

By Jeffrey M. Cunningham

Jeff Cunningham writes about leadership and business, boards and corporate governance. He is the founder of *Directorship* magazine and currently serves as managing director and senior advisor to NACD. Previously, he was president of the Internet venture firm CMGI and CEO of MyWay.com and Zip2, publisher of *Forbes* and managing partner of the U.K. private equity firm Schroders. He has served as an independent board chair or director of 10 public companies.

A Son's Advice

How a mathematician turned brand guru and soap opera producer helped pave the way for Microsoft to become the global leader it is today.

Microsoft was founded in 1975 by Paul Allen and Bill Gates. The software pioneer went public in 1986, its stock subsequently split eight times, and by 1999 it was the world's most valuable company. To cope with spiraling growth, in 1994 Gates looked around for the kind of big-league player that would, in his own language, "help take the business issues off my desk so I can focus on the products." But Gates was skeptical of "suits" who grew up in the plush environment of a corporate suite and presumedly understood nothing about technology. He found in Robert J. "Bob" Herbold, a high-ranking Procter & Gamble executive, a mix of new- and old-world order disciplines that defined exactly the kind of operator who

would "get" Microsoft.

Herbold's experiences at Microsoft and P&G were the basis of an article he wrote in the January 2002 issue of the *Harvard Business Review* titled "Inside Microsoft: Balancing Discipline and Creativity," and in three books. His most recent, *What's Holding You Back? 10 Bold Steps That Define Gutsy Leaders*, was published by John Wiley in 2011.

Herbold's wife, Patricia, was the U.S. ambassador to Singapore between 2005 and 2009. Today, Herbold serves as a public company director on the boards of Agilent Technologies and Neptune Orient Lines, where he chairs the enterprise risk management committee.

ALAN LEVENSON/TIME LIFE PICTURES/GETTY IMAGES

What will be Bill Gates' legacy?

Bill Gates is everything you can imagine and then some. Right now, he's changing the world for a second time. There's no doubt he has become a world authority on tuberculosis, polio, malaria, and is putting his resources and abilities toward long-term solutions to these problems. But first, he created Microsoft, a company that largely symbolized the development of the digital/Internet age.

What makes Bill Gates run?

Bill is driven by intellectual challenge much more than material gain. You can see this when someone gets into a conversation with him—it won't be long before he starts asking questions about his latest interest. After all he's accomplished, he's still a student at heart, and these days, I guess you could say, of saving lives. The second thing is that his ego is always under control. He has never wanted to be thought of as a "master of the universe"—a student of the universe, more likely.

You began your career at Procter & Gamble like so many other business success stories.

I spent 26 years at P&G. Some of the better-known P&G alums, like Steve Ballmer, Meg Whitman, Steve Case and Jeff Immelt, left after they completed their one- or two-year training. At Procter, once you entered the program, you were told one-third would be fired after 12 months and another third after 24 months, so it was not unusual for even outstanding business executives to depart, and as you can see, they have done spectacularly well.

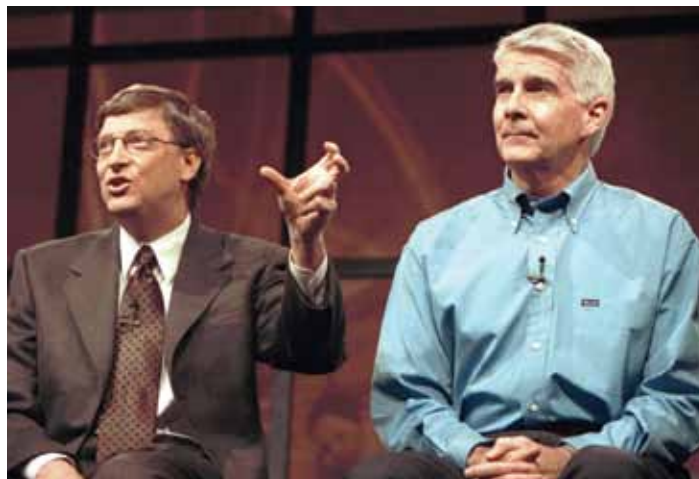
Did you work with any of them?

Yes, when I was advertising manager of the health and beauty aids division, Steve Case [the founder of AOL] and Meg Whitman [now president and CEO of Hewlett-Packard] were assistant brand managers.

P&G intentionally ran you through an amazing mix of career moves, as was their grooming practice for senior leadership. How did that prepare you for a career at Microsoft?

