

TO: Steve Ballmer/Microsoft Corporation
FROM: Pam Edstrom, Melissa Waggener/Waggener Edstrom
SUBJECT: Microsoft Criticism
DATE: April 23, 1991



We have taken major criticisms of Microsoft and sorted them into three main perceived areas of problems: lying, cheating and arrogance. We have mutually agreed that each of the three areas need to be addressed with specific programs. What follows are the recommended actions to assure the industry perception of Microsoft is corrected.

LYING

We must keep in mind that the key way to overcome the accusation of lying is to establish a new pattern of making commitments and keeping them. It is difficult to do an articulation of history and how it's changed.

This accusation is a result of lack of clarity in Microsoft communications as well as Microsoft's tendency to over-promise and over-commit.

Solutions

- 1) Careful and appropriate articulation of systems strategy.
- 2) An improved strategy development process.
- 3) Better anticipation of responses to Microsoft strategy.
- 4) Improved internal communication and sell-in of Microsoft strategy.

Tactics:

- Press Tour. Steve to again articulate the system strategy.
- Extensive dissemination of systems white papers.
- Careful articulation of UNIX strategy.

CHEATING

This accusation stems from Microsoft's lack of articulation regarding its business practices. Specifically, Microsoft has not clearly stated the relationship between applications and systems; its business guidelines employed in negotiating delays with third parties; and the methods used to determine the value of intellectual property.

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Solutions

- 1) Articulation of relationship between systems and applications
 - a) How does systems do business? State and publish the following:
 - Big applications vendors are key to systems and the Microsoft applications group is a big customer.
 - Any ISV can contribute code to Microsoft systems for free or at a low cost. Microsoft welcomes industry participation:
 - PEZ (Aldus)
 - OLE (Microsoft)
 - Utilities (Central Point)
 - b) Explain how Microsoft goes about documenting internal and external interfaces/calls.
- 2) Articulate business practices:
 - a) Microsoft will always vigorously negotiate for the best financial terms possible.
 - b) Microsoft believes good business deals are based on:
 - Each company taking a long term perspective.
 - Prospective business partners viewing the deal from a long-term perspective and aggressively looking after their individual business interests.
 - Explicitly specifying a default in every contract for if either business partner fails to provide according to terms of the contract with an option for one partner to buy the project if the partner defaults.
 - Not paying royalties for software code for systems.
 - c) Microsoft will always apply good prudent business sense to the deal.
 - d) Microsoft moves more slowly than it once did in communicating third-party negotiations but will always move with the greatest haste possible.
 - e) Microsoft will willingly incorporate industry ideas into software design and will always follow the law and behave ethically to give verbal credit. Third-parties, for their own protection, should have Microsoft sign an NDA.

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- f) Add a boilerplate to Microsoft contracts that says if this contract does not explicitly call out terms, developers should assume nothing. It should be clear to the third-party if something is not written down, it does not exist. This would be similar to what is in IBM's contracts.
- 3) Review and blessing of Microsoft's business practices by a respected arbitrary party (i.e. a business professor).
- 4) Refine systems for negotiating with third-party code providers.
 - a) Consider not including joint marketing commitments into contracts. When/if discussions of joint marketing surface, Waggener Edstrom should be consulted. Too often Microsoft makes commitments to marketing tactics without a clear understanding of what realistically Microsoft can deliver. Microsoft must be precise in the marketing/PR commitments it makes and be prepared to deliver them.
 - b) The Microsoft "deal maker" must articulate and write down three reasons for each company to do the deal.
 - c) Conduct negotiations course for everyone at Microsoft who is involved in deal making. This course would cover:
 - How to negotiate with third-parties.
 - Laws applicable in negotiations.
 - Articulation of Microsoft business expectations.
- 5) From Microsoft's perspective, a third-party gains in a deal with:
 - a) Receipt of revenue.
 - b) Product or code gains and market acceptance as well as the benefit of industry standardization.

ARROGANCE

There are a number of customer satisfaction programs that we understand will be put in place. We have only articulated some of these. We will work with Scott to incorporate all.

This accusation stems from Microsoft personnel behavior and attitudes in dealing with customers.

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Solutions

- 1) Behavior expectations should be articulated when dealing with any customer. The combative and rude communications style must be eliminated.
- 2) Include component in negotiations course (above) on personal demeanor and style (i.e., learning what is perceived as arrogant behavior).
- 3) Focus should be shifted from "killing the competitor" to "providing a better solution to the customer's problems." All competitive materials and communications should reflect this including advertisements, memos, brochures, press releases, verbal communications, etc.
- 4) Focus on customer satisfaction (note: There need to be corresponding programs in Mike Maples' group, Multimedia, etc.):
 - a) Broad-based support
 - Developers
 - End-users
 - MIS-integrators
 - Tools for customers
 - b) Increased focus on usability:
 - Greater ease of use.
 - Ease of installation.
 - Greater incorporation of internal diagnostics.
 - Ease of upgrade.
 - Greater use of usability labs.
 - c) Research on customers should include a six-month follow-up on customer/product satisfaction.
 - d) Greater openness:
 - Use of customer councils
 - Corporate
 - ISV
 - Dealer
 - Open process with ISVs
 - Sessions for technical input
 - OLE 2.0
 - Color
 - Networking
 - System design review

PE:dh

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