

Microsoft and IBM

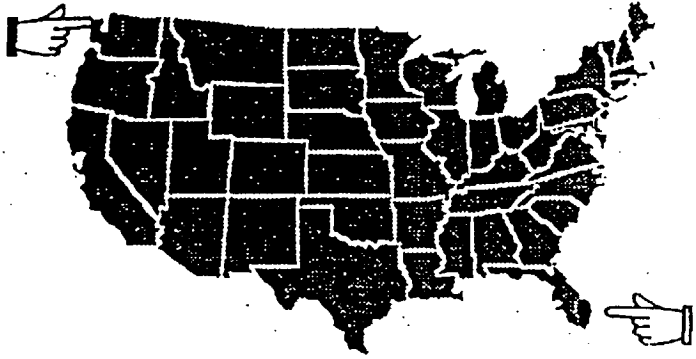
a presentation of

**Rubin, Oki, Shirley, Butler,  
Silverberg & Associates**

"We can tell you what to do; doing it is up to you!"

Microsoft Executive Staff Retreat,  
May 10 - 12, 1990, Hood Canal, Washinton

Microsoft and IBM



Ever wonder why they put us as far  
apart as possible?  
(With apologies to Alaska and Hawaii.)

X 205841  
CONFIDENTIAL

EXHIBIT  
34  
OKI  
6/13-01  
PERGID-Byeones, N. J.

X205841

Microsoft and IBM

## The Ideal Relationship

- the technology partnership
- the marketing partnership
- the business relationship

## A Minimal Acceptable Relationship

- divorce criteria and contingencies

Microsoft and IBM

## The Ideal Relationship

X 205842  
CONFIDENTIAL

X205842

Microsoft and IBM

## The Ideal - Technology

Our traditional systems products (plus LM?)

- Microsoft the sole creators
- listen carefully to customers, esp. IBM
- how to control IBM random requests?

Server Comms and Databases (and LM?)

- a development partnership
- development and productization
- "standards" for non-mainframe mail

Microsoft and IBM

## The Ideal - Technology

- A joint venture Research Company
  - to *productize* IBM's great research
  - speech
  - handwriting
  - imaging
  - rule-based systems

This would *not* be threatening to Japanese and other OEMs if all the results were licensed to them.

X 205843  
CONFIDENTIAL

Microsoft and IBM

## The Ideal - Marketing

- IBM supports all our client OS
- IBM supports our server OS and apps

Microsoft and IBM

## The Ideal - Marketing

- A good marketing relationship requires congruence of priorities and strategies:

### Differences:

IBM = something for everyone

MS = unidimensional

IBM view of server

We both do applications

### Congruence:

IBM = must lead desktop

MS = must lead desktop

SAA/CUA, OS/2, Windows

We both do LM/Server

X 205844  
CONFIDENTIAL

X205844

Microsoft and IBM

### The Ideal - Marketing

A good relationship will be impossible in 18 months if there are significant account management conflicts or channel conflicts.

**Channel Conflicts:**

Solve with co-labelling

Requires right biz deal

**Account Conflicts:**

SQL & Comm is fatal

Either:

We sell theirs

They sell ours

We both sell each other's

We merge theirs and ours

Or...

MS gets out of the biz...

Microsoft and IBM

**Account Conflicts:**

SQL & Comm is fatal

Either:

We sell theirs

They sell ours

We both sell each other's

We merge theirs and ours

Or...

MS gets out of the biz...



**Prioritized Choices**

1. They sell ours

2. We merge theirs & ours

3.

4.

The Choices .re. Server Database and Comm.

X 205845  
CONFIDENTIAL

Microsoft and IBM

## The Ideal - Business

IBM must pay MS a fair amount, given their role  
as a standard setter

MS must make money on OS/2, DOS, LM etc

Don't stress the auditing stuff

Microsoft and IBM

## The Ideal - Business

Recognizing who will make OS/2 a success....



The key to OS/2 success is  
**large accounts.**  
IBM has done a lot on LA evangelism;  
Microsoft needs to do more.

