

Microsoft CEO Satya Nadella: "Success comes from empathy"

The CEO of Microsoft, Satya Nadella, discusses the company's cloud strategy and how to develop a deeper sense of empathy to better meet customers' needs.



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Change starts from within. Nowhere is this adage truer than with the internal appointment of Satya Nadella as CEO of Microsoft in 2014, succeeding Steve Ballmer, who in turn succeeded Bill Gates. Nadella, an Indian-American engineer who had been with the company for 22 years, wasn't the obvious choice, and the direction he has taken Microsoft since his appointment has been no less surprising. Under his leadership, Microsoft has moved from the software business into cloud computing, transforming the company culture in the process. In

April 2019, Microsoft passed a market cap milestone of \$1 trillion.

Nadella recently sat down with IESE professor [Sandra Sieber](#) at a special event organized by Microsoft Spain with APD, a professional association for executive directors. In the words of his book, leaders need to "[hit refresh](#)", re-evaluating which things need to change in order to build new capabilities and thrive in this ever-changing world.

Sandra Sieber: We can all agree that digital technology is going to have a profound impact on every sector of our economy. What is it that we, as leaders, will have to master?

Satya Nadella: Two elements. First, the combinatorial or exponential nature of tech intensity. It doesn't matter whether you're in retail, healthcare, tourism or logistics, you need to think of yourself as getting the best software/digital technology as a commodity input, and then using that to create non-commodity technology outputs in how you service your customers, optimize your operations and empower your employees so they can collaborate, communicate, create new value and change the very nature of the product. This is even more important for smaller companies, because they don't have to waste time, energy or resources on developing something that's already available in the market and it's world-class.

But the second element is, as you're making these choices, trust -- especially in the business models of your supply chain -- becomes extremely important. It's not just about using a commodity; there also needs to be an alignment of interests between you and your suppliers.

SS: This represents a key shift, which you at Microsoft have undergone, from just being a technology provider to becoming a technology partner within a larger ecosystem.

SN: That's right. You can't do everything on your own, nor would you want to. Wherever I go, the first question I ask is: What's the local capability? How many partners do we have? What intellectual property is being created that's relevant to tourism, retail, banking, manufacturing, and so on? We care deeply about making sure we're creating local capability that helps small businesses become more productive, large multinationals more globally competitive, and the public sector more efficient, increasing better health and education outcomes. That's how we measure ourselves. We're building a broad ecosystem on top of our platform, so each partner can create their own digital play. We're not one platform and everybody else is an application; we're a network of platforms. That's how I view platform

economics going forward.

SS: Traditionally digital technologies have been characterized by concentration and network effects. But this sounds like a different dynamic...

SN: That's why we don't even frame it as one platform with everybody else on it, but as: how do we build a more open network of platforms to connect our businesses and create more efficiencies and scale, for all of us to benefit? That's the worldview we have.

SS: Technology is a great enabler, but there are also some legitimate concerns. How should technology be managed responsibly?

SN: There are three unintended consequences of technology that I think all of us have to be mindful and clear-eyed about. First, privacy. We need to deal with privacy as a human right. So, whether you're a bank or a retailer, it's not just about being compliant with the General Data Protection Regulation (GDPR), but you have the responsibility to treat the data you collected with your customers' permission as somebody else's human right. I fully expect the GDPR to be available globally. I hope the entire world converges on one standard versus fragmenting.

The second concern is around cybersecurity. Whenever there's cybercrime, the people most impacted are small businesses and individual consumers. So, we're trying to come together to help protect small businesses, the public sector and ultimately consumers, sponsoring what we term as the Geneva Convention for cyber.

The last one is AI and ethics. The pace of innovation in AI is so rapid that we, as creators, need to have design principles. So, just like we used to teach our software developers how to write good user experiences, we're now teaching them how to write good AI, based on principles of fairness, privacy, security, inclusion, transparency and accountability. We cannot abdicate our own responsibility for the models we create. So, just like GDPR protects human rights around privacy, we may need to have regulation on the good uses of AI.

SS: This sounds like it requires empathy: understanding technology from the user's point of view. Is this empathetic ability something that business leaders could work on?

SN: My success depends on my customers' success. That's the essence of business. If we're successful, it means we've somehow been able to meet the needs of customers, even their

unarticulated needs. But where does that inspiration for being able to be in touch with that unmet, unarticulated need come from? It comes from empathy -- that deep sense of understanding the real needs out there. It's not, "Oh, I talked to 10 customers and I'm doing exactly what they told me to do." It's going deeper to understand what's behind those words.

How does one invoke empathy? You can't just go to work and hit the empathy button every morning: "Now I'm going to be empathetic." Your entire life has to involve constantly pushing yourself to develop a deeper sense of empathy with those around you, recognizing that that journey never ends.

At Microsoft we've been trying to develop what we describe as a learning culture. Stanford University psychologist Carol Dweck wrote a famous book called *Mindset*, which shares a simple concept. Take two schoolchildren: one has great innate capability but is a know-it-all; the other has less innate capability but is a learn-it-all. You know how the story ends: the learn-it-all does better than the know-it-all. And that applies to CEOs, to companies and to company cultures.

The goal is to adopt that growth mindset and use it to develop a deeper sense of empathy, so that you can create those products and services that meet the unmet, unarticulated needs of your customers.

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