

From: Richard Fade
Sent: Tuesday, December 03, 1996 9:41 AM
To: Desktop Applications Div Full Time Employees
Cc: Brad Silverberg; Paul Maritz; Natalie Yount; Cathy Turner
Subject: Desktop Applications Future

To: Desktop Applications Division
From: Richard Fade and Jon DeVaan
Subject: Desktop Applications Division Goals and Organization

Yesterday we announced a new organization for the Microsoft Applications and Platforms divisions and specific changes within DAD. The following is a summary of these announcements including the key objectives driving our action.

Microsoft and the PC platform are facing strong challenges from new competitors. It is critical that we focus our product efforts in a manner to create products that beat this competition and keeps the PC platform vital and growing into the future.

The Desktop Applications division has been instrumental to Microsoft's phenomenal success. Internet focused competitors are squarely focusing on new applications models and our core business. DAD must play a pivotal role in defending and growing Microsoft's leadership position. One of the key objectives of the new organization is to create a family of products that spans the spectrum from our free web browser client software to our top of the line Office software. To that end, the product group is reorganizing into two main groups, the Systems Group and the Applications and Internet Client Group. Information shared in the all hands meeting by Paul Maritz yesterday included changes affecting all of the product group organizations, however this mail is meant to focus on changes specific to the DAD team.

Brad Silverberg will head the Applications and Internet Client Group. The major groups in AICG will be the Desktop Applications Division, the Internet Client and Collaboration Division, the Web Authoring Division, and the Tools Division. Richard Fade and Jon DeVaan will lead DAD. We will share the creation of product strategy and direction for DAD. On a day to day basis, Richard will focus on business initiatives and mission (Office product direction, DAD Marketing, Consumer Productivity, products for Small Business, Project/ Team Manager, the Office Web Product Unit.). Jon will focus on Office and individual applications product missions (Office product strategy and development, Word, Excel, PowerPoint, and Access, including WW Software and the new Mac product unit). We will also move to consolidate and strengthen our mail offerings, as the result, the Outlook team will move to work in the new Collaboration Division. The Outlook team will play a pivotal role in defining the integration of email, web browsing, and collaboration features and functionality for Microsoft. The FrontPage team will merge with the Image Composer team and become the new Web Authoring Division headed by Chris Peters. Please join us in congratulating Chris, Brian MacDonald, and their teams on their important new roles. Currently some DAD employees provide user assistance, localization and marketing support to the Outlook and FrontPage teams. These individuals will remain part of the Desktop Applications Division but will continue to support to those teams.

Recently you saw an email titled, "Office 97 and beyond" where the challenges that face DAD were detailed. Some highlights of that email are included below.

"It is an odd time for Desktop Applications. Never before have we released a product, Office 97, that is more timely and in step with the needs of customers. Yet at this same point in time our business leadership is more tenuous than it has been since we first entered the application software business dominated by Lotus and WordPerfect. The Internet has produced innovations and promises that are gathering huge momentum and it is certain that over the next few years we will see a dramatic change in our industry's landscape and the products that customers are seeking and purchasing. It is critical that we maintain our industry leadership position and bring Office forward into this "new world". We call this effort Office9.

One of the traits that has made DAD successful over the years has been a constant focus on customers and the marketplace. It is important to look at how both of these have changed over the past two years since we began Office 97. These changes have been quite dramatic:

***We Won**-Microsoft Office is the dominant desktop productivity suite. We have come from single digit market-share to over 85% share. Our biggest competition is in fact ourselves. We must now outdo ourselves in each release, and we must be creative and show leadership. We can't count on doing a better job than our competitors because our traditional competitors for the most part have faltered. The risk now is that the growth in the productivity market will be in a new "web" category and we must avoid being relegated to "legacy" applications.*

***Internet**-Nothing has more profoundly changed our business, customers, and industry than the Internet, not even the graphical user interface. How the internet impacts personal productivity applications and software is yet to be seen, but Microsoft and Office must lead the way. Whether this means a new class of application, architectural features, or new components to the Office product, we must aggressively provide an answer to this vexing question.*