X 205846  
CONFIDENTIAL

X205846

Microsoft and IBM

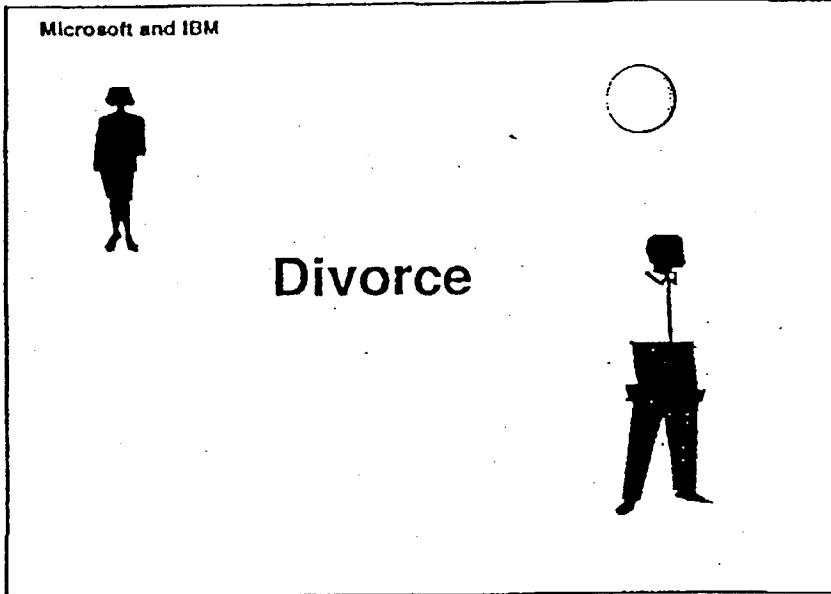
**Minimum  
Acceptable  
Relationship**

Microsoft and IBM

**Minimum Acceptable Relationship**

- MS must control MS-DOS
- OS/2 must start bringing money to Microsoft
- Change contract & streamline processes of OS/2
- MS must strengthen Large Account work
- Both must stay committed to OS/2 (else, divorce!)
- Conflict on server is "ok" for minimal relationship

X 205847  
CONFIDENTIAL



Microsoft and IBM

**If we should have to divorce ...**

IBM might license DOS and OS/2 to other OEMs  
Use FUD and past MCA examples

MS continue pushing OS/2

Put NT OS/2 on front burner

MS develop "DOS plus super Windows"

• Create OEM advisory board  
(Compaq, NEC, Olivetti)

Sell DOS & Win, and OS/2 retail to IBM PCs

X 205848  
CONFIDENTIAL



# To Win

Strategic decision win

> somebody bets their business on us!!!

Troops in our crusade!!

ISV's	Strongest
OEM's	Medium
Corporate	Strong-weak

We have this on the desktop - with DOS (Windows soon?)

We do not have this on the server

X 205849  
CONFIDENTIAL

X205849

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# How - In Detail

## SQL

Encourage SQL-C  
Sign up Oracle  
Treat Sybase as opportunity

## File Service

Bundle Novell indir  
Define open "sockets"  
Include one of the Unix's?

## Admin

Put support in management OS  
Possibly exploit uniquely?  
Means we cannot do whole management

## Embryonic Apps

Transactions in OS  
Distribution apps tools  
OODB strategy?

X 205850  
CONFIDENTIAL

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# Desktop

On the desktop, we have a strategic win today (monopoly)

We must keep the desktop

Winning the server is secondary

Opportunity not a requirement

Depends on definition of "win"

Server Study Group      FY91 Executive Retreat May 11-12, 1990

X 205851  
CONFIDENTIAL

X205851

# The Server Today

- + File/print service (Novell, Banyon)
- o Admin services (Novell..)
- + Database (Dbase, Paradox, Oracle, IBM, Sybase...)
- \* Workgroup apps (notes, x400..)
  
- + = Microsoft won't dominate soon
- \* = Big long term opportunity
- o = Reasonable potential

X 205852  
CONFIDENTIAL

X205852

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# Server Win

Change the rules enough that:

- \* Business opportunity in file service and database
- \* Opportunity for strategic win in embryonic segments
- \* Contain the market share winners

Don't assume dominant market share

Don't take Novell head-on unless it makes business sense as an opportunity

X 205853  
CONFIDENTIAL

X205853

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# How?

Where we can't dominate, reposition the segment as a multi-vendor commodity market

- \* Isolate segment behind open interface sockets
- \* Play on fact that competition within the segment encourages them to sign up
- \* Our system software and applications won't care
- \* We can have some then, but not much
- \* Our net business relies on marketing rather than design tie-in
- \* Our products threaten others enough to keep them focused

Encourage new categories to shift balance of power away from present core areas.

