public company take a position on a broader social issue, and when should it not? What message does the company taking a position send to its employees who have strongly-held beliefs on the opposite side of the issue?

The bottom line is that I am adamant that Microsoft will always be a place that values diversity, that has the strongest possible internal policies for non-discrimination and fairness, and provides the best policies and benefits to all of our employees. I am also adamant that I want Microsoft to be a place where every employee feels respected, and where every employee feels like they belong. I don't want the company to be in the position of appearing to dismiss the deeply-held beliefs of any employee, by picking sides on social policy issues.

It's appropriate to invoke the company's name on issues of public policy that directly affect our business and our shareholders, but it's much less clear when it's appropriate to invoke the company's name on broader issues that go far beyond the software industry -- and on which our employees and shareholders hold widely divergent opinions. We are a public corporation with a duty first and foremost to a broad group of shareholders. On some issues, it is more appropriate for employees or shareholders to get involved as individual citizens. As CEO, I feel a real sense of responsibility around this question, and I believe there are important distinctions between my personal views on policy issues and when it's appropriate to involve the company.

I know that some employees will still feel frustrated by the position the company has taken, but I wanted you to hear directly from me on this. We will continue to wrestle with how and when the company should engage on these kinds of political issues. And above all, I want you to know that as long as I am CEO, Microsoft will always be committed to diversity and non-discrimination in all of our internal policies.

Thanks.
Steve

Upset by Microsoft's decision, GLEAM, a group representing Microsoft's gay, lesbian, bisexual, and transgendered employees, sent Ballmer this e-mail requesting the company renew its support for the bill.

Sent: Friday, April 29, 2005 9:59 AM
To: Steve Ballmer
Cc: Bill Gates; Brad Smith (LCA); Lisa Brummel; Bill Gates; Mark Murray (CORP PR); DAC GLEAM Board of Directors; DAC GLEAM Co-Chair's Equality Task Force
Subject: Microsoft Values and the Anti-Discrimination Bill

Steve,
Your passion for diversity is obvious. You built a workplace where GLBT employees felt empowered to do great things. We share your pride in Microsoft's track record on diversity issues.

Our company values are clearly documented and our internal policies against discrimination are unquestioned. Because of our long-standing support for anti-discrimination legislation, the withdrawal of support from HB1515 was a shock. We are deeply concerned about the way the decision was made, the failure to anticipate its impact, and our inability to quickly repair the damage once it had become evident. This shook our trust in executive management, and has left us feeling
abandoned, depressed, and embarrassed for Microsoft.

Despite these events, we remain fully committed to Microsoft. We would like to partner with you to achieve the goals that you have outlined in the past: 1) Microsoft will be the leader on diversity issues in the technology industry; and 2) Our senior leadership will exemplify Microsoft values.

We have heard from GLEAM members, members of other diversity groups, allies among our fellow employees, and the GLBT community outside of Microsoft. Many employees have signed a public letter of support. Considering this input, we have identified two areas critically affected by recent events, and actions that we propose as first steps.

**Public Image**

Microsoft's image with customers, partners and the industry regarding diversity has been damaged by the perception that Microsoft has reneged on its commitment to its stated values.

**Proposed First Steps**

1. Microsoft should publicly:
   - Support anti-discrimination legislation;
   - Acknowledge that our neutral position on HB1515 was a mistake;
   - Reaffirm our emphatic commitment to diversity as a core Microsoft value; and
   - Enforce compliance with our stated policy that all vendors must cooperate with Microsoft's commitment to a workforce free of harassment and discrimination.

Attached please find proposed language expressing these points, suitable for a press release. Our experience suggests that careful crafting of such statements helps to prevent misunderstandings (timeline: 7 days).

Microsoft should identify a business owner to proactively manage Microsoft's image with customers, partners and the industry regarding diversity (timeline: 7 days). Microsoft should reach out to the GLBT community, partnering with GLEAM as subject matter experts (timeline: intense outreach, 60 days; sustained outreach, FY06 and beyond).

**Lack of Trust**

Employees are questioning executive leadership's commitment to our stated values.

**Proposed First Steps**

- Steve Ballmer should communicate the proposed statement to employees (timeline: 7 days).
- Microsoft should support a diversity-sponsored education and awareness event for employees, highlighting our hard-core commitment to diversity (timeline: 30 days).
- Microsoft should implement a mandatory workshop to foster GLBT awareness among executives and senior managers (timeline: Q1 FY06).

We look forward to partnering with you to achieve these goals.

Sincerely,
DAC GLEAM Board of Directors

Ms.icrosoft employees began to take sides on the issue, signing petitions. This one, asking Microsoft to support the bill prohibiting discrimination on the basis of sexual orientation, had 1,741 signatures on May 10.

Please help Microsoft live up to its values by signing this letter. To add your name, click New Item below.

I'm proud of Microsoft's values and our track record on diversity. I was surprised and disheartened to learn that we
decided not to support House bill 1515 after supporting this bill last year. Our values clearly state that discrimination based on sexual orientation is unacceptable. Withdrawing our support for this bill is not a neutral statement -- it sends a clear message to the world that Microsoft will not stand up for our stated values.

Steve Ballmer's recent email to the company asks, "When should a public company take a position on a broader social issue?" The fact is that Microsoft, like many other companies, has already taken a position on discrimination. We have a responsibility as a leading corporation to support legislation related to this fundamental workplace issue. I believe it is a mistake to dismiss discrimination as a social issue; it is a civil rights issue.

