

Portfolio Management Business Development Investment Research Global Perspective

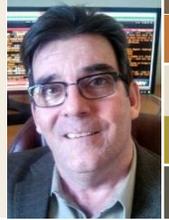
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Corporate Strategy

The goal of Microsoft (MSFT): “the market LOVES using the MSFT product / service.”

Unfortunately, the MSFT application, design strategy prevents the organization from achieving this goal in the market – because too many products / services offered by MSFT degrade the brand of MSFT. Take Office 365 for example, Outlook in this case. The application, design strategy creates a fundamental flaw in the software service. Ignore Google and Apple right now, and limit the argument to just the Windows operating system. How many versions (applications) does MSFT offer which provide email, calendar and people services to the enterprise and consumer markets? Way Too Many!

MSFT charges a subscription fee for Office 365, but the Outlook application doesn't easily connect to Gmail – even though Gmail continues to capture market share. Apparently, Outlook uses an older connection protocol. However, the Mail application in Windows 10 uses an up-to-date connection protocol and connects seamlessly with Gmail.

Under the previous administration, MSFT misread the market potential of Mobile – because the organization focused on its legacy and short-term profitability. As a result, if a user wants to stay connected, consistently and efficiently, a user must choose between an iOS or Android operating system.

Limit the argument to just the Windows operating system, why design, develop and maintain separate applications to essentially provide the same software service?

This type of application, design strategy creates a managerial nightmare – because it essentially creates a permutation. Trying to connect the dots in software development – with so many applications essentially providing the same service – eventually leads to dissatisfaction in the market. Invariably, something breaks down along the chain of truly creating a satisfying experience for the user of a MSFT product / service!

At the Bank of America, Technology conference, Parker Harris, the co-founder of Salesforce (CRM), was asked the question: “Why has CRM grown so fast?” He attributed much of the success to the CRM application, design strategy. The One Software / One Service approach makes it easier (more efficient) for CRM to manage the user experience and provide the market a software service that consistently works from end-to-end – creating real, user satisfaction.

At one time, MSFT had a dominant position in the consumer market segment. The organization lost this dominant position, because the organization focused on its legacy and short-term profitability, which created an environment unwilling or unable to accurately assess the long-term, market potential of Mobile. Fortunately, MSFT has a dominant position in the enterprise market through the Windows operating system.

Conceptually, it's easier to penetrate the consumer market than the enterprise market, and this makes the dominant position in the enterprise market a competitive advantage for MSFT. Mobility and cloud security require a reliable connection in both markets: consumer and enterprise. Utilize the dominant position of the Windows operating system and build an Azure bridge between the consumer and the enterprise. Essentially, create a seamless environment between the consumer and enterprise market segments.

To accomplish the goal of MSFT, the organization must better understand the economic drivers in the market. To really maximize the creation of economic value in both markets, MSFT must **learn** to serve the consumer and monetize the enterprise, because the economic value created in one market grows exponentially in the other market. In this case, the consumer market naturally feeds the enterprise market. This produces exponential growth in the market, especially when the economic interests align between the markets.

MSFT must give away the consumer software service for now and monetize the greater functionality / security within the enterprise software service. This strategy creates a virtuous circle of economic value, because “the more consumers using the MSFT (SaaS), the more economic value MSFT creates for the enterprise software service.” Fortunately, the enterprise market remains the strength of the MSFT organization!

Intuitively, it's easier to perfect One Software / One Service, than perfect Multiple Software / One Service. Connecting the dots in software development becomes increasingly difficult as an organization grows, offering any service to the market.

MSFT must adopt One Software / One Service (SaaS), focus the engineering and simplify the software development process. A simplified application, design strategy would create a satisfying, user experience for each SaaS, and ultimately realize the goal of the organization: “the market LOVES using the MSFT product / service.”

Sincerely,
Ken Copley
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