

Oral History of Jon Shirley

Interviewed by **Mario Juarez** for the Microsoft Alumni Network

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Preface

The following oral history is the result of a recorded interview with Jon Shirley as conducted by Mario Juarez on August 29, 2024, via Teams in Redmond, Washington. This interview is part of the Microsoft Alumni Network's Microsoft Alumni Voices initiative. The goal of this project is to record the institutional history of Microsoft through the recollections of its former employees, so that the information may inform and inspire future generations.

Readers are asked to bear in mind that they are reading a transcript of the spoken word captured through video rather than written prose. The content reflects the recollections of the interviewee. The following transcript was edited by the Microsoft Alumni Network, which holds the copyright to this work.

Interview

Mario Juarez: Just to begin, we need a little introductory statement from you. So state your name, when you worked at Microsoft and what you did.

Jon Shirley: Hi, I'm John Shirley. I started at Microsoft in about mid-year of 1983. I was hired as President and COO, which means Chief Operating Officer, and I moved here from Fort Worth, Texas, and stayed in this Seattle area community ever since. It's a place that I learned to love as part of my transition.

Mario Juarez: At Microsoft, what were the roles you had?

Jon Shirley: Well, at Microsoft, what basically Bill and I did was we sort of split responsibilities. So, he had everything to do with development. I

had to do sales and finance and marketing and that type of thing, which also manufacturing, which was kind of a joke. The press line was that I was hired to bring supervision, adult supervision, to the kids. I realized at that time Bill was 27. Paul was around the same age. Steve was around the same age, and we were hiring people right out of college. So, the average age at Microsoft was definitely in the 20s, probably mid-20s, and I was 45 years old, and I'd had a lot of business experience. The company had grown in those eight years. We had over 350 people. We had, I think, four offshore offices at that point, maybe five.

We were growing like crazy. I mean, just hiring people like that and doubling our sales. And we had no infrastructure. We really had no infrastructure. We sort of had Steve running around, poking his finger into the dike to try and patch things. We had no chief financial officer. And so what I tried to do in the very beginning was to bring as much structure to the company as I possibly could. We hired a chief financial officer very quickly. We were doing manufacturing, we were selling products that were packaged. You bought software. You bought it, and you got a disc. And our disc duplication was a lady who put a disc into a machine and downloaded the software onto the disc and then put it into a box along with a manual. We had a large number of people in those days writing the manuals. I imagine we still do, but they're all online now and they're all built into the help files. So, I hired a man who I knew well from my prior employer Tandy Corp., Radio Shack, and put him in charge of manufacturing, and we started to actually do a small factory facility.

Mario Juarez:

I want to get to all of these things in detail because everyone, everything that you just said, there is its own little chapter that we can dive into. So, thank you for that. And that was actually a very good overview, and I know you could have continued on with it, but let's hold that for now. I want to begin with you at the beginning, and I'm very interested in just telling us about your life. So, you

were an army kid? Or your father traveled around a lot. Tell me where you were born. Tell me what your family life was like.

Jon Shirely:

Okay. My dad was in the Navy. He was... when he and my mom married, he was an enlisted man and they had me. I was born in San Diego. The Navy moved us to Honolulu in 1941. We were bombed. Dad was on a cruiser that was at Pearl Harbor that was in dry dock, so it wasn't sunk or hit by the Japanese. And we were packed up and sent home on the L Line, which had been a wonderful commercial sea vessel that is now a troop carrier. And they packed us all on the 23rd of December and sent us all home. That was every single dependent, which meant every wife, every child was sent home.

Mario Juarez:

Do you remember this?

Jon Shirely:

Yes, I remember bits. It's very hard to remember things when you're three years old because you've heard the stories. And so how do I separate what I think I remember from the many stories that my parents told. Also, my father, we never saw him after the day after Pearl Harbor. They got his ship back into the water and they sailed off, and he was selected to become an officer. He was sent back after maybe a year, he had battle stars for every Navy battle that we lost in World War II. He came back before what was the battle of the Coral Sea, or whatever was the first one that we actually won, where our losses were less than the Japanese losses. And so in the meantime, I was living in Pasadena with my mother and grandmother. Dad became an officer and was sent to Philadelphia, Pennsylvania.

So, we transported to Philadelphia in the way that military families did. In those days, we found somebody in Philadelphia that owned a car, and we traded our car for his car, and we all took the train across the country because that was the only way you could, the gasoline was rationed, and nobody drove across the United States. And then I lived in Philadelphia during the war years in a variety of

houses and ended up actually on the base where my dad was, I think number two. It was an inland storage depot in Philadelphia. And so, then he got admitted to Harvard Business School, which was kind of a miracle thing. He didn't have an undergraduate degree. He went from high school straight into the Navy and they accepted him and one other man from the Army Air Corps as equivalent service that we lived there for two years. Two years. Then of course, he graduated with an MBA.

He was the first, he and the only man...the first people...to do this, to be admitted and graduate. And then we moved to Washington, D.C., then we moved to San Juan, Puerto Rico. Every place was two years. So, I think in the first nine years of schooling, I went to seven different schools in Puerto Rico. I was offered an opportunity to go to a boarding school, prep school called the Hill School in Pottstown, Pennsylvania. The admiral's son had been there and the admiral was recruiting for them. They had a very, very, very amazingly generous scholarship. And they were trying to find students who had the need. I mean, my father never thought about affording to send me to a school like that. And so I talked to the admiral son, and he told me about it, and I signed up sight unseen and went to the school for three years. And part of that, in that period of time, I studied the humanities for three years, which gave me a grounding in arts. And we studied everything of course, art, architecture, literature, music, performing arts and so forth. I left with a love of art, contemporary sculpture, especially Alexander Calder, and also a love of jazz music. So, I was a strangely rounded individual. I then went to MIT, which I did not finish, and I took a job at a company called RadioShack, which was electronics, both distribution and retail firm.