I was a geek, with a B.S. and M.S. in math and a Ph.D. in computer science and applied math, so naturally I started with Procter & Gamble in R&D, and shortly after I ran the R&D computing center. Then I spent two years running the corporate data center, where the business was processed. Then I was told, "Now we want you to go on a one-year broadening assignment in brand management." And I thought to myself, Gosh, I must have done something really wrong. I'll do this for 12 months, but

these people are a little weird. I ended up staying for nine years. Next I was told, "We need somebody to be the VP of market research." This was the beginning of the era where you could track individual household purchases via scanner data. The resulting databases were huge, and they needed somebody with both quantitative and computer skills to run market research. So I did that for two years, and then I was asked to run the information systems area as CIO. Then they told me, "Now we need a senior VP of marketing, so you'll have all of brand management globally and also the corporate marketing organizations, but you will also have the VP of market research and the new CIO reporting to you."



Herbold (right) with Bill Gates at a 1999 meeting in San Francisco.

What was most surprising to you about this phase of your career?

The billet included media and P&G production, which was similar to a Hollywood studio. We were buying \$3.5 billion worth of broadcast advertising a year. We were producing three soap operas, airing 30 minutes each day. We were making numerous TV specials and nightly network shows such as *Northern Exposure*, which were actually owned by P&G and were major money machines.

So just as you were getting the hang of soap operas, Microsoft came calling?

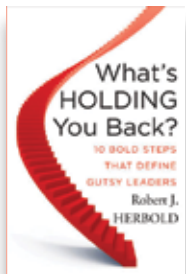
I got a call from a recruiter who said, "Hey, there's this guy in Seattle that needs somebody to handle the business issues for his company. You are probably familiar with it—this company is growing very fast. It's Microsoft." At first I had no interest. I was doing great and having fun at P&G. But I accepted the invitation to visit Bill Gates since I love the technology area.

Authored Books

The Fiefdom Syndrome: The Turf Battles that Undermine Careers and Companies —and How to Overcome Them
Doubleday, 2004

Seduced by Success: How the Best Companies Survive the 9 Traps of Winning
McGraw-Hill, 2007

What's Holding You Back? 10 Bold Steps



That Define Gutsy Leaders
John Wiley & Sons, 2011

Bill was very impressive, and we had a great time talking about what he wanted to accomplish. He then invited me back for another day visit the next week. When I returned home I said to my wife, “This is really a fascinating job, but wow, I don’t want to leave Procter & Gamble.” So I’m in anguish. Then our youngest son, Greg, said to me, “Dad? This is an easy decision. When you’re 70 years old, you can say, ‘I worked for Procter & Gamble for 45 years and had a fine career,’ or you can say, ‘I worked for Procter & Gamble for 26 years and had a fine career, then I did this fun thing.’ That’s your choice, Dad.” Kids can get right to the point!



Herbold (left) and Bill Neukom, Microsoft senior vice president for law and corporate affairs, hold a news conference in 1998.

And now the hard part?

Of course, I still had to inform my boss, the CEO of Procter & Gamble, Ed Artzt, whose nickname, by the way, was “the Prince of Darkness.” I had already cleaned out my desk before going in to see him, because I knew from watching what had happened to others that he was likely to say, “You’ve got 10 minutes to clear out,” and then he’s sending security to escort me out of the building. I explained what was happening to Ed and he responded, “Listen, I have to fly to New York. Tomorrow afternoon I want to chat with you again. But let me tell you, you’re doing very well here. So just forget it. Well, be cordial to those people in Seattle, but you’re going to stay right where you are. You’re going to have a ball here.”

For most of us that would have been just the pat on the back we needed. But you persisted?

The next afternoon, Artzt called me in to his office, and I told him again, “Ed, I love P&G, but this is something I really want to do. I love the technology. It goes back to my schooling and looks like a great fit.” He sat back and he said, “I kind of had a hunch that might be the case,” and I thought, Here it comes, he’s going to throw me out. Instead, he said, “You are going to be working for a real icon of the technology world, so don’t think that you’re going to be shown the door quickly. We want to celebrate this in a positive way, because this is really a feather in P&G’s cap.” P&G and Ed Artzt are really class acts.

Any other parting thoughts from your colleagues that helped you make the transition to Microsoft?

