



Struballme

MICROSOFT INTEROFFICE MEMORANDUM

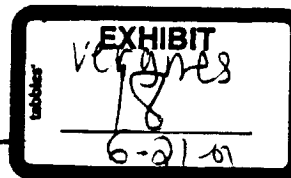
TO: List
FROM: Steve Ballmer
DATE: May 14, 1992
SUBJECT: EUROPE TRIP MAY 3 - 8, 1992

I visited four European cities between May 3rd and May 8th. My purpose was to meet many of the senior people in our European operations, hear their top challenges, understand what help they need and share my view of our top level goals and strategies for FY 93.

Overall, I was incredibly impressed with our people in Europe — sharp, motivated, and in command of their businesses. They had many ideas on things we can do to improve. The suggestions are not specific to Europe.

PRODUCT LOCALIZATION FEEDBACK

- 1. Simultaneous shipment of localized product in major languages is required for major products — Windows (all flavors), Word, Excel and Office. Delays really impact customer satisfaction. Currently our Sparta plans are far from this. ACTION/DO: Mikemap, Bradsl.
2. The quality of localized product must be excellent. These are major businesses. Two types of problems arise: low quality of the localization's and new bugs introduced in the localization process. Windows 3.1 and Word for Windows 2.0 are examples of this. In addition, the product group and IPG Ireland must take responsibility for testing their products. Subs are being told the subs are responsible. ACTION/DO: Mikemap. INVESTIGATE: Chrisp and Bradsl to investigate how this happened.
3. Serious bugs in localized products for major markets — France and Germany in particular — must be treated as seriously as bugs in US product. Rogera, in France described a bug in French Word for Windows that sounds like it needs an immediate a) release — not one that can wait until US a) release. ACTION/DO: Mikemap, Chrisp. To highlight the problems for management I will get PSS to produce an Off-line Plus for major localized products.
4. Competition (Lotus and WordPerfect) apparently does a better job of localization than we do in general — equivalent or better quality, more function, and better schedules for all languages. We should do a competitive review to understand how much better they are and why. ACTION/DO: Mikemap.
Horror stories abound for smaller market localizations (Finland, Sweden, Eastern Europe). We are just shipping Finnish Excel 3 and have no plans to do Word for Windows in Finland, Czechoslovakia until next year and then the products will not have proofing tools. Fix this. ACTION/DO: Chrisp.
5. What is the Blue Janus localization schedule? Upgrade Janus? These should be simultaneous shipments. ACTION/DO: Bradsl.
6. We still have no localized Windows 3.1 OAK's. This costs us a lot in OEM and End User customer satisfaction. I think this requires a simple set of changes to the pre-installation utility. ACTION/DO: Bradsl.



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PRODUCT CONTENTS/STRATEGY FEEDBACK

1. Lack of OS/2 support in our tools may alienate solution providers. This seems most true for C but it could impact Visual BASIC, Fox, and Cirrus. ACTION/INVESTIGATE: *Chassz*.
2. Does Sparta include Winnet drivers and UI to allow users to seamlessly connect to and browse Lan Manager and Netware servers? It should. ACTION/INVESTIGATE: *Bradsi*.
3. Our strategy for Sparta and LM is silly unless we move to client based pricing when Sparta ships. ACTION/DO: *Dwayne*.
4. Do we have an upgrade strategy for LM clients to Sparta? We need one. We also need to be able to tell customers Sparta is our only LM Windows client after Sparta is available. ACTION/DO: *Bradsi*.
5. Will we still have a serial/parallel cable we endorse for people to connect Sparta machines like Laplink does? ACTION/INVESTIGATE: *Bradsi*.
6. Do we have a 256 color Super VGA driver for Windows yet? When will we? Is that why we are missing a Tseng Labs video card driver? ACTION/DO: *Bradsi*.
7. Rolfs knows a group in Sweden that could build a set of EDI services for Windows. I think that we should investigate doing something with them and perhaps other partners along the lines of the Windows Financial Services Architecture. I sent the materials to a number of people and asked Russw to investigate.
8. We do not have a consistent way of serializing our products. Windows and Excel are inconsistent, for example. Also, do we serialize MLP's? Multi-MLP's? Should we? ACTION/DO: *Mikemap*.

OEM FEEDBACK

1. We need an agreed strategy on OEM apps licensing. The options today look poor — losing the business or dramatically lowering our prices versus retail. This will require brainstorming. ACTION/DO: *Steveb*.
2. We need to make sure International Marketing participates in the Windows OEM Task Force. ACTION/DO: *Jonre*.
3. I agreed that Rolfs can split ICL/Nokia OEM revenue for management reporting purposes. F&A Corporate does not need to do anything. Rolfs will make sure the Northern region people show this properly in business plan reviews etc. ACTION/DO: *Rolfs*.
4. We need to pursue OEM's who sell MS-DOS unbundled from their machines even more vigorously. Bengta believes even DTK does this. ACTION/DO: *Joachimk*.
5. Microsoft France is negotiating a deal with Dell to sell our Apps and their hardware as an upgrade for older machines in the installed base that cannot run Windows. I had also been thinking about this. We need technology to make it simple for the user to transfer his files to the new machine, preserve his environment, migrate from Lotus 1-2-3, WordPerfect etc. ACTION/INVESTIGATE: *Bradsi, Pete*.
6. Our OEM commission system distorts GM's views of Package DOS versus license amongst other things. I will fix this in the measurement system for FY 93. ACTION/DO: *Steveb*.