Mario Juarez: I want to talk about RadioShack in a little bit. Back to your childhood, what, were you an only child?

Jon Shirely: No.

Mario Juarez: So there were siblings? What kind of kid were you? What was it that you, what fascinated you even before you went to that school, how would you describe yourself?

Jon Shirely: Well, yeah. I had a younger brother and then a younger sister, and they were born during the war, actually. They were all born maybe my sister a little bit after the war ended, but I was fairly older than the two of them, and they were very close in age.

I really loved being in Puerto Rico for two years. I was able to go out and swim almost every day and be out in the sun, which I'm paying for now. But I enjoyed and got involved with electronics. At that point, I was making stuff on my own. There was a military amateur radio club there, which I couldn't, it was for guys in the military, but at least they'd let me come in and talk to them and see what was going on. And so I learned about that. And they found an old Hallicrafters radio set that I could have, and I could listen to shortwave things. That was not something I could take with me, but I could have it on the base in Puerto Rico. I could have it in the home. And I got a love for busy tinkering around with electronics.

And over the course of various times in my life, I built Heathkits and just spent a lot of time with the soldering iron. And so I had sort of had these model trains. At one point I messed around with those, and I think that I was probably somewhat introverted, but in Puerto Rico with the outdoor life, I spent a lot of time outdoors and with a group of good friends and did a lot of swimming in the ocean and in the pool.

Mario Juarez: Sounds really great. Yeah, it sounds like a very happy time.

Jon Shirley: It was a happy time. And the funny thing was, I tend very, very dark, but I had very light colored hair. And I would get on my bike and I'd go out of the gate and I'd ride my bike and run around San Juan. And every so often someone would stop me and they'd notice I had a watch and asked me what time it was.

And my Spanish was so terrible. I just showed them the watch because I didn't learn enough Spanish to do that. But I took music lessons when I learned play the piano. And one of the things that I would do is I'd take a pubco, which was a station wagon that they'd throw as many people in as humanly possible. And you could go so many stops down the street for a dime, then it would be more if you went further. So that's how I got to my music lessons. So I'm what, 15 years old and felt no fear at all, just went everywhere. And so it was a really interesting life and a kind of shaping of things for me. But I've been there. I was in the Sea Scouts prior to that. I was in the Boy Scouts.

Mario Juarez: What height did you attain in Boy Scouts?

Jon Shirely: Oh, I didn't get very high frankly, but when I was actually in the one place where I could have, and I did go to the Jamboree in Valley Forge at one point in my life when we were living in Virginia before Puerto Rico. And there I had the chance, but then we moved to Puerto Rico. And so there's really no Boy Scouts that I could have joined. But there was a Sea Scout, small number of us were doing that because there was one of the military officers decided that would be nice and found a boat we could use and learn a little bit about sailing, which was really good because I also got, I've also had boats whenever I could, well, most of my life for many years, sailboats when I came up here, then power boats. But when I got to MIT, I sailed in the Charles River. My first year I took sailing and the first term I took sailing. Second term, I taught sailing.

Mario Juarez: That's awesome. And at MIT, what did you study?

Jon Shirely: E electron continuing E.

Mario Juarez: Tell us about how Radio Shack came about. Was that your first job out of I image or was your first sort of significant job?

Jon Shirely:

After I left MIT, I took a job at an engineering company that did... their major thing was power plants. And they let me work there, I dunno, six months or so. And then the word came down that I'd have to have a degree to continue working there. And the interesting thing was this was really simplistic stuff, and I was a really quick learner, and I knew I was as good as the Kaiser were there. I also knew that if I graduated from MIT, I'd get a better job. And so I gotten married, I needed to get a job. RadioShack was hiring, and this new store they opened up across from Boston University on Commonwealth Avenue. So I went in and applied and I was able to get across the fact that I knew an awful lot about electronics and the things that they sold.

And so I got bumped up in interviews and interviewed with... one of the vice presidents interviewed me. They hired me, and they gave me a position after some training of running what we called the parts counter, which was where people could come to buy any one of the 45,000 electronic parts that we carried, which were industrial. They were meant for industrial corporations, but a lot of them are what you'd use if you wanted to build yourself a meter or an amateur radio rig or whatever. And so I had, on Saturdays, I probably had a dozen people working for me back there. I got involved in so many different things during that area. They needed someone to do the industrial catalog, and I became a copywriter, and then I became a merchandising man for the industrial department, and I developed an inventory system for them, just did it.

And then this great man from Texas, Charles Tandy bought the company, Tandy Corporation, and he had a chain of stores that were leather craft stores. People would come in and buy the raw materials, make a belt, make a wallet. It was very, very popular in prisons. That was their biggest business, was selling to prisons. But they also had a lot of walk-in traffic, just people who liked to do it. And you could tool them. They'd sell you the tool so you could put

an art design on the object that you'd created. And so he kind of thought RadioShack was sort of similar in some ways. He loved retail. And so he bought the company, which actually the company was in dire financial straits, and I think the Bank of Boston almost gave it to him, but he called all of us in. It was very, very interesting process.

