

From julieg Wed Feb 26 16:32:56 1992
To: exstaff jonl mikeap pattys paula
Cc: conniet exadmin julieg kkeester maryho
Subject: Exec Retreat discussion topics & group assignments (long mail)
Date: Wed Feb 26 17:04:26 PDT 1992
Date: Wed Feb 26 16:32:14 PDT 1992

Here are the discussion group assignments for the Executive Retreat:

1. Pricing:
BillG, JimAll, MikeMur, BobMc JoachimK
2. OS/2:
PeteH, PattyS, BernardV, GaryGi, DarrylR
3. New Business Opportunity:
SteveB, ChrisSm, RichMac, Paula, PaulMa
4. Best People/Best Work:
MikeMap, MikeAp, JonL, JeffR, BradS1
5. Selling & Image:
FrankCa, RobG, BillN, MikeBro, NathanM

Following is detailed information for the specific topics:

1. Pricing:
BillG, JimAll, MikeMur, BobMc JoachimK

Since Microsoft went public in 1986, we have had great success in operating performance, in both revenue and profit growth. One of the baselines for this success has been "pricing" stability resulting in excellent gross margins. There are market forces putting pressure on this historical price/performance relationship. Microsoft is responding to this pressure.

The Retail Channels and the Product Groups have introduced several programs/pricing schemes designed to increase MS market share and take advantage of the Windows phenomena. These schemes translate into the following "pricing vehicles":

- Updates
- Competitive upgrades
- MLP's
- Multi-pack MLP's
- Office
- OEM bundles
- Low end multifunction & crippled products
- MCD's/special corporate account agreements
- XLA's
- Maintenance agreements

This group should discuss and opine on:

- Present by geographic region the pros and cons of these pricing vehicles
- Will these programs permanently effect the premium price we have been able to receive for our products as a Company and an Industry?
- Will low end products (multifunction or crippled) cannibalize high end sales?
- How should these programs be introduced, modified or avoided based upon the differing market conditions in the US, Europe, the Far East and the rest of the world?
- Formulate, by geographic region, marketing programs for these vehicles.

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- How will the above vehicles effect the unit sales mix in FY93 versus FY92?
- What will they do to our overall revenue stream on a one-year and three-year horizon?
- Estimate, by geographic region, the effect of these factors for FY93, showing the percent of our total business resulting from these.

Note: There will be pertinent information in FrankGa's presentation that will be of help for this discussion topic.

2. OS/2:
PeteH, PattyS, BernardV, GaryGi, DarrylR

OS/2 is the most serious threat to Windows success. OS/2 is a real competitor today for large account desktops and servers with Windows and Windows NT. IBM will also market OS/2 to general users and enthusiasts through aggressive pricing and bundling with hardware (which will be configured for OS/2). OS/2 2.0 will be a reasonably good product. IBM will copy every smart marketing idea we have had for Windows.

Please describe from a product and marketing perspective what we should do to maintain our position versus OS/2. Our position includes ISV momentum, press momentum, end user customer momentum, and relative sales rates.

Feel free to comment on how to use all of Microsoft's product, development, sales, support, and marketing strengths in this battle.

3. New Business Opportunity:
SteveB, ChrisSm, RichMac, PaulaA, PaulMa

BillG to provide details on this topic separately (not available at press time!).

4. Best People/Best Work:
MikeMap, MikeAp, JonL, JeffR, BradS1

Since the beginning of time, Microsoft has placed strong emphasis on recruiting exceptional people. We are always attracted to candidates with the following three qualities:

- * they are smart
- * they work hard
- * they get things done

As a senior management team, we now have over 10,000 of these people as employees. An important "people goal" is to empower each employee to be able to make a positive contribution to Microsoft every work day.

A few years ago we could rely on personal example and hallway conversations as the means of empowerment. Our smaller size allowed us to regularly "rub shoulders" with our employees. But our explosive growth has complicated this critical process as personal contact with employees becomes the exception rather than the rule.

We have a strong vision. Employees who are able to translate this vision to their specific jobs have both purpose and passion for their work. But we can no longer assume that this will happen without a focused effort on the part of management.

Discussion issues:

What are the things in our company culture that allow our best people to do their best work? What are the things in our company work practices that prevent our best people from doing

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their best work? How do we get the most out of our people?
In what ways can we make it easy for our best people to do their
best work? What needs to change so that our best people will
make a "career" out of Microsoft (eg stay for 10-15-20 years)?

How do we become a "big company" without the bureaucracy,
politics and complacency of other > 10,000 employee firms?
What is the "management style" of the company? Is senior
management an aid or an impediment to progress? Are the
managers directly below the executive staff empowered
to "run" the company, or are they waiting for you to make
decisions? Does our culture encourage true risk taking?
Are there areas where we are visibly too large and bureaucratic?

5. Selling & Image:

FrankGa, RobG, BillN, MikeBro, NathanM

Customer satisfaction with Microsoft is below competition. Our
image as a company is fairly positive but not particularly focused
on areas that offer our customers direct benefit (see attachment*)

What should our company image be? Do our current development,
sales, marketing and support strategies and investments back
up that image? How would you start communicating that new
image?

Do you think a new image or a more clear articulation of our
current image could improve customer satisfaction?

*Note on attachment - this is being delivered via I/O mail and
is a memo to steve ballmer from jim minervino. In addition to
the people assigned to this discussion group, the memo will
be given to ALL retreat participants for general review.

Please let me know if you have any questions. A print version of
this mail will be distributed to all participants, along with the
attachment mentioned for discussion group #5.

Thank you.
julie girone
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