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MSU FEEDBACK

1. We have no clear MSU strategy. Are we trying to license courseware, sell self paced instruction, or give courses? Our courses are not sufficiently well documented to license them so some subs make an additional investment in the courseware. We all want to build up third party training infrastructure and believe we should develop some courseware but need a more complete view. The subs pay for MSU today and feel compelled to do something but are unsure what. The subs also do not have a clear leader for their efforts in MSU. ACTION/DO: *Jeffr.*

PSS FEEDBACK

1. I want an Off-line Plus created for Europe. It should include major products only (Windows, Word, Excel, Multiplan) and start with major languages. This will help highlight quality problems for business unit management. ACTION/DO: *Pattys.*
2. We need a monthly summary of PSS status on key products by sub. I think we may need to be more responsive in increasing PSS headcount in the subs and this would highlight problem areas. ACTION/DO: *Pattys.*
3. Some sub PSS managers believe we should only support registered users. This would decrease demand and increase registration. Pirates and OEM users could be excluded if the database was on-line. ACTION/INVESTIGATE: *Pattys.*

MARKETING FEEDBACK

1. Bernardv will join the Image Focus Squad. He will generally participate by phone. The meetings should be scheduled with him and for first thing in the morning. ACTION/DO: *Garygi.*
2. I asked each large sub (UK, France, Germany) to do a customer satisfaction study like the one done in the US. I want the subs to take ownership and fund but have Jimm ensure consistency in the questionnaires and methodology. All subs want to know what to do. Competitors should be included. ACTION/DO: *Jimm.*
3. The French sub has a very clear thoughtful advertising creative and media strategy. It promotes a coherent message from Microsoft and uses a disciplined approach to spending ad dollars against customers. All subs, including the US, could benefit by understanding it and considering. ACTION/DO: *Garygi, Jeansgui.*
4. The French registration card is great. I want to consider their approach in major markets. They have a giveaway and really sell the benefits of registration. It is also not expensive. I have a copy which I will send to Garygi. ACTION/INVESTIGATE: *Garygi.*
5. Do we register MLP users? How? Should we? ACTION/DO: *Garygi.*
6. There is no significant software only reseller market in the countries I visited. I think this makes it substantially harder to sell to the installed base. This impacts things like upgrades, MS-DOS, Windows, Jumbo, etc. We need to be more creative in this area. Europe has been less successful than I might hope selling these products. Also, our transfer pricing system makes these products look less attractive to promote at low prices where they might sell better. In some countries, pricing the MS-DOS upgrade so its street price is equivalent to our magic \$49 drives their resale price close to or below transfer price (Sweden? Germany?). We need to make sure transfer prices don't get in the way. ACTION/DO: *Jeffsa assisted by Brade.*

F&A FEEDBACK

1. Apparently, we have been back ordered on MLP's for Sweden for three months. Nothing seems more ludicrous to me. This should never happen. ACTION/DO: *Frankga.*
2. Worldwide, I would like to understand all MIS systems used by PSS and Sales people. What is the same in the US and other subs? Different? Who has customer databases? Who uses Aspect? What is outsourced? CMS at least will be a key system in a unified Europe. ACTION/DO: *Neile.*
3. I want to understand accounting for reseller marketing funds and rebates. These should be treated the same in the US and other subs. ACTION/DO: *Mikebro.*
4. There is much concern in the subs which I share about some exploratory thinking to centralize fulfillment in Europe. I am open minded though to proposals that ensure the local GM manages all direct customer interface. We hold the GM's responsible for customer satisfaction. We can off load logistics from them perhaps but not customer interface.
5. We need to kick off an effort to revamp the measurements we use to allocate resources and judge success in the subs. I learned alot about how today's measurement system (the current transfer price P&L) distorts decision making. High transfer prices discourage price promotion, OEM commissions bias GM's to retail etc. In a unified Europe this will get worse. There really could be a day when all Euro distributors are in Ireland, and the subs would have no revenue. We need to decide what is important, what F&A can track, and what will not affect our tax P&L's. Johncon will drive this. Kevin Dillon plus representatives from tax and accounting should start work on this. Target would be FY 94 implementation.
ACTION/DO: *Johncon.*
6. We seem to make things hard for the subs in random ways. France has done a great registration card. Manufacturing will not use their reg card in French products so France adds it as marketing materials. This cuts their marketing budget and confuses the customer with two reg cards. I am sure there was a good reason but let's fix this. ACTION/DO: *Frankga.*
7. There were some examples of Microsoft wasting money that GM's highlighted for me. Overuse of DHL to Europe was one of them. Let's fix this. ACTION/DO: *Jonre*

