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¹ In the world of personal computers, the Microsoft name is well known. The Microsoft Corporation is an industry leader in computer software development. Through aggressive and effective strategic management, Microsoft has become the world's largest and most successful software manufacturer. Its MS-DOS operating systems and Windows XP became industry standards. With a focus on the future, continually developing innovative products and expanding into new technologies, Microsoft will remain a leader in the computer industry.



² Microsoft is not only the largest computer software company in the world but also the most powerful. Its technological smarts, widely praised management, and aggressive, competitive nature have made it a juggernaut influencing almost every aspect of personal computing (Sugawara, 1993). One of the reasons for Microsoft's success was its MS-DOS operating system. Through a joint venture with IBM, Microsoft was able to establish MS-DOS as the industry standard for IBM-compatible applications. Most personal computers were equipped with MS-DOS when sold. It became the world's most popular operating software, with no close second, used on more than 80% of all personal computers (Sugawara, 1993). In addition, Microsoft Windows has had a great influence on the compatibility and accessibility of personal computers.

³ The computer software industry is extremely competitive. It is a "sink or swim" industry in which Microsoft dominates the competition because of its various strengths. In fact, during a recession in which many companies incurred record lows, Microsoft recorded its first billion-dollar quarter, with earnings up 26% and profits up 35%. Also increased were amounts spent on

research and development, a 20% increase over the previous quarter (Andrews, 1993a). Microsoft traditionally spends well above the industry average on research and development. It makes investments in just about every new technology that appears.

¹⁴ Though Microsoft emphasizes product development, perhaps an equally crucial ingredient in its success lies in its management strategies and objectives. Rather than complete concern for profitability, founder and chairman Bill Gates emphasized continually increasing Microsoft's market share within the industry while maintaining a relentless long-term focus (Andrews, 1993b).

¹⁵ One of its strengths has always been the ability to attract large business. In one month, Microsoft signed more than 200 organizations to large-scale volume purchasing and maintenance agreements for its products ("Microsoft Says," 1993). Microsoft has been able to attract so many customers by utilizing a range of innovative, though controversial, marketing tactics. While its promotional tactics have been widely successful, its pricing strategies and trade practices have been criticized.

¹⁶ Since June 1990, Microsoft has been under investigation three times by the Federal Trade Commission (FTC). The company was also investigated by the Justice Department for antitrust law violations. It was accused by its competitors of using the market power of MS-DOS to compete unfairly in the software market, and allegedly of building features into its software that made competitors' products incompatible with Microsoft software. Microsoft also offered large discounts to computer manufacturers that agreed to pay royalties on every computer shipped rather than sold (Lewyn & Rubello, 1993). Other allegations include predatory pricing: undercutting the competition by selling products at a loss.

¹⁷ Despite allegations of illegal trade practices, not all of Microsoft's competitors hold a grudge. The industry has benefited a great deal from Microsoft. By Microsoft's count, more than 500 companies have emerged just to create software for Windows, resulting in more than 17,000 jobs. In total, more than 16,000 software companies nationwide have been involved in developing software for Windows (Sugawara, 1993). Most of these companies are dependent on Microsoft and so are careful to maintain good working relations with the company. The success of many smaller software companies can be traced to their ability to learn from and deploy Microsoft's own marketing techniques (Andrews, 1993b).

¹⁸ Microsoft's domination of the software industry can be largely attributed to its products available for application software and to its ability to secure market shares for these products. . . . However, not all of Microsoft's application software has done well. Specialized packages such as Microsoft Money, financial software designed to compete with Quicken, received favorable reviews but did poorly in the marketplace (Andrews, 1993b).

¹⁹ Another focus of Microsoft is growth and development of technologies such as CD-ROM and multimedia computer capabilities. Microsoft's own Open Data Base Connectivity (ODBC) drivers allow access to popular network database servers such as Oracle, dBase, SQL Server, and Paradox (Mace, 1993). Soon, Mac users can run IBM PC-compatible software, and vice versa. Microsoft, along with Insignia Solutions, developed software to allow Windows to be run directly on a Mac CPU (Rizzo, 1993). For office integration, Microsoft's software provided companies with the convenience of integration through means of a new generation of management applications, uniting data and telephone management, and networking fax machines, copiers, and telephones.

^{¶10} Such technologies exemplify Microsoft's commitment to remain ahead of the competition. Although some companies have criticized and questioned Microsoft for designing such products, this attitude and belief in innovation and the future make Microsoft the industry leader. It has recently been expanding its research efforts in interactive television, movies on demand, integration of office equipment and development of new home devices (Andrews, 1993a). Some of these products may seem useless and unnecessary, but this is often the case when technologically advanced products are first introduced. Products such as microwaves and VCRs received similar criticism during the developmental and introductory phases of their product life cycles.



^{¶11} As for the future of Microsoft, it is working together with communications equipment manufacturers to develop new products, and is examining how people create and move documents and how to improve the process. A decade ago, Bill Gates expected the fastest areas of growth within the computer industry to be pen computing, CD-ROM, corded telephone use, and flat-screen technology. Frontiers Microsoft was working on ways to combine computing and communications and on artificial intelligence (Kirkpatrick, 1993).



^{¶12} With its focus on the future and continual commitment to research and development of new products and technologies, Microsoft will continue to grow and succeed. Effective strategic management has played a key role in its success, with strong commitment to long-term planning, promotion, and competitiveness. Through product innovation and aggressive marketing, it will continue to dominate the computer software industry.





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