This is for some of the training that I got. He called every employee in, you had no more than 15 minutes with him. And at the end of that time, one third of the employees were gone, and I stayed and he had an open-door policy, and I heard that he had purchased or had rented space for a store in California. At that point, there were no RadioShacks outside of the East Coast and two in Texas. And I said, I went up to his office, can I talk to you? He said, sure. I said, I want to go run that store for you. And he came, had said let me think about it. And the next day he came in and said, okay, you can run the store. And so I moved from Boston to San Leandro, California, and opened up a store. And two and a half years after that, I became district manager of Southern California.

I opened up 20-some odd stores, and then I went back to Boston to become a marketing manager. Then Charles picked us all up, moved us to Fort Worth, Texas, which is an interesting shock. We were only there two years. And then he came to me and said, I want you and these other four men to go start up an operation of RadioShack in Europe. I said, okay. And we moved to the Brussels Belgium, and we didn't use the word RadioShack. We used Tandy International Electronics. Turned out RadioShack would not be well received in Germany.

And so I spent five and a half years there, and during the last year I was there, a man who was in engineering at RadioShack sent me all the information about the upcoming T-R-S-A-D computer that was going to come out. And I was friends. David Linninger, I think was his name, and he was really the man behind it. He developed it, and

John Roach promoted the idea. He really liked the idea. And so it came out and I had already petitioned, I want some of them. And John said, okay, you can have X number of them, we'll ship them over to you. They were made in Texas, but I can't do anything about your requirements over there. Which were of course, two 20-volt, 50 hertz, and the monitor is very critical that it run correctly or you get bars in the screen. And so we actually set up an assembly line.

I bought power supplies from Japan, set up assembly line at our distribution center, and we converted the units to be operable in any of the European countries. And we put one in, I think we had, I don't remember how many stores we had them, but we put one in most of our stores. And all of a sudden we started getting orders and people just came in and we sold them out so fast that we had to beg to get more. And it turned out that there'd be like the Dutch Computer Club, but it would be maybe the computer club from Antwerp or one of the Dutch cities. And they would come in and they'd buy one as a club because these things weren't cheap. I mean, they were compared to anything else, yes, they were cheap, but they weren't really cheap. So, we had this wonderful time of doing this.

And the next year, after five and a half years, I came back and I came back and I went, first, I talked to John Roach and said, look, I'd like to operate, run the computer department. And we went and sat in Charles Stanley's office and three days, I think, and the end of three days, he said, okay, you can do that. So I became Vice President of, I don't know what we called computer marketing or something. And I also had the manufacturing facilities, which we added to a lot. We went, started making our own disc drives and a partnership with another company. But the first person that I met in this industry was Bill Gates.

He came down, John had him come down. He was doing the BASIC for our machine, and we were going to start working on another

machine called the Model II, which would've more capacity, bigger disc, and so forth. And so I met Bill, and I was very impressed because Bill got up to a chalk board, and talked about what he could fit, how much BASIC he could fit in to a 32K memory. And he knew every command, and he knew exactly how much, how many bites each command took. I said, if we leave out this, this, and this, we can, John Roach really, really wanted to have a 32K version of the machine. It was useless. He needed the 64K machine. But anyway, Bill did this wonderful job, and this was this kid at that point, he was 21 or 22, but you could tell that he was really brilliant and what a great, how much he knew about the product.

Mario Juarez: I'm just hit pause here because we need to cut real quick. Just swap out the discs here. Okay. I'm going to give you a prompt here and have you fill in the blank. Give us a statement beginning with, my first impression of Bill Gates was...

Jon Shirely: Well, my first impression of Bill Gates was this kid doesn't comb his hair. He is very, very, very shy and reticent unless he's talking about the product. And then he goes right into a very good spiel, and it was obvious that he was super brilliant, brilliant person. And over the next five years, I did a lot of work with Bill together. We developed a thing called the Color Computer, and we developed a product called the Model 100, which is the first true portable machine that had a real keyboard, had a small screen, had a built in modem so that you could transmit over phone lines at slow speeds, what you ever you'd written. And it became a sports writer's delight because they could write this thing, they could do a little editing and they could plug it into a, plug it into a phone handset thing and have the modem send it back to their home office.

And the interesting thing about that computer, it's the last time to the best of my knowledge, and Bill has said this, that Bill wrote code himself to go into a machine. He wrote most of the code. It had to be very small, the machine had to be affordable. Memory was very

expensive at those days. We worked with a company called Kaira in Japan, who had developed a wonderful method of stacking memory chips into one little container so that they got more memory on the board than others were doing at that time, they were actually a company that was in the ceramics business.

So it was this interesting partnership. Bill had been on an airplane, met the man from Kaira, and we, out of that, developed this product. And in the course of doing this, I would meet him in Japan. I think there were maybe three trips where we met together in Japan. And it turns out also that after I joined Microsoft, I learned that RadioShack was the largest customer at that time that Microsoft had because we had a number of different machines and they were selling pretty well, and we used a lot of Microsoft software. Apple started selling more machines, but they didn't use much of Microsoft software.

Mario Juarez: Yeah, I remember I took out a \$2,000 loan in 1987 to buy Tandy 1000, and it was full of Microsoft software. It was my introduction to computing. Great machine, best loan I ever made in my life. When did you become engaged as a potential Microsoft employee? Tell us the story.