Before I departed, John Smale asked to meet. He was the revered former CEO and chairman of P&G who was a longtime board member of GM and at that time serving as chairman of GM. In discussing my move he said, “You’re going to believe that how we do things here at Procter & Gamble should be the way they’re done at Microsoft. Bite off those thoughts, and instead probe and try to understand why they do what they do. And only start making changes once you’ve thought through both sides.”

Once you joined Microsoft, did this happen?

I never will forget one of the first meetings with Bill Gates. We were reviewing a user study on Microsoft Word. People not around then don’t believe it, but Microsoft Word was a new product and a distant second in market share to WordPerfect by Novell. Since Microsoft Word was the new kid on the block, we were doing detailed user research designed to isolate areas that needed improvement. At that meeting, Bill was giving all kinds of directions on what changes we should make. After the meeting, I asked Bill, “Who’s going to draft the summary and make the final recommendations?” And he looked at me like I was talking gibberish and said, “What are you talking about? We just told them what to do!”

This was the Smale dictum at work?

It finally dawned on me that in the consumer

products business we had the luxury of analyzing things over time. But the technology world moves so fast you have to act on new information instantly—you don't have the luxury of time. So I learned, after that Microsoft strategy meeting, you didn't summarize, you executed.

One of your responsibilities was to run the Microsoft board. Was their board culture as different as their corporate culture?

More so. My role with the board began with Bill saying to me, "You would be doing me a favor if you took over all the board stuff." So I took on the agenda development, presentations, and orchestrated the meeting. About two weeks in advance I would check in with Bill and suggest something like, "Why don't we have some of the developers from Microsoft Exchange give the board a presentation because this is a very important new product and still in its early stages?" and he would agree. So I'd e-mail the Exchange people and say, "You've got a big presentation to the board of directors of the company, and you will have 45 minutes." So at my first board meeting—Bill always held board meetings on Saturdays so they wouldn't interfere with business—the guys from Microsoft Exchange walk in—saunter is more like it—wearing flip-flops and cut-offs like they had just come in from surfing. I am wearing a sport coat and buttoned-down shirt, which I thought was borderline for a board meeting, frankly. Mike Brown, who was the CFO working for me, had on a polo shirt, looks at my jacket and says, "Bob, you won't need that." When the meeting began I was listening while the board members questioned the Exchange people, and the young kids were brilliant. So after the meeting, I thought to myself, Hmm, the mental and cultural baggage I have brought is my problem; it's not Microsoft's problem."

You and Bill "retired" from Microsoft about the same time.

I had a four-year contract with Microsoft when I joined, and now it was year seven. I wanted to spend more time doing a whole variety of things. For Bill, I think he was absolutely repulsed by the antitrust lawsuits brought by the DOJ. It was a four-year legal and PR extravaganza. While in the end we finally got a reasonable shake from the appeals court, in getting to that point we got such a rough treatment from a couple of judges who were completely out of touch with reality.

It was a technology fraternity skirmish if I recall, right?

Yes, we believe the instigators were some of the well-known CEOs of competitive companies. In my view, the way the U.S. government operates, whoever is the industry leader—be it

Microsoft in the '90s in technology or Wal-Mart recently in retail, the government's sights are aimed at you. There was one positive result, however. Bill was being mentally tormented by the lawsuits when, at the same time, his wife, Melinda, became very interested in the notion of a foundation, and that was the origin of the Bill and Melinda Gates Foundation.



Herbold's wife, former U.S. ambassador to Singapore Patricia L. Herbold (left), with U.S. Secretary of State Condoleezza Rice at a 2008 meeting of the ASEAN Ministerial in Singapore.

These days you are doing some board work in addition to writing books, including your latest, about powerful leadership called What's Holding You Back?

Yes, I serve on the board of Agilent Technologies here in the U.S. and Neptune Orient Shipping Lines, the No. 4 global container shipping company, headquartered in Singapore. I also recently served as an operating partner of the private equity firm Thoma Bravo, serving on some boards of their companies.

Do you see a qualitative difference in boards based on geography?

The best boards have been private equity boards. All corporate boards could take a lesson in how they keep the board small, and have only highly qualified, high-energy members and a real sense of urgency. I would rank Asian boards second because of their incredible discipline around strategy and execution, and also their exclusive focus on excellence in board composition. While I place U.S. public boards in the third group, I would place Agilent much higher because the board was formed in 1999, when the company was formed by splitting off from Hewlett-Packard, so it was composed from the start with highly capable talent hand-picked by Jerry Grinstein, a fabulous CEO and chairman of several companies, and that board is doing a superb job. ■