



# Bill, adopt a mensch strategy!

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Dear Bill,

I hope you do not mind an intrusive letter that appeals to your well-known exaggerated sense of paranoia. Microsoft and the PC industry are threatened with destruction. I have some friendly advice on how to avoid a complete loss. The threat is not technical, nor commercial. It is political.

Nineteen state attorney generals are trying to get reelected by beating up on your firm. Senator Orrin Hatch made points with his constituents by making you look awkward. This is just the beginning. Whether or not you win this trial, a significant establishment of people in the policy community are now considering alternative ways to regulate the industry and your firm in particular.

I am less interested in discussing the merits of the federal antitrust case and more interested in the managerial response to the political economy behind the case. Your political problems could be solved with one bold stroke: Microsoft needs to adopt the mensch strategy. More precisely, Bill, your company needs to hire a mensch on its management team. Better yet, you could simply become a mensch yourself—or at least occasionally act like one. It also probably would be okay if you just faked being a mensch and did not tell anyone. Allow me to explain why the mensch strategy is a good one for a firm in your situation.

### What is a mensch?

A mensch is a bit of Yiddish my ances-

tors brought with them from Eastern Europe. It literally means "a human being," but that does not do it justice. It is a compliment reserved only for uncommonly wise, warm, and strong human beings. The greatest fictional mensch was Humphrey Bogart, a.k.a. Rick in the movie *Casablanca*. Why is he a mensch? Because, even though he loves her, he gives away Ingrid Bergman to another man for the sake of the French resistance. He makes a good speech when he does this, comparing life to just a hill of beans. Every time he finishes that speech, my wife tears up and says, "Ah, what a mensch!"

It is hard to find a nonfictional mensch in the PC industry—or any industry, for that matter, especially among CEOs. Donald Trump is not a mensch. Leona Helmsley certainly does not have it in her. "Chainsaw" Al Dunlop seems to define the anti-mensch.

Yet, a mensch will pop up from time to time in unexpected places. When Ted Turner promised to give one billion dollars to the United Nations because his stock appreciated, he was acting like a mensch. Never mind that nobody thought he was much of a mensch before this particular action, except maybe Jane. It inconvenienced him, and we respect him for putting his money where his ideals are.

Do not misinterpret me. Mensch-hood is about more than charity. When Steve Wozniak decided to finish his college degree at Berkeley after he achieved fame and fortune at Apple, he too was acting

like a mensch. It's obvious that Wozniak did not go back to college to advance his career. It involved sitting in uncomfortable desks at a public university, listening to boring professors, and chatting with twenty-year-old engineering majors who all wanted to go work for Microsoft. He almost certainly finished college for the love of knowledge or possibly just to make his parents happy. Like Turner, he put his time and money where his ideals were, at some personal inconvenience.

Finally, many people think Bob Metcalfe is a mensch, period. I have never entirely been certain why, but he does seem to be very busy. Ever since he left 3Com, he has used his fortune and energies for the sake of one cause or another. He also seems to be frequently inconvenienced by putting his money where his ideals are. Look, even if you do not think he is a mensch, you must admit that he talks a good game. That is something you can aspire to, too.

Bill, everyone thinks you are smart, clever, and dogged. Everyone also thinks you possess uncommon business acumen. Yet, when it comes to politics, the right set of attributes are not necessarily "smart, clever, and dogged." These are often the wrong set. The right set of attributes are those associated with being a mensch. Please do not take offense, Bill, but nobody has ever said you or your company possesses uncommon wisdom, warmth, or character. And, yet, to

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be fair, you seem capable. Moreover, the PC industry will be in deep trouble if you do not acquire some of these qualities. That should at least motivate you to try.

### **The political economy of computing**

Why did nineteen state attorney generals and the senior senator from Utah go on record stating that they dislike your business practices? It is a bit of oversimplification, but a useful one for this discussion, to say that the politicians who jumped on the anti-Microsoft bandwagon were reacting to the company's clueless political behavior. It is not difficult for any company to act in a politically savvy manner, and Microsoft should be no exception.

It struck me that the very things Microsoft is good at—being smart, dogged, and clever in business and confrontational in legal battles—are the very things that get in the way of your acting in a politically savvy manner. Has no one ever told you, Bill, that your firm is more of a government to many people than, well, the federal government? Because of that, like it or not, you are held to many of the same standards as a government. I can see no better way to explain to you how to react to these additional responsibilities than to advise you to start acting like a mensch.

### **Basic lessons in being a mensch**

How would a mensch run Microsoft? Well, pretty much the same way as you do now—that is, keep the organization lean, innovative, and efficient—but your company has to start recognizing political realities. Microsoft should buy goodwill with community leaders, not just in Seattle, but all over the country. Making significant donations to libraries, as you recently began to do, is a good start.

Next, a mensch would not be obnoxious to people except those that are the most offensive. If you want to blow off

Gary Reback, most people would understand, but it would not be statesmanlike of you. Microsoft needs to have a large staff whose sole job it is to patiently diffuse the arguments of the leaders at firms and groups who ostensibly hate you. This also means the company has to soften its style in public—that is, it should not use in-your-face rhetoric every time there is a dispute with a rival.