Jon Shirely: Alright. At the computer convention, I remember if it was '82 or early '83, probably in Anaheim that year, David Marquardt came up and I think, I don't know if I even met him yet, but he came up and introduced himself and said he was a director at Microsoft. And he said that Bill would like to talk to me, have a lunch or breakfast together, and was like, could I do that? And right away I knew something up because Bill and I had worked together for five years. Bill wanted to talk to me about a product, he'd send me an email and we'd talk about the product. And so I went and I sat down with Bill, and Bill said that he really needed a president and chief operating officer, and that he was only going to hire somebody he knew, somebody he'd worked with, and would I be interested? And

I said, well, I need to know the parameters of the job. But yes, I'd be interested. And Steve Ballmer, within a few days of this, wrote on a yellow pad, asked me to come up, met me, and they still tell this story.

I came up to see Steve and Bill and Paul. Well, no, Paul wasn't involved at the time. And Steve met me at the airport in the most beat up Ford Pinto or something that the world had ever seen. There was water inside the door when you shut the door, it sloshed and there were Coke cans all over the floor. And he brought me to the place, which is down near Burgermaster in Bellevue, where the offices were. And we talked and had sort of an interview process with him and with David and with Bill. And when that was over, Steve took a yellow pad and wrote down and signed an offer letter. And I changed one or two things, one of them being the fact that I was moving a family and furniture and two automobiles and everything, and I was not going to pay for that myself.

And then I accepted, and I had to spend some time back in Fort Worth before I could come up. So, by that time, it was into the spring of 1983, and I came to work in June of '83. And for me, it was a big bet. Luckily, I was 45 years old, so it was a time when you can do something like that. And I think I've been 25 years with this company. I had a fairly substantial amount of money saved. And so coming up here was just starting over again. Here's this small company. Who knows what's going to happen to it? Which was going like a weed. Over 350 employees when I started worldwide, but it was still a bet. And my offer of stock was, we're going to take you down to First Interstate Bank, they'll loan you the money to buy the stock. I said, okay, well, that's what they said they were doing. And that, of course, was the bet that it would become valuable at some point.

Along the way, I went out to the Hood Canal and met Big Bill and Mary Gates and Bill's sisters, and it was almost sort of like I was

constantly under a microscope because I'm pretty sure that Big Bill had to sign off on me too along the way.

And I can tell one very funny story about Bill at that time because we were at the house and Bill asked my wife, Mary, would you like anything to drink? And she said, I'd like a scotch on the rocks. And he looked at me and said, how do you make that? So, it was an interesting telling indication of Bill at that point and going out to the canal. It was interesting because in their yard, in their driveway, there was some lines and a net. And I said, what's that? I mean, it was too small to be tennis. Well, that's Pickleball. So, I learned how to play Pickleball out at their place in the Hood Canal. And that was my started understanding just how competitive Bill was because it wasn't just competitive in business, it was everything —sports, and just he loved to do competitive things. I dunno if you heard of the Micro Games. I'll talk about the Micro Games. I'm a little off the timeline here, but the Micro Games were something that Bill held every year in the summer at his place. It started out even when he lived over in Laurelhurst and it'd be down in the yard. And some of that would be a combination of things that required brain power and things that required you doing something physical. And each group were divided up into teams. Husbands and wives were split, and you were on a team and you were given these tasks to do.

And one of them might be to solve a problem, one of them might be to find a key that's probably in the bottom of the swimming pool, bring it up, unlock something, and then solve the riddle that's inside that and who can do it. And you were timed. Everything was timed, and that was the kind of thing that Bill loved and that went on for some time. That went as far as even after he'd built the house in Medina, I think they had it there. It was there maybe not, maybe once or twice it was there. I can remember. I can remember just how much fun it was and the fact that not everybody who came was from Microsoft. Dan Evans, the ex-senator from our state would

come with his wife and participate and other people like that would come. So it was a great deal of fun.

Mario Juarez: Did Bill usually win the Micro Games?

Jon Shirely: Bill's team often won the Micro Games.

Mario Juarez: What a shock!

Jon Shirely: Yeah, what a shock. Yeah, what a shock.

Mario Juarez: That is. Awesome. Let's go through that first phase of when you arrived at Microsoft. What did you encounter? What did you recognize were the problems that you needed to address? Paint a picture for us of what this company was like physically and culturally and just in terms of the time.

Jon Shirely: Well, Microsoft in 1983 had grown up to be almost \$50 million company. And from \$50 million, from '83 to '84, the sales actually doubled. We were in rented space, we were expanding like weeds, so we kept renting space across the street and other office buildings. Everybody was working six, seven days a week and lots of hours. And it was just a kind of a frantic, frantic time. We had a man whose training was a lawyer, was running accounting, and we were using a timeshare service out of the Bay Area, which meant that everything was incredibly slow and often the lines weren't working correctly. Communications over distance at that point were not very good. We were not in an era of high-speed ethernet and things like that, and also phone lines that were conditioned for data. And it was obvious to me that one of the first things that we needed was a chief financial officer, and we did, we went, hired a wonderful man named Frank Gaudette who took that over.