***LOGs**-Our software is, and should be, designed for end-users to do their work. Our world has changed in the sense that our primary customer or influencer is really the CIO or corporate site administrator. These people are clamoring for Network Computers and features to reduce the total cost of ownership (TCO). We must proactively understand and meet the needs of this new class of user in order for our business to survive. For example, one of the primary attractions of the Network Computer is the perception that users can walk up to any machine, log on, and have all of their settings, files, and applications travel with them. We must meet these needs along with the Zero-Administration needs of these customers.*

***Email**-Email is becoming everything: All documents, all communication, all work worth doing in a company will become*

focused on email. Our traditional focus on print-based documents needs to switch to a focus where documents are primarily created, consumed, and stored online. There is a huge threat to the Word franchise (our "anchor store" in the Office mall) from an HTML-based text editor that meets these online document needs better than Office for the primary communication needs of office workers.

HTML-When we began the Internet focus of Office 97 we felt that there would be a world where our document formats would co-exist with HTML. Our leading edge customers are telling us that they need all of our documents to be based on HTML. This has big customer benefits in terms of robustness, indexing, cross-platform viewing (with lower fidelity), and server side processing.

Servers-Servers are becoming a core computing resource within corporations. No longer are they hard to set up and administer, and publishing information (thanks to tools like FrontPage) is far simpler and yields better results than the file-sharing world for which Office has been optimized. The ability to leverage some computation on the server is a key asset that web-based tools have today which we need to exploit to a much greater degree moving forward.

Bloatware-Many of the critics of Office feel our applications are bloated-too many features, too much RAM, too much user-interface, too much hard drive space, etc. These critics would have you believe that all anyone needs is a word processor with four features, but we know that our end-users do not want their products designed by people that fancy themselves UNIX system administrators! Java and components have the perception that software can be made smaller and more full featured at the same time, and we must find ways to address these needs.

Coolness and hipness-Finally there is one issue we need to be very aware of and it is the hardest one since this cuts to the core of what we need to do. It is fair to say that among the very leading edge users, people that generally pride themselves in going against the flow or acting as renegades, Office has lost a certain amount of the elan that it held at the start of the Windows revolution. These users, so called early adopters, are focusing on more "internet" products, such as Navigator, NetObjects, Corel Java Office, and even our own FrontPage. Though these products are new and still early in their adoption curve, we must recognize that the success of Office rests on being seen as the "cool" application to use."

It is important to remember that the people of DAD have created one of the most successful products of all time in Office. In all dimensions --market adoption, product quality, product usefulness, industry recognition, and sheer scale of creating the product -- the people of DAD have been unbelievably successful. It is our intention to take the principles of DAD's success and build on them to create an even more successful future.

We see the principles of success in two dimensions -- product and process. First, the success of Office is built on principles of product: Customer focused innovation, Integration, and Best of Breed. When we started on Office it was said no one could create a product that was both the best integrated and the best at individual product capabilities. It has been hard work, but we have proven it can be done. In addition, our ability to lead the productivity applications categories with functionality that hits home with the user has been superb. Our feature designs are consistently the very best in the industry. Our implementations are the most robust with the right depth and usefulness. Our user driven development methods allow us to identify customer needs and trends that are most important to our users. Second, Office's success is built on strong principles of process: We show respect for Individuals, Roles, and Reality in our processes. DAD delivers innovations in a reliable manner because of these principles. The structure of a DAD project is based on bottom up schedules, milestones, and individual commitment. People work on the product areas that are interesting to them. They get to have full influence over the design, implementation, and release of their feature areas. DAD products are better because the people working on them really care about them, and their creativity and hard work are visible in the finished product. These are all results of our strong process principles.

In order to successfully respond to our upcoming challenges and vigorously focus on our core success principles, we are announcing further changes in the structure of DAD for creating the Office, Word, Excel, PowerPoint, and Access products.