A mensch would also buy goodwill with both uncooperative ISVs and OEMs, and with users who do not like your products. A mensch would extend a warm hand to rivals like Sun and to ISVs like Real and Corel. You do not have to have lunch with Scott McNealy or Larry Ellison on a regular basis, but the name calling should stop. The basic point is this: Some users like Sun's products, employ Real networks, and persist in using WordPerfect. When somebody screws up their favorite product, they get angry. Many of them call their congressional representative because they think Microsoft is to blame. You must take these accusations seriously, or at least refute them without appearing arrogant.

Finally, Bill, a mensch would hire a few business school professors from the University of Washington to take your upper management through a remedial course in the "Social Responsibility of Business" or "Management in a Non-Market Environment," or whatever they call it there. That might be hard for the egos of your management team. But believe me, it would be good for the company's image.

### **Act like one too**

The true test of a mensch is that he acts like one at defining moments. Bill, it would sure be nice if, now and again, you did a few things that were in the interests of the industry, broadly construed, even when it inconvenienced Microsoft. Why would you possibly do that? A mensch knows better than to push every single competitive advantage at every single competitive moment.

I occasionally poll my students just to find out what public reaction is, and you are not looking good. My MBA students have come to class with news stories

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about the negotiating style of Microsoft. It is apparently common for Microsoft executives to baldly state in the midst of negotiations that Microsoft is capable of crushing the person sitting across the table from them. I partly sympathize with what you are trying to do; being frank about the future can save you and your rivals some difficult times. But for goodness sake, some of these stories make it appear that you need a remedial course in "Negotiations 101." A basic lesson of every negotiating class is that there is no point in stating what is already known when the statement offends, humiliates, or otherwise angers the other party. It makes it unnecessarily hard to come to an agreement.

A mensch would not violate a basic norm of street commerce. Even a con artist will keep the victim's ego intact while he takes the victim's money. (And if that is not enough, it is also quite dangerous to advise one's competition about where not to compete. It borders on illegally attempting to steer them away from competing with you. Anyway, never mind that. That is for a court to decide.)

Next, Bill, a mensch would turn down the volume in your public relations department. While a court case brings out the most strident in all of us, a mensch would still remind the staff of some obvious stuff. Your firm has one of the highest, if not the highest, market capitalizations in the world. And, not unrelated, Microsoft is one of the most profitable companies in the two-hundred-year history of western capitalism. In light of this, most politi-

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cians think it is completely implausible that Microsoft should be paranoid of every young programmer sitting in a garage somewhere. If you want to keep your employees from becoming complacent by motivating them with stories about vague threats coming from all directions, that is fine with everyone. But even if you actually believe such a paranoid view of the world, as a mensch, you should know better than to admit it in public.

### Managing like a mensch

Finally, remember when Sun announced the creation of Java? It has now come to light that Microsoft knew it was negotiating a contract that gave it a right to come out with its own version. Microsoft intended to use its version to "pollute the Java market." As it turned out, Microsoft's action just earned enmity with many ISVs. It immediately became clear that such action would hurt, and possibly kill, the diffusion of Java by confusing the future path of development. A mensch would have known better than to take such baldly selfish actions that angered so many people.

What would a mensch do instead? For the sake of argument, pretend that you were cynically faking your mensch-hood. In that case, you would act as if you had the industry's welfare in mind. Why is this a good strategy? If Sun's idea fails, which is, after all, what happens to most new computer languages, then nobody can blame you. And if the coalition of former Unix ISVs behind Java fractured, you also do not have to take the blame. You then would have an excuse to come out with your own version. You even could have put on airs that you were trying to unify under your new standard. A mensch appears to play fair, even when it inconveniences the mensch's own business.

Finally, if you were cynically acting like a mensch, you could be Machiavellian about it, and do some subtle things to discredit Java—that is, upgrade reluctantly, fix bugs and incompatibilities slowly, hide some code Sun needs, and so on. Look, we all know that most of the time nobody at Microsoft does this kind of stuff on pur-

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pose (ahem, right, Bill?). So if you do, in fact, intentionally act this way in just this one instance, make sure you do not get caught. It would ruin your reputation for being a mensch, and it would land you in antitrust court all over again.

### The future

The industry buzz is that this trial "proves". Microsoft will always use its discretion in a selfish manner. This perception will hurt Microsoft for a long time. For example, it has given the open-source movement a jump start, even though that movement would probably have failed on its own. It has also made Sun's position in the Java suit seem sympathetic and motivated more interest in Java, even though that technology also probably would have failed on its own. Finally, some of my MBAs are certain they do not want to work for Microsoft because they do not want to work for a company that is disliked by everyone else.

Bill, I understand how much you must have resented the intervention of the Department of Justice lawyers. Your view is that Microsoft was only doing what many other firms would have done in the same situation. But, like it or not, Microsoft is no longer just any firm. That means Microsoft cannot blow off the DOJ lawyers or dismiss the views of its critics. It does mean that the Microsoft spokesmen have to articulate a simple political message or face worse consequences.

Bill, we are all in this together and many of us are depending on you to do what is good for the industry. Here's looking at you, kid. Best of luck!