We needed to do our accounting in-house. And so we worked with a German, I think it was German company, that was a supplier of accounting and order processing software. I mean, we needed all

this stuff. So we formed an IT department. We were making discs by hand and making our software in the garage, and we had to go into manufacturing because the products we made were finished. What I did was I tried to meet as many of the top people as quickly as I could. I tried to identify where we really needed the most organization, tried to define Steve's job better so that he wasn't doing everything. And I think that one of the areas that most needed help was sales was kind of confused. And so I went on a tour. I went to visit various sales offices that we had in the United States.

I went to meet with the resellers that were selling our product, because in those days, that was the way a lot of software was sold. People came into a store and they walked out with a Microsoft Pascal for example, or a soft board to plug into their Apple II so that they could run our Fortran. That was business that we were in at that point. And it was growing like crazy, and I wanted to find out just how was it organized, how are we doing? And that led to me making a change in the management of the sales department. I also wanted to find out how we were doing what was happening internationally, which was actually, that was running pretty well at the time. So, it was just look at all aspects of the company. And one of the areas that, because of my background in marketing at Radio Shack, one of the areas that really I felt that Microsoft needed a lot of help was the marketing department.

It was full of young MBAs and I had to get over, explain to them what the KISS rule was when I said, you have to follow the KISS rule. They didn't know what it was. And I said, well, keep it simple stupid, because you're making programs for resellers who employ the lowest paid, not terribly well-educated people. And you're coming up with programs that they can't understand. You want to incentivize them, make it really, really easy to do. And so I spent a lot of time working with Jeff Raikes, and I think I helped mentor Jeff and all of his people we'd have frequent meetings where he'd bring

in a lot of the people in marketing that were working with him. And the whole idea was to try and get our retail sales charged up to do better. I mean, we had stiff competition. Microsoft Word had Word Perfect. It was out there MultiPlan, which morphed into Excel when we could go to the graphic user interface, had Lotus 1-2-3, and as a competitor. So, it was a business that needed a lot of attention and needed a lot of effort. And so, I was trying to put together an organization, I was trying to put people in charge of each area of the organization with clear reporting responsibilities.

And that's what we did. I mean, it was a process that took a period of time. Of course, none of this happened overnight.

Mario Juarez: Was this what you expected or were you surprised at what you encountered?

Jon Shirely: I think I expected Microsoft to be somewhat more organized than it was, but then knowing Bill, I dunno why I expected that, because it really wasn't terribly organized because Bill was all about the next product and doing well with this product. And he had no background, which is why I was hired. He wanted someone who had a background in running something in a very structured, structured organization. And that's what Tandy was, very definitely that way. At Tandy, you got your P&Ls for your store the 10th day after the closing of the month, and that was an absolute rule. And if accounting had to work 24 hours a day to make it happen, that's what they had to do because Tandy compensated, you got a percentage of the profits for you equal to the percentage of profits that you made. So if you could create a 25% store, you got 25% of it back at the end of the year, which meant that there were some stores that made more money than the president of the company did, the manager of the store did, and those checks were proudly handed out in front of a big audience of that was the kind of company I'd worked for.

And that's the kind of thing I've been, at the same time I, I'd been doing computers, that was my thing when the original TRS-80 came out, I had one on my dining room table in Brussels, and we had to eat at the other end of the table so I could learn about it before we had one, then you could, so I had a transformer and you had to make sure the dog didn't hit the cable and the transformer. Anyway.

Mario Juarez: That's great. There's a notion, and you've alluded to it, I certainly was something that was even when I started in 1988 was in the hallways, was that you were the adult that they brought in to actually help the company grow up, reflect on that. I mean, put that into your own words and on however it is that you viewed yourself in that context at that company, at that time, what were you?

Jon Shirely: I think that the role that I had was one of working with all of the people that had reporting jobs other than within the development group itself. Although I did meet and get to know and be good friends with some of those people, but it was mainly I, what are you doing? How are you organized? How do you work? How do you deal with your people? We didn't have an HR department then either. Steve was HR, which mainly meant that he interviewed and hired most of the development staff over those years. And I think that what I was trying to get across to people is how do you manage people?

How do you treat them? How do you compensate them? How do you incentivize them? How do you reward them? And how do you get them to understand that management is delegating responsibility and you need all those people, but you haven't doing things to know what they're going to expect it to do. And then you have to have a feedback mechanism so you know that while you've turned them loose to do things that you know that what they're doing is correct or not. And then you also have this sort of mentality. You have to have a mentality that people can come and

see you whenever they want to, if there's anything going wrong, if there's anything you want to talk to you about, you need an open door, you need to have people come. And you also need, how do I put, you're dealing in dealing with your employees and you're empowering them, and you're trying to get them to want to be you.

You're trying to get them to want to take your job to feel that they've gotten enough responsibility and enough experience that they can move up and do your job if they're doing managing and running small groups, sometimes you had managers who are running four or five people, but they still had to get a mentality that they weren't micromanaging, they weren't trying to do everything themselves, which was, I think, kind of common in the early days of Microsoft. People did tend to not understand the people working for them, how to incentivize them and how to divide up the work and how to become a real manager of people.

Mario Juarez: We've about a half an hour more, and there's a lot of bases that I want to cover, so I want to move along. Tell me about the IPO. I'm very interested at what point did it become clear that this was an actual company, that the upward arc was going to continue and that it was time to become a public company?