Effective January 6, 1997 we will organize as follows for creating Office 9:

In order to increase the effectiveness of our cross product integration, we are creating cross-application feature teams focusing on Total Cost of Ownership, Web Client features, Web Server features, User Interface & Assistance, Programmability, Release, and Base Technology. We will staff these teams using people from the individual application teams; approximately 3 developers, 3 testers, and 1-2 program managers from each product will be required. The feature teams will have complete decision authority for their focus areas including if and how to write shared code and code integration into the individual applications. Each feature team will have a group program manager, development manager, and test manager. Each of these leaders will report to the new Director of Program Management, Director of Development, and Director of Test respectively. One of the three feature team leaders will be assigned informal oversight for the entire team. Creating consistent features was too hard on the Office '97 project. Our goal with cross-application feature teams is to dramatically reduce the amount of responsibility overlap and negotiation required when creating first rate consistent features.

The creation of these new teams will result in smaller application teams. Our goal is to simplify the work for the application teams, allowing them to focus on features for their application category. To the degree we save time that used to be spent dealing with interactions in larger teams, or negotiating interfaces for consistent features, we will achieve this handily.

In order to maintain a strong focus on innovation in the individual applications, and improve the bandwidth of Office wide decision making, we will create two application business units. The Word and PowerPoint teams share a large customer base of people who use Word and PowerPoint as their primary applications. Text processing and drawing are core technologies that are extremely important to both applications, therefore, Peter Pathe will lead the new Word Processing and Graphics Business Unit. Ralf Hartneck and the PowerPoint team will report to Peter. The Excel and Access groups have very complementary visions for the future, to this end, Richard McAniff will lead the Analysis and Database Business Unit. Over the next month Richard will define the exact structure of the Excel and Access teams. Jon Reingold will assist Richard with the transition while he considers other opportunities within DAD.

In order to simplify the transition to Office 9, we are creating the Macintosh Product Unit. The Macintosh PU will be charged with finishing a great new Office 97 for the Macintosh. Following Office 97, the PU will be charged with keeping file compatibility with

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future Office release on the Windows platform, but otherwise exercising creativity to make great Macintosh applications for the \$200 +M annual Macintosh business.

We are also happy to announce the formation of the Worldwide Software group, led by Akio Fuji for Far East and Jeff Olund for Europe and Rest of World. The DAD international groups have done a fantastic job creating timely and high quality Office releases for over 30 languages. As our businesses and capabilities mature, we need to focus more attention on the efficiency of these operations. Alex Morcos and the Middle East product group will report to Jeff Olund, expanding their responsibilities to include development work on internationalization and localization capabilities in Office.

The Consumer Productivity team will continue its focus on productivity and creativity tools. In addition to new versions of Works, Publisher, Picture It!, and Greetings Workshop the team is focused on a new set of products anchored by the new "Family Suite". We will also pursue a more aggressive product plan targeting small business users following on the Office Small Business Edition introduction early this next year. The Project team will continue its focus on its next release due out next spring. Team Manager product group are working on known feature requirements and more fundamental integration with Outlook as the basis for their next release. The above teams will continue to work as organized today.

For those teams with changes within the DAD organization above, those changes will be effective January 6, 1997. During the period between now and then, people should focus on the Office 97 tasks that remain, while considering their roles in the new organization. Over the next two weeks we will identify the individuals leading the new feature teams so you can get more information to help you think about new opportunities. It is quite probable that many of us will have Office 97 work to complete after the new organization goes into effect. It is absolutely critical that we stay focused on completing those unfinished tasks. However, we wanted to announce these organizational changes now to allow you all time to think and plan for your new roles and responsibilities. We look forward to working with all of you in meeting the challenges faced by DAD and Microsoft in 1997. We are confident that by working together we will continue DAD's remarkable success.

Please speak to your manager if you have any questions. Both of us are also available to answer any questions you may have.

Richard and Jon

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