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Microsoft Overhauls, the Apple Way

By NICK WINGFIELD

SEATTLE — A couple of years ago, a satirical set of diagrams depicting the organization of Amazon, Apple, Facebook and other technology companies made the rounds on the Internet. The chart for Microsoft showed several isolated pyramids representing its divisions, each with a cartoon pistol aimed at the other.

Its divisions will war no more, Microsoft said on Thursday.

The company said it would dissolve its eight product divisions in favor of four new ones arranged around broader functional themes, a change meant to encourage a tighter marriage among technologies as competitors like Apple and Google outflank it in the mobile and Internet markets.

“To execute, we’ve got to move from multiple Microsofts to one Microsoft,” Steven A. Ballmer, the longtime chief executive, said in an interview.

The notion of organizing the company around the trinity of modern technology products — software, hardware and services — is most famously used by Apple. It is yet another sign of how deeply Apple’s way of doing things has seeped into every pore of the technology industry.

And in the process, some of the biggest technology companies are starting to look much more alike organizationally. The goal is to get thousands of employees to collaborate more closely, to avoid some duplication and, as a result, to build their products to work more harmoniously together.

“The current model is obviously Apple, given how phenomenally successful they have been,” said Kevin Werbach, an associate professor of business at the Wharton School at the University of Pennsylvania. “What Apple has been great at is creating these experiences.”

The changes at Microsoft, a giant in the tech industry for decades that has stalled in the last few years, echo similar moves at its biggest rivals, including some tweaking at Apple. Craig Federighi, who led the development of Apple’s operating system for computers, was also given oversight of much of the operating system for iPhones and iPads. Jonathan Ive, the industrial designer behind the slick look of Apple hardware, took charge of the interface of Apple software. At Google, the development of operating systems for mobile devices and computers was put into the hands of a single executive, Sundar Pichai, rather than two.

Microsoft said on Thursday that it, too, would consolidate its major operating systems, including Windows, Windows Phone and the software that powers the Xbox, under Terry Myerson, who handled engineering only for Windows Phone before. The underlying goal is to create software with tighter linkages to power an array of devices, making it easier for people to use their smartphones, tablets and game consoles as adjuncts to one another.

But Microsoft’s charges are far more sweeping and involve many more people. “This is, in my mind, the biggest thing we’ve ever done,” said Lisa Brummel, a 24-year Microsoft veteran who leads its human resources department, noting that the company has nearly 100,000 employees.

It remains to be seen whether more cohesive teamwork, if that is what results from all the movement, will offer the spark that has been missing recently from so many of Microsoft’s products. The company remains one of the most lucrative enterprises on the planet, with nearly $17 billion in profit during its last fiscal year on $73.7 billion in revenue. But it has been widely faulted for being late with compelling products in two lucrative categories, smartphones and tablets. Its Bing search engine is a distant second to Google and loses billions of dollars a year for Microsoft.

Rivalries among the Microsoft divisions have built up over time, sometimes resulting in needless duplication of efforts. Microsoft managers often grumble privately that one of the most dreaded

circumstances at the company is having to “take a dependency” on another group for a piece of software, placing them at the mercy of someone else’s development schedule.

Product development groups will sometimes go to great lengths to avoid this, creating software like e-mail programs that duplicate the functions of other products at Microsoft. While its old divisions all had their own finance and marketing organizations, Microsoft is now centralizing those functions.

Bill Whyman, an analyst at the ISI Group, said Microsoft’s promise to make all of its technologies work better together would be challenging given the sheer breadth of its product portfolio, which covers corporate and consumer products.

“That sounds right but it’s really, really hard to do,” Mr. Whyman said. “Maybe Apple does it with the iPhone ecosystem. Microsoft is proposing to do it over a much broader set of customer applications and uses.”

Amazon has already been trying. It has become a major player in devices, with its Kindle family of e-readers and tablets. Google tiptoed into hardware production with products like the Chromebook Pixel laptop and Google Glass, as well as the failed Nexus Q for streaming media. And Google’s boldest and riskiest move in hardware was spending $12.5 billion to buy Motorola Mobility.

The focus on the full suite of offerings has led several companies to rethink how they are organized. When Larry Page, Google co-founder, took over as chief executive in 2011, he shook things up at the search company, whose structure had become bloated and labyrinthine. To help the company move faster, Mr. Page centralized decision-making power with him, eliminating Google’s former triumvirate of equal decision makers at the top.

Michael A. Cusumano, a professor at the Sloan School of Management at the Massachusetts Institute of Technology, said revamping an organization’s structure tended to provide only temporary remedies.

“I never take these reorganizations too seriously,” said Mr. Cusumano. “Almost any reorganization is designed to solve current problems people see. Over time, other problems come up.”

Perhaps the most pressing issue facing Microsoft now is the decline of personal computers. Most of the company’s revenue rests on the personal computer business, in one form or another, and that market is mired in a brutal slump — one that Windows 8, the new tablet-friendly operating system Microsoft released last year, failed to reverse. This week, Gartner, the research firm, said second-quarter PC shipments fell 10.9 percent from a year before.

“This organization does not answer the following question: What happens to Microsoft if PC shipments continue to go down?” asked Jean-Louis Gassée, a venture capitalist and former Apple executive, referring to Microsoft’s new structure.

Other maturing technology companies have successfully responded to challenges in their businesses. In 2004, I.B.M. made a pivotal decision to exit the personal computer business to focus on corporate technology services. With its revamping, Microsoft did not announce plans to leave any businesses.

One of Microsoft’s biggest changes is the creation of the devices and studio group, headed by Julie Larson-Green, which will oversee the development of Xbox hardware, the Surface family of tablet computers, hardware accessories and games.

Mr. Ballmer did not say what other devices Microsoft might make in the future, but he hinted in an interview conducted over Skype that Microsoft could play a role in the development of technologies that make videoconferencing feel more natural, allowing participants to make eye contact.

“It takes evolution in the physical form factors. It takes evolution in the software, in the services,” Mr. Ballmer said.

Qi Lu, the head of Bing and Microsoft’s other Internet initiatives, will take over a new applications group and oversee the company’s lucrative Office franchise and Skype. Satya Nadella, as the head of the new cloud and enterprise group, will manage the network of data centers that power all of Microsoft’s online services, in addition to Windows Azure, the cloud service he has been running for some time.

“It’s not like our old structure didn’t allow us to do some of this,” Mr. Nadella said. “The question is whether you can amplify.”

Claire Cain Miller contributed reporting from San Francisco.