LARGE ACCOUNTS

1. As a company we do not have an obvious large account approach. What is our model of when an account justifies an account manager? What do you use SE's for and when? When do we do agreements with accounts? What is our standard agreement? How do we allocate resources to supporting geographically diverse national or international accounts? We need a well articulated strategy in this area that the subs can customize. I need to be educated on the US approach in these areas but it seems ad hoc. This also seems to be an area where there is less export of methodology from Redmond than we need.
ACTION/DO: *Jeffr, Johnni on agreements.*
2. The US does have a training approach for SE's and large account managers. We need to leverage this outside the US. ACTION/DO: *Jeffr.*
3. I think SE's outside the US should consolidate their customer feedback into Off-line.
ACTION/INVESTIGATE: *Jeffr.*
4. CATM is helping immensely sell against OS/2 worldwide. Do we have enough CATM resources? Should we have a CATM group in Europe? ACTION/INVESTIGATE: *Jeffsa.*

SOLUTION PROVIDER FEEDBACK

1. We clearly have no general approach to working with these people. We need to formulate such an approach as well as ways of targeting critical sub-groups (like vertical markets). John Neilson owns this. He should attend a Euro marketing manager's meeting to share his current thinking and get ideas. Many of the subs have ideas on how to work with these third parties. June is the next Euro marketing manager's meeting. ACTION/DO: *Johnni*.

GENERAL MANAGEMENT FEEDBACK

1. There was general sentiment that as we have grown (people, layers of management, products), we have not kept our management systems simple or well delegated. In other words, we are getting bureaucratic. I will list concrete pieces of feedback but there may be other things we need to do.

a) The review process is overly centralized. Senior management appears to review individual raises and change them with little reason. We should change the approval process so senior management approves aggregate information and directors and country managers handle the details. Is this a problem in the US? ROW? ACTION/DO: *Christh and Mikemur to make a proposal to Bernardv and me.*

b) Business planning takes too much time and has too much focus on small details. We need to start business planning later (with better Redmond input), simplify the models, shorten the presentation materials and perhaps not push budgeting so deep in the organization. Changes made this year to focus the mid-year reviews more on strategy versus numbers were helpful for the subs. ACTION/DO: *Johncon to lead a group, including finance, to change dramatically for next year. Also, look at other changes, if any, we should make to the mid-year review.*

c) The role of EHQ needs to be clear. Subs work for Bernardv not for EHQ. People should not talk about waiting for EHQ decision or Redmond finance decisions on things. They should talk about the GM's decision, the regional director's decision, Bernardv's decision, my decision or Billg's decision. Management makes decisions. Other organizations give management important input or guidance but management decides things. These same comments apply to the dotted-line relationship the Euro finance people have to F&A. It is a great aid and input but direct-line management must still take responsibility and make swift, clear decisions when necessary. We will be slow moving and bureaucratic without this clear chain of command.

d) There are operating decisions and approvals we should consider moving further down the management chain. Budgeted CER approval, transferring authorized headcount between departments and transferring authorized expense budgets are examples of these. Some things should only require GM approval, many should only require director approval and only a few should require Bernardv's approval. I also do not think any of these should require approval outside the direct chain of command but the person approving it should get whatever counsel they need from F&A, Legal, Intl. PSS, etc. ACTION/DO: *Bernardv.*

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2. There is good communication in most ways between the US group, the business units and the subs. IFM's, International Marketing, and other international specialists in OEM, PSS, etc. do a good job with exceptions I have noted. However, there is little regular communications on priorities and strategy from the business unit managers and me (in my new job) to the subs. I want to do several things to help this. First, Jonre should attend all four campaign focus squads and summarize the meetings for international directors and GM's as appropriate. Second, I want to get a set of business unit leaders, (VP's at least) to visit Europe regularly (once a year?) and meet with GM's as well as customers. Third, I will visit Europe three weeks a year and will allocate at least half of that time to getting internal feedback and communicating strategy. Fourth, I will continue the focus of the WWCM on strategies and priorities. Fifth, I want feedback on whether I should do a quarterly videotape on our goals and strategies. Lastly, would it be useful to have Billg, Mikemap, Paulma, Peteh and me regularly do some sort of on-line conference for GM's? Is that technically possible? ACTION/DO: *Johncon.*

3. I want there to be a regular way for people in the subs to flag issues they need help on from corporate. I got invaluable input on my trip and want to get it regularly. The US group includes monthly alarms (one, two, three or four alarms) in their monthly report. The alarms can be sales, marketing, management or bureaucracy help. I want some method for the GM's of subs to regularly ask for help. This can be done through a monthly report, an email alias, or other means. I will ask Johncon to figure out the best system to get these from the subs in front of the right people at Corporate. ACTION/DO: *Johncon.*

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