



April 26, 1995

DJL 95 117/353

To: Mr. D. L. Harrington
 Ms. J. M. Heinsohn
 Mr. B. M. Johnson
 Mr. D. J. Lautenbach
 Mr. L. K. Loucks
 Ms. C. J. Miller
 Mr. D. L. Schleicher
 Mr. G. L. Sepe
 Mr. H. T. Sundberg

From: Mr. L. R. Reiswig

WOW!!!

.....Lee

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Attachment

Reiswig
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Office of the General Manager
IBM North America

April 19, 1995

MEMORANDUM TO: North America Client Executives
SUBJECT: Our Commitment to Win Against Microsoft

While it is obvious that Microsoft competes directly with our desktop operating system and middleware businesses, they also compete with our midrange, mainframe, and services businesses. Let me share with you some background on Microsoft's recent and planned actions:

- Microsoft is attempting to embed more and more function and "hooks" into the layers between hardware and operating systems, operating systems and applications, and between applications and user interfaces. By controlling these interfaces and limiting access to their APIs, they can be first to market with key applications and functions. They force customers to wait until Microsoft is ready to deliver while shutting out other ISVs by making the APIs unavailable. Microsoft's own customers, and the rest of the industry, are growing impatient with these tactics.
 - Microsoft Office and WOSA (Windows Open System Architecture) both have built-in hooks for industry-specific application development. This is designed to lock industry ISVs into Microsoft-only platforms. Microsoft's aim is to own and control all the standards that software developers must adhere to. Openness to Microsoft means that anyone is welcome to write to Microsoft standards. The control of the standards rests with Microsoft.
- In contrast, the open standards approach which IBM and other industry leaders have adopted, allow each vendor to apply their strengths and technologies to solve common customer problems. The end results are solutions which integrate easily and work well together.
- Working closely with Intel and Compaq, Microsoft is attempting to move the industry away from "IBM compatible" to "Windows compatible" PCs. They are working to develop industry standard hardware optimized to Microsoft software.
- Tight coupling of hardware with Microsoft's operating systems will effectively limit customers' ability to freely select application and network software. More importantly, customers will no longer be able to capitalize on their existing PC install base. Their ability to run their OS/2 applications will be endangered. If customers choose to move to new releases of applications, they will likely be forced to move to the new hardware which will advantage Microsoft solutions. With NT's support for SMP and RISC processors, they are obviously also targeting RS/6000, AS/400 and mainframe servers.

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- They have already openly targeted System/36 and AS/400 customers as candidates for migration to the NT platform. Many of you have already seen and heard of Microsoft's pinpoint advertising, direct mail campaigns and seminars designed for this purpose, under the guise of "industry seminars". These seminars quickly turn into blatant sales presentations where NT is advocated as the server platform which will deliver performance enhancements and cost savings. Benchmarking and cost comparisons prove that these claims are simply not true. Another thing - our midrange platforms enjoy more ISV support than any other platform in the industry.
- With Windows95 and Microsoft Network, Microsoft poses a threat to our Advantis and Global Network businesses. IBM is striving to create a commercial opportunity for a wide range of businesses, providing a service to business and end users. Microsoft's plans include acquisition of key application software and interfaces, in order to be the "gatekeeper" or "toll collector" for consumer and enterprise transactions.
- Their BackOffice product provides packaged middleware and server products encompassing database, systems management, communications and mail servers. It is priced to take significant market share quickly; and minimize server opportunity for IBM.

BackOffice is no more than packaging. If you take apart the package, (7 CDs with 5 installs) the individual components do not stack up to our own products that perform the same functions. In addition, we offer a stronger value proposition to our customers: Microsoft BackOffice products are supported ONLY on Windows NT. Most customers prefer IBM's open strategy in which we support a variety of servers, and scalability to the largest mainframes.

These tactics are disturbing, not only to us, but to our customers, too. Customers tell us every day that they want and need products which are open. They want to choose and integrate the right set of products for their business. They want investment protection. They want to work with vendors who understand their enterprise issues, and how to apply technology to make them more competitive. They want to be told the truth about what to expect from a vendor's products and delivery timetables.

What must we do?

- We must tell the total IBM story to our customers; Clients, servers, hardware, software, and skills, how we can help them integrate, implement and manage enterprise client/server and distributed computing needs from handhelds to mainframes; versus first generation 32-bit clients, clever packaging and unproven server solutions from Microsoft.
- We must know, understand and describe the difference between truly open alternatives and proprietary "standards".
- We must articulate our technological leadership with OS/2 Warp, SOM, DSOH, DCE, OpenDoc and the entire IBM Open Blueprint.

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- On the desktop, we must always lead with OS/2 Warp. It is no longer acceptable to look the other way while Microsoft sells desktop or server software in the hopes that our hardware will get "dragged" along with the sale. Microsoft does NOT recommend IBM hardware. You must be proactive and engage NT competition in your accounts. Adopt a "no-lose" policy against Microsoft. Approach every NT situation as you would a major competitive threat to your mainframe, midrange, DASD, or network business.

To help you, Ralph Martino and his team are setting up an "NT Winroom". Through this Winroom, you should be able to access any and all IBM resources you need to win. I will be personally reviewing the top 200 NT account situations to see how I can help you win.

This subject commands top priority from everyone in IBM North America. If you don't share this view, then please call me, because I expect no less from you.

R. M. Stephenson

RMS:aw

cc: Mr. G. W. Corgan
Mr. R. F. Martino
Area General Managers
ISU General Managers

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