Jon Shirely: Well, the IPO actually occurred because Microsoft had been giving a lot of stock options to people without realizing that there was a rule that when you reached a certain number of people having options, you had to publicly report your results. And Bill had never wanted to have an IPO, never really wanted to go public because he didn't want to open the books. But this rule would've required us to open the books that the FTC would've come along and said, you have to do this—the Federal Trade Commission. And so we talked to Bill and the legal department talked to Bill, and we finally made him realize that this is something we're going to have to do. And then he said, well, if we're going to have to do it, let's make it an IPO and

let the company go public. And, so in early '83, we went on a road show.

There's been a lot of legal work done. There'd been an enormous amount of effort put in by accounting. We had Frank at that point, and we also had Bill Newcomb at that point. And what we did was we interviewed two underwriters, Goldman Sachs and Alex Brown, a company no longer exists, and they formed up a schedule for us where we would go on the road and we would go visit various places in the United States where we'd do our pitch. There were three pitches. There was my pitch, there was Bill's pitch, and there was Frank Gaudette's pitch from the financial side. We got so good at it. We were joking that each one of us could have done the other one's one, and no one would've known the difference. But we went to Baltimore, New York. I can't remember if we went to West Coast or not. And we met with analysts and buy-side investors.

And we went to Edinburgh, and we also went to London. And the IPO was incredible success. I mean, our story was so great. I know Bill had concerns about it, but we realized after the first two or three stops of the roadshow meetings that people were very excited about what we were doing and thought this would be a really great thing to invest in. And I'll tell the story about the campus in a second, but when we left on the roadshow, we left our offices next to Burgermaster, and when we came back, we moved into our new offices in Redmond. So, we walked into the offices for the first time, just the day after we got back from London. And that was kind of an exciting thing. And when you do an IPO, there's a point at which there is a price set at what the stock's going to go out, and that's a pretty critical thing.

And Bill, at that point, went on vacation and he said, you do it, you decide on it. And so a lot of back and forth. And finally we reached the price. And I remember that my wife and I were in a restaurant, I don't remember if it was lunch or dinner, and we were waiting and

a call came and they said, okay, we accept this price. I mean, you always want to make it higher. There was make it lower. So there's a lot of fight back and forth. And Bill was always upset about the amount of commission that Goldman Sachs and Alex Brown got. But that was all part of the way you do it. And the trip was a wonderful thing for us. I mean, it really showed how much interest there was in the company and the fact that people knew more about us than Bill thought they did.

People really were following the company by this point because we were at a \$100, I don't remember exactly, we were over \$100 million maybe getting close to \$200 million, \$180 or something like that at that point. So, the growth was just huge. And profitability was extremely high because selling software, the OEM side of the business, the only cost was labor and there was no physical product involved. A disc went to a company making machines, and they copied it onto all the machines that they made. And so that was a highly profitable, highly successful business. I want to talk about the campus, Redmond.

Not long after I'd started working, Bill said to me, I have a dream. It's not something to work on right now. I have this dream of we ought to have a campus, a nice environment like a college would be. And I realized that we couldn't keep on renting buildings all over Bellevue or it was going to be just ridiculous because at the time, people would have just to get together and see each other. And so I said, well, I can do this. And I got three developers to look around and see where was this place that we could build. And there was one place in Issaquah, which actually became I think headquarters at Costco, and another place here and in Redmond. And I did an informal poll of employees about how much further away will you be willing to drive to come to work? It was pretty clear that Redmond was okay.

Issaquah was not a chance. We have a lot of people that did not want to go there because a lot of our employees lived, lived in the U District in those areas. And so I got the plan together. I showed it to Bill, and Bill said, go ahead. And we built Buildings 1 to 4, and then we built 5 and 6. And that sad thing about that legacy, those buildings have all been torn down now to put in more efficient use of space. But it was great to have our own campus. And then next to us was a huge, huge, empty lot along 156th. And this lot was adjacent. And I said, Bill, we need to buy this. "No, no, I don't want to buy it." And then the rumor came out that DEC, Digital Equipment, was going to buy it, and Bill said, "Buy it. Buy it. We can't have them next door to us." And I bought that, and that's where building 8ight and the new headquarters became.

And at that point, not long after that, we just decided that we would buy any adjacent land. And that even meant if it's across the street, we just kept buying it. We were always behind. We always had more people per office than we wanted to because we needed the next building to come online. And that just was a constant thing in the period that I was there as president. And that became, I think, a really important thing for us to get everybody together. I mean, it was just, I know now I don't understand remote work. I mean, I understand to an extent there are certain things that obviously could be done, but collaboration is super important, and collaboration needs to be done. And there's a lot of things where you need to look someone in the eye. And I don't know how the heck you hire somebody remotely that's just without, that to me, makes it seem to be very difficult to do effectively,

Mario Juarez:

Very different world. Can you talk about that culture especially? I'm thinking about people. I now have sons in their 20s, and I try to recapture for them what it felt like. I walked into those buildings in 1988, and it was a truly magical, transformative experience for me. The culture was transformative. Define that culture. Paint a picture for us of what Microsoft in the '80s was.

Jon Shirely: Well, the culture at Microsoft in the '80s was really one of super hard work. I mean, people loved what they were doing. They were dedicated to what they were doing. They wanted to get stuff out when the deadline said it needed to be done, which was always a difficult issue. But we had this wonderful thing at that time where everybody had an office and every developer had an office in the office if they wanted to have a fish tank or if they wanted to have their dog or whatever the heck they wanted to have, it was fine. And so there were people sitting there, maybe in a beanbag chair or something with a keyboard in their lap looking at four monitors. And it was really for almost everybody, it was six days a week. And for some of us it was seven days a week.