From a PR perspective, it is embarrassing that last Monday we launched our largest marketing campaign ever and on Friday we received a black eye in the New York Times for withdrawing support for this bill. Companies such as Boeing, Coors, QWEST -- and even Nike, a company with a poor human rights record due to sweatshop labor, supported this bill. I can only imagine that this further damages our already embattled brand.

What can we do to remedy the damage we've done to civil rights in Washington and to reaffirm our commitment to living up to our values?

Here are three suggestions:

1. Reinstate support for HB1515 and other anti-discrimination legislation.
2. Investigate whether Brad Smith's decision was influenced by Pastor Ken Hutcherson. The evidence outlined in [Seattle alternative weekly] The Stranger article indicates this was a factor.
3. Make a financial donation to an anti-discrimination group in WA.

I hope that our senior leadership has the courage to take action that shows Microsoft stands firmly united against discrimination.

A second petition, written by a conservative Christian employee, encouraged Microsoft to remain neutral on the bill. It received 197 signatures by May 10.

Company Values for EVERYONE

We, employees working at Microsoft, applaud the company's stance on ensuring a positive work environment for ALL people. The policies Microsoft has set forth guarantee that ALL are free to live out their personal beliefs without fear of retribution within the company.

We are also very proud of Microsoft's position to remain neutral regarding HB 1515. Regardless of our personal support or opposition to this type of legislation, we acknowledge that there are many differing opinions and thus we fully believe that Microsoft should NOT take any official position regarding future proposed laws that do not directly relate to its ability to conduct business.

As personnel here at Microsoft who feel EVERYONE's beliefs should be respected, we are fully committed to upholding Microsoft's internal policies on diversity and harassment.

After two weeks of wrestling with the issue, Ballmer sent this second e-mail, dated May 6, to employees, laying out a framework by which Microsoft will make future decisions regarding its legislative agenda.

During the past two weeks I've heard from many of you with a wide range of views on the recent anti-discrimination bill in Washington State, and the larger issue of what is the appropriate role of a public corporation in public policy discussions. This input has reminded me again of what makes our company unique and why I care about it so much.

One point really stood out in all the e-mails you sent me. Regardless of where people came down on the issues, everyone expressed strong support for the company's commitment to diversity. To me, that's so critical. Our success depends on having a workforce that is as diverse as our customers -- and on working together in a way that taps all of that diversity.
I don't want to rehash the events that resulted in Microsoft taking a neutral position on the anti-discrimination bill in Washington State. There was a lot of confusion and miscommunication, and we are taking steps to improve our processes going forward.

To me, this situation underscores the importance of having clearly-defined principles on which we base our actions. It all boils down to trust. Even when people disagree with something that we do, they need to have confidence that we based our action on thoughtful principles, because that is how we run our business.

I said in my April 22 e-mail that we were wrestling with the question of how and when the company should engage on issues that go beyond the software industry. After thinking about this for the past two weeks, I want to share my decision with you and lay out the principles that will guide us going forward.

First and foremost, we will continue to focus our public policy activities on issues that most directly affect our business, such as Internet safety, intellectual property rights, free trade, digital inclusion and a healthy business climate.

After looking at the question from all sides, I've concluded that diversity in the workplace is such an important issue for our business that it should be included in our legislative agenda. Since our beginning nearly 30 years ago, Microsoft has had a strong business interest in recruiting and retaining the best and brightest and most diverse workforce possible. I'm proud of Microsoft's commitment to non-discrimination in our internal policies and benefits, but our policies can't cover the range of housing, education, financial and similar services that our people and their partners and families need. Therefore, it's appropriate for the company to support legislation that will promote and protect diversity in the workplace.

Accordingly, Microsoft will continue to join other leading companies in supporting federal legislation that would prohibit employment discrimination on the basis of sexual orientation -- adding sexual orientation to the existing law that already covers race, sex, national origin, religion, age and disability. Given the importance of diversity to our business, it is appropriate for the company to endorse legislation that prohibits employment discrimination on all of these grounds. Obviously, the Washington State legislative session has concluded for this year, but if legislation similar to HB 1515 is introduced in future sessions, we will support it.

I also want to be clear about some limits to this approach. Many other countries have different political traditions for public advocacy by corporations, and I'm not prepared to involve the company in debates outside the US in such circumstances. And, based on the principles I've just outlined, the company should not and will not take a position on most other public policy issues, either in the US or internationally.

I respect that there will be different viewpoints. But as CEO, I am doing what I believe is right for our company as a whole.

This situation has also made me stop and think about how well we are living our values. I'm deeply encouraged by how many employees have sent me passionate e-mails about the broad respect for diversity they experience every day at Microsoft. I also heard from some employees who underscored the importance of feeling that their personal values or religious beliefs are respected by others. I'm adamant that we must do an even better job of pursuing diversity and mutual respect within Microsoft. I expect everyone at this company -- particularly managers -- to take a hard look at their personal commitment to diversity, and redouble that commitment.

The questions raised by these issues are important. At the same time, we have a lot of other important work to do. Over the next 18 months we'll release a broader, more advanced and more exciting set of products than at any time in the company's history. Let's all recommit to the job ahead, using our diversity as a strength to work together creatively and with respect for each other.

Thanks.
Steve