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Received through a long indirection...

From: briansh
From: mikeli
From: johnlu
Subject: The Sparta Religion
Date: Wednesday, August 05, 1992 12:01

I've been chatting with a few of you in the halls, and it has come to my
attention that many of you (or at least some of you) don't fully understand
what Sparta is all about -- why are we doing it, what are we trying to
achieve, who is our competition. Not surprising, since you haven't lived in
the networking business for the last 4 years the way some of us have. So, I
thought I'd lay out a little of the motivation behind Sparta, and the
business imperatives that Sparta is trying to address.

              *   *   *

Let's start at the very beginning. Why are we even in the networking
business? Well, the fact is, there is no such thing as the "networking"
business. There is just the systems business. Customers don't make
independent decisions about networks vs client OSes -- these decisions are
inextricably intertwined. If you don't have a serious networking story,
then you can't sell your OS at all. And if your network doesn't support the
right client OSes, then you can't sell your network. Customers are looking
for complete system solutions for their businesses and their business
problems, partial stories aren't interesting.

This is why MS "blew up" the NBU a year or so ago -- we finally admitted and
recognized that there was no such thing as a separate network business,
networking had to be integrated into each of our operating systems
businesses. Thus a bunch of people spun off to NT land, a bunch to Cairo
land; and a bunch right here to good old PSG land.

              *   *   *

So, MS is in the networking business because it is just part of our systems
business. The next big question is -- who are our competitors in the
systems business? IBM and Apple are perhaps some obvious choices, but our
biggest competitor is actually Novell. Novell is a 100% systems software
company. Their revenues are larger than the revenues of the systems
division here at Mother Microsoft; they have more people in the systems
business than do we; they are growing faster than our systems business.

These numbers scare the pants off me, and they scare people like Billg and
Steveb and Mikemap too. And if those numbers aren't scary enough, consider
further some of Novell's actions and words:

-    They have purchased and are aggressively marketing DR-DOS,
     going after our #1 most profitable product.

-    They are investing big time in Univel, so as to have a competitive
     workstation OS to compete with NT.

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Their chairman (Ray Noorda) and top design gurus (Kyle Powell, Drew Majors) have said repeatedly in the press that MS doesn't know how to build OSes, that eveything we have done has been a hack, whereas Novell does know how to build OSes. The internal name for LAN Man at Novell is "LAN Boy".

Why is Novell this belligerent towards us? Because they understand the dynamic that I laid out before -- there is no separate network business, there is just a systems business, and Novell intends to dominate this business. They already own all the networking parts of the business, to grow further they need to push into the client OS business, so that is what they are doing.

Now, the really scary thing is that Novell may have a stronger inherent position than MS in the systems business. If you read market research reports, they will tell you that customers are far more willing to change to a new supplier of client OS products than they are to change their networking vendors. Networking is just too central to their business, and problems can cause too much disruption. Novell understands this very well, and has a bunch of ads out now that pick up the old IBM theme of "You won't ever get fired for buying IBM" -- the ads encourage customers first and foremost to think about network (and thereby Novell) compatibility when they buy something.

And make no mistake, Novell is very good at what they do. They have a great marketing and sales engine. Their senior technical people are pretty good. They understand their customers well. They are a tough, tough competitor.

* * *

So, our big competitor in the systems business is Novell, and they are very tough and very well positioned.

MS first started to try to take Novell on by attacking them head on with LAN Man. Boy did we learn a lot. We got the tar beat out of us. We invested a boatload of money and made very little headway. We tried to compete on their terms, defining the networking business and our products the same way Novell did, and we got whupped.

OK, so we learned our lesson. We can't win in the systems business by taking on our competitor on their terms. We have to find a way to win that leverages our strengths, which is our position in the desktop OS and desktop app business.

And thus was born Sparta. The notion that caused this project to start up was that we would re-enter the networking business from our position of strength, the desktop OS. We would build networking into the desktop OS and just give it away -- after all, we didn't care if we made a lot of money on networking, because we weren't making any money at all in networking anyway.

This would be a positioning that Novell would find very hard to fight against. They don't have the desktop OS position (though they are trying to build one), and they can't afford to just give away networking, since that is where all their revenue comes from.

So we started the Sparta project, and kept as quiet about it as we could for a long time, so that Novell wouldn't catch on. We really wanted this to be a surprise attack on their flank.

* * *

And the goals for Sparta haven't changed much since then. We still are driving against the same basic business goals laid out above.

One thing that did catch us a little by surprise is Netware Lite. We didn't

think Novell would introduce this, but they did. However, they so constrained the product to protect their core networking revenues that it wasn't much of a threat.

But Novell has caught wind of Sparta, they understand that they need to vastly improve Netware Lite to compete, and they are on a crash program to do so. By the end of this year we expect them to have a major rev out of the product that fixes many of the existing problems of NW Lite.

And so this has lent even more urgency to our cause. We want to get Sparta out there ASAP, this year, so that we put Novell in a reactive position in the networking part of the business for the veyr first time. We want to set the agenda for a while, rather than letting them set it. We want to use Sparta to gain our very first sizable foothold in the networking market, from which we can grow outwards with Windows NT and Cairo ultimately.

* * *

Long winded, but I hope this helps everyone to understand a little better the objectives of Sparta, it's importance to MS and the BU, and some of the market and competitive dynamics that drive our work.