There was just this enormous realization of what a success we were becoming. And then after the IPO, then people could track what their value was, what their options were worth. And that became a very incentivizing thing too. I don't think that in the beginning there were, a lot of them had no idea what their value was in these option things that they were being given. I mean, Steve would promote them and say they're going to be worth something. But at that point, until the IPO, they really weren't worth anything. They had a numerical value, and you could sell them for that value. But that probably was not very much. After the IPO, they were all worth 20 times or more what they were granted at.

Mario Juarez: And that was just the beginning.

Jon Shirely: And that was just the beginning.

Mario Juarez: Was there a point for you? Were you made to realize that this was even bigger, that this was so much more than what you had thought that Microsoft is a phenomenon in the world?

Jon Shirely: We had a retreat. We'd have annual retreats every year with Bill and senior management. We'd often have Dave Marquardt come, Paul Allen would come and sometimes host them even though he at one

point left the board of directors. And in those meetings, one of the things we discussed would be, where are we going? What's the future? How big are we going to get? And the thing that I remember so well was that Bill was always so conservative about how big we'd grow, and the idea that we could become a \$1 billion corporation, which we became by 1990, even by '88, he didn't think that was possible. He would say, "The biggest we can become was 'X'," and X wasn't very far from where we already were. And we kept saying, "No."

The realization to me of when I saw what we could really become was probably at some point after the IBM PC came out and we realized that there was a real demand that maybe a much bigger demand for this than we thought. And then of course, people at Compact cloned it, and then everybody could make, a lot of people started making PCs that ran our software. And I think it was, I could see the buildup happening of what happened when we did Windows 95, and we released that and changed the whole world of personal computing and made some of our competitors who we begged to write software for Windows irrelevant because they didn't do it. And Windows became what everybody wanted to use.

But I think that how you look forward, how you see the future is different with everybody. To recognize the intrinsic value of the company and the intrinsic value of what we were doing and the great demand because of all of the things that you could do with a personal computer. And this was before the internet. It was still a time when they were used a lot for spreadsheets and word processing, but also email. I mean, I remember when you started in Microsoft as a new employee, you got a badge and you got an email address. And I'd been using email at Tandy because of computers. But email was a very, very little used at that point. And there was no other form of communication. Well, the other form of communication between two computers online was very, very primitive. It was a Xenix thing.

We had, I dunno how to put it. It was just the more we did and the more we saw, the more we began to realize that we'd done something really amazing and that there was no end of future if we could keep doing the right kind of innovation. And I think today, Microsoft is so far ahead of the rest of the world. I don't know how many years ahead we are, but we're certainly ahead. I think that all the groundwork was laid way, way, way back for this. And it's exciting to see the trajectory of the company. It's exciting to see what's happened under Satya and exciting to see the great investment in AI, which I have some fears about, but not in its usage, not fears about Microsoft doing it. I think that it's in good hands.

Mario Juarez: That's great. What are you proud of when you look over your career? Can mention a little bit about philanthropy. I think it was always what distinguished the company and what were the genesis of the giving campaign and the philosophy of just doing something that no one else in the world actually was?

Jon Shirely: Well, one of the things that I realized pretty early on was that Bill's mom, Mary Gates, was a super philanthropist. She was on the national board of the United Way, not just the local board. And she would make comments to me about what Microsoft should be doing something. And so I'd been at Tandy Corporation in Fort Worth, and we did the United Way every year. And that was the only thing that the company did. And we were the number one giver to United Way with the internal fundraising program among the employees. And it was very, very successful. And the company did a match to give a good grant every year. And despite having, there were several companies that had more employees, and we did, we were always number one. We always raised more than any other company did. And so it just seemed to me that that was something we could do because we were constantly being people coming in and wanting to get appointments and talk about giving to something or another.

And so we said, look, if we have the United Way, we're going to tell everybody that's what we do. We support the United Way. And because it was not a hard sell to Bill at all, it is just something that I'm sure in the back of his mind, he knew what his mother was involved in philanthropy, but he accepted it very, very rapidly. And so I started this program and I'm happy to say it was very well received right from the very beginning. And I gather it's continued on and has that being philanthropic as part of the culture now. It's certainly something that I've spent a lot of my life doing. If you ask me what do I do now? A lot of what I do is philanthropic work.

Mario Juarez: Yeah, it was a very critical part of the culture was a strong impression when I arrived, as I know it was for a lot of other people. It seemed to create the notion of giving on personal terms. Was there any driving philosophy about how you set up the Giving Campaign, the Giving program, the whole philosophy of matching grants and everything? What was the philosophy?

Jon Shirely: Well, I mean, the philosophy of a matching grant program had already, it was around, it was being used and it just seemed to me that our employees would probably feel really good about a program like this where, and it gave them a way to be philanthropic without spending a lot of time on it. And I think that it was just accepted across the company as a really good idea. And the fact that what you do gets matched by Microsoft and it put a better public persona on the company too, saying, Hey, we're not this greedy thing that's absorbing all of this money and not doing anything with it. We're doing a wonderful thing with it. We're supporting all kinds of things in our community. And we also made sure that that happened in other parts of the United States where we had offices so they could get involved and it would be local to their community.