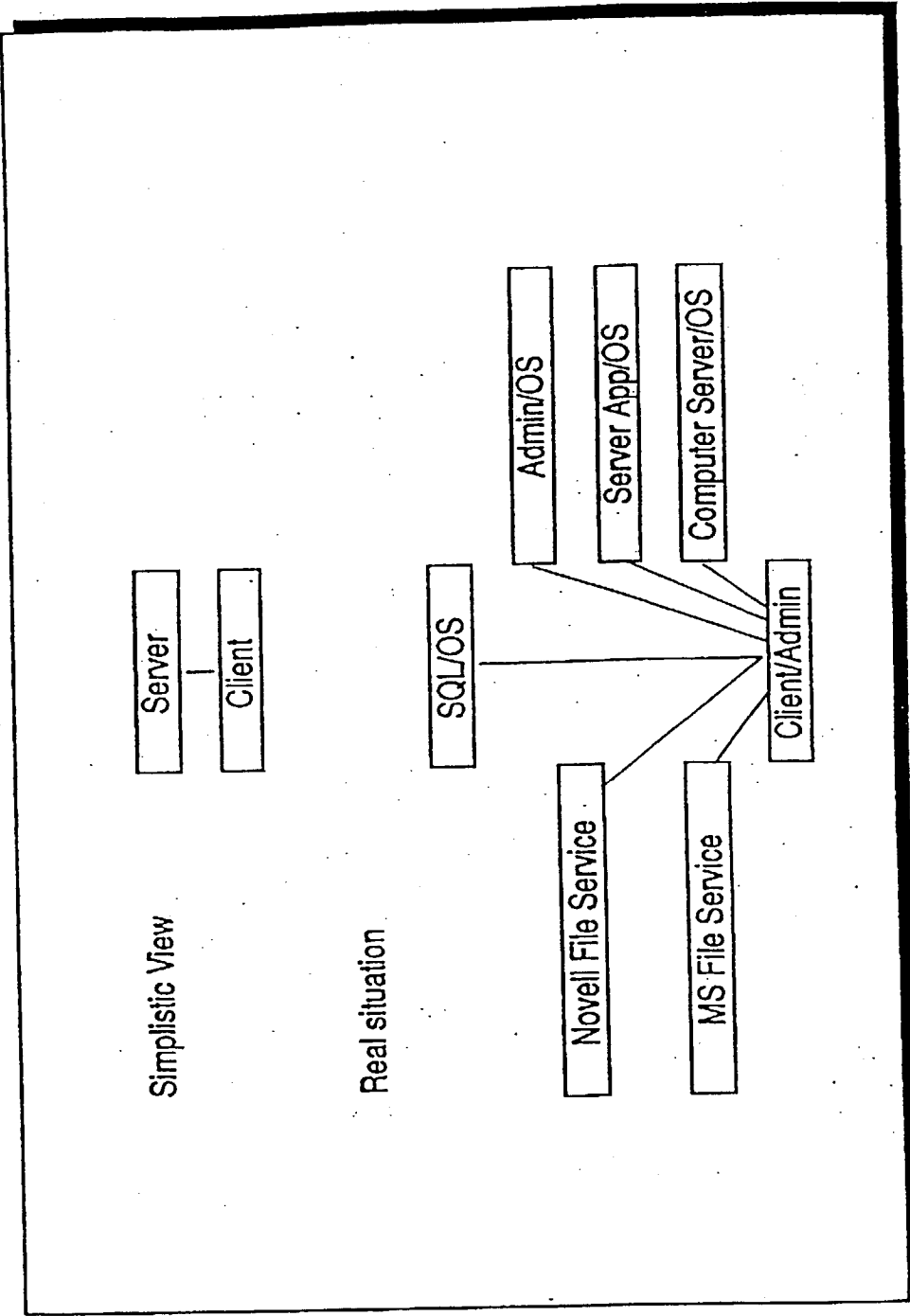
- \* Promote diversity (multi-user ISAM versus SQL)
- \* Leverage 3rd parties - example
  - Make great tools for new distributed app ISVs
  - Don't try to do it all ourselves (our OS + our servers)

X 205854  
CONFIDENTIAL

X205854

Server Study Group

FY91 Executive Retreat May 11-12, 1990



FY91 Executive Retreat May 11-12, 1990

Server Study Group

X 205855  
CONFIDENTIAL

X205855

# Can You Attack Desktop from Server?

WHO?

SQL Vendor (Oracle)

Not if SQL-C breaks special tie to client

File Server (Novell)

Hard to close momentum gap with Windows

Server OS (Unix)

Not far ahead today.

Need some special tie to client

Windows momentum

X 205856  
CONFIDENTIAL

X205856

Server Study Group

FY91 Executive Retreat May 11-12, 1990



# Are We Doing the Right Thing Today?

## Philosophy:

- \* Our default mindset is based on dominance
- \* Default assumption that the way to neutralize a competitor is brute force conquests.

## Our Conclusions:

- \* No reason to compromise profitability in a bid for dominant market share.
- \* We can achieve key strategic goal to prevent using server as a blockhead for conquest of desktop without getting dominant market share on server.

X 205857  
CONFIDENTIAL

X205857

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# Whole Net Problem is Tough to Swallow

## Marketing and service problem:

- \* Market is diverse
- Small PC Lan > huge network
- \* No one company spans it all (or does it well)
- \* Requires different skills, scale of service and support
- \* Hard for us to pick it all up
- \* Potential channel conflict with our OEMs, especially at large enterprise level (IBM, DEC, HP)

X 205858  
CONFIDENTIAL

X205858

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# Critical Success Factors Against Novell

- \* They are focused on file server not as a general service OS, not as SQL platform
- > NLMS aren't as far ahead as their file service
- \* Possible to position them to market as commodity
- \* Very X86 oriented, risc may hurt them in the long run

X 205859  
CONFIDENTIAL

X205859

Server Study Group

FY91 Executive Retreat May 11-12, 1990

# Lotus/Novell Merger

- \* Doesn't help their basic business
- \* If they accept open positioning, it doesn't matter
- \* If they try to use special tie-in:
  - another player (Oracle) with our open strategy
  - they limit their audience
  - they may find themselves in a morass of technology
- \* They are the guys that have to fight the world
  - will keep their attention focused on this problem and less on desktop

X 205860  
CONFIDENTIAL

X205860

Server Study Group

FY91 Executive Retreat May 11-12, 1990