And I am happy to know that it's become such a lasting thing. I think that was one of certainly a legacy that I'm proud about. I don't

think about it very often, but realizing, thinking back on doing this interview of the things that I did, that was one of the things that I'm proud about. I'm certainly proud about the fact I can see the success of the people who worked at that time and the people that I interfaced with and just, I mentioned Jeff Raikes, but also people like Brad Chase, and there's several that I see from time to time, and they've all gone off and done really, really good things. And they've all, a lot of them have do things that are philanthropic and some of them in the sense of giving their own time, really getting involved in something, a need and helping to use their expertise to solve problems. And that I think is really wonderful. Yeah.

Mario Juarez: So what do you think is your legacy at Microsoft?

Jon Shirely: What is my legacy at Microsoft? I've never really, really thought about that. I mean, you probably get a better feel by asking other people?

Mario Juarez: Tell me what you're proud of.

Jon Shirely: Well. I'm proud that I joined a company that had 350 employees and \$50 million in sales in 1983. And by 1990 we were a \$1 billion company with 5,000 employees and continuing to grow and continuing to do great product. And I don't know, I played a part in that. I played, depends on who you talk to, I played a big part in that, I guess. But I didn't develop anything. I didn't come up with, we ought to do this, we ought to do that. I certainly did critique our stuff a lot. I used all of our software, and the Windows group, especially after I was still a director of the company for 25 years, from '83 to 2008. But the Windows Group, I often would send me a beta and I'd have another machine and I'd find all kinds of things. Just using it as a user. And the problem of the testers that you hire have to understand that they can't look at it from a technical standpoint. They have to play end user. And if you know too much, it's hard to be an end user. So, if you're kind of dumb about and you're just doing what it says you ought to do and then things

don't work correctly. So that was, I did a lot of work like that with Steven Sinofsky especially.

Mario Juarez: Any regrets with your time at Microsoft? Anything you go back and do differently?

Jon Shirely: The only, do I have any regrets about Microsoft, I only have regret that in the way my succession was handled by who came on afterwards, I had a different idea of who should take the job. And I don't think that it worked out terribly well, but I don't have any regrets about the time and what we accomplished in those seven years. I think I can look back and say, well, this person I hired didn't really work out. You can look at those kinds of things, but they're more nits on the time that was there than they are really, really important. I enjoyed it a lot. It was extremely hard work. It was very demanding. It was a lot of hours. I had kids that were going up and going to junior high and one in college and one in high school, and I didn't think I was spending anywhere near enough time with them. And that's one of the reasons that I decided to retire when I did. I had things I wanted to do that I never had the time to do.

Mario Juarez: When you reflect back on the essential learnings that you gained and you look at the company where it is today, and think about maybe someone who's walking into the company today, fresh out of college or seasoned in another job, what guidance or perspectives would you offer about how to take the company forward based on hard earned knowledge from the past?

Jon Shirely: I don't really know how to answer that. I think Microsoft today, it's a different company in many ways, but there is certainly the core of what was done before. And I would hope that the aspirations that have always been part of Microsoft, it's always wanted to produce really great products and meet needs of people, and that continues on. So something coming new into the company, I'd hope that they would know something about the history of the company. It's go on Wikipedia and go through all of the products and stuff like that, but

that's not really, I don't find that Wikipedia side very useful to tell you the truth. And I do a quick review of things just to put some dates into my mind about when we release certain products, but it doesn't have anything about the culture. The culture.

I think it is a good culture and it's not a [Silicon] Valley culture because I think when you come here, people come here and they tend to stay here because this is a really nice place to live. And in the Valley, you get up one morning and you get in the car and you drive to the right instead of the left because you just took a job at another company that's no further away. And there's, I think that sense of not being a permanent position, not that anybody's going to go to work for life or a company, but I think when people come here, they need to think about, well, they can recognize this as a great place to live. It's a great company to work for and it has a remarkable history. So does Apple. It has a remarkable history, too, but I think they're different and we're different. For one reason, Bill Gates, I mean that's the reason the company is what it is and has done what it's done.

Mario Juarez: Awesome. Okay, I think we're just about at time. Is there anything that you wanted to talk about that we didn't talk about? What incredible experience you've had?

Jon Shirely: Yeah, yeah.

No, I don't want to go outside the seven years because I don't want to talk about the director time because that's fine. You just talked to Bill and you got all of the issues of dealing with the government and all of that. I would say that as I've watched the company and during the period of time I was a director, I think one of the greatest thing we ever did was hire Brad Smith because his whole approach to everything was different. It was Bill tended to be more adversarial and Brad is anything but, and mending fences and getting good friends in the government is so important. We were invited to President Biden's First State Dinner, which was a dinner

with [President of France Emmanuel] Macron, so it was a French general, and Brad was there and Brad knew almost everybody. He introduced me to the head of Homeland Security, which I thought was really interesting. And he just walked through and everybody, it was an amazing experience and that certainly, I think Bill Neukom probably pointed out was something we were not concerned about. We didn't even think about it. I think there's no bell that goes off and says, "Hey, the government says you've gotten too big in this field." At the time, the big company in the field was IBM, not Microsoft.

Yeah. So that's one of my thoughts. And then of course, watching Satya become CEO and just see the jobs that he's done is great. It's good. It makes me very happy to see the company continue to be so successful and continue to produce really great products and continue to get broad acceptance.

Mario Juarez: Awesome. Great. Well, I think that's it. Okay. Unless you have anything else, this was terrific. What a great conversation. Thank you. I feel like I'm trying hard to keep us on time, but I feel like I could sit here and talk to you all day, which was fantastic.

Jon Shirely: Oh good. Thank you.