

**PLAINTIFF'S
EXHIBIT**

3036

Comes v. Microsoft



From: Orlando Ayala
Sent: Saturday, February 27, 1999 7:29 PM
To: Frank Clegg; Dianne Gregg; Joe Vetter; Bill Henningsgaard; Eugenio Beaufrand; Simon Witts; Steve Schiro
Subject: RE: FY00 WW Initiatives

tx much.. this is good feed-back.. yesterday we had an off-site with Jeff to formalize some of this.. the meeting a couple of weeks from now is all around making this somehow final. Many of the points you raised below were discussed during this off-site.. and you will hear more about it during the mid march meeting..

—Original Message—

From: Frank Clegg
Sent: Thursday, February 25, 1999 3:02 PM
To: Orlando Ayala; Dianne Gregg; Joe Vetter; Bill Henningsgaard; Eugenio Beaufrand; Simon Witts; Steve Schiro
Cc: Frank Clegg
Subject: RE: FY00 WW Initiatives

Here is a summary of the comments from my team and I. thx...f

The idea of the initiatives is great and adding a longer term focus as horizontal areas will sell very well with our teams. We will be a lot smarter in FY'00 about the metrics we track and choosing the top 2-3 items to focus on.

Minor areas that need modification

1. Adding the partner engagement bar is fantastic. We need to have this across all of MS. We still hear Redmond based groups tell us they will cut the content if partners are in attendance. We should also think about ways to re-inforce this further, adding partners to MIDL's, etc. We should retitile it "systematic channel development and engagement".
2. We should make sure the Unix focus includes Linux.
3. The constant issues of scalable, manageable and interoperable cut across the initiatives. Is there a way to drive one common focus to deal with these that can be leveraged?
4. Employee focus should be a management issue. There are other ways to manage this vs. making it a horizontal initiative.
5. Customer systems is not just Missouri, it is improving the customer feedback process, information delivery process, community development, product support escalations. We should get serious about all these items under one umbrella.
6. As you say, \$\$ per pc contains a lot of separate initiatives: piracy, get licensing, TMA, etc. I would not try to call it beat anything. Putting piracy as a sub title limits the focus and may limit where we place the piracy emphasis as well.
7. Having an Exec sponsor is the right approach. We should make sure we have representation from the field, CU's and WPG.
8. We need to think through our vision of this. At times we think product and with others we think scenarios.
9. We should either eliminate the "new markets" initiative or make it a lot clearer what we are supposed to do. We should also be sensitive to the district vs. sub view. This is one area where we may not want too much focus in the district, where it will be fairly major in the subs. If we don't add resources to the districts, for eg., it should not be a major focus area.

Major issues to deal with

1. Focusing on the crusades from a competitor standpoint may not be the best approach. No one disagrees that we need to do a far better job of understanding our competition and where they are growing. We can drive that through the midyear and budget process and district visits by asking where they are growing and why and what are we doing about it. Other reasons to change the focus:
 - For LOB, IBM and Sun are both competitors. We should focus on KM, Ecomm, customer management, etc. We can call this "Winning the LOB platform" (aka Winning DNA). We should also include the focus on the development platform (COM., MTS, etc.) vs. CORBA, EJB, Unix, etc.
 - Some of the competitors (Sun, IBM) cross the verticals, trying to pin them to one initiative limits their total \$\$ growth. We should call out Sun as a competitor and talk about all the areas we engage.
 - We share the initiatives with our partners. They do not react well to a competitor focused area. Trying to have one internal language and one external discussion just adds workload and confusion.
 - Internally, our teams react better to a positive approach selling our great company vs. a negative approach.
 - Focusing on winning our customers vs. beating our competitors is more in line with our Customer Satisfaction initiative.
 - In the Notes crusade it may make sense, we have one solution from our competitor and there may be several MS options. For the reasons above, I would call it "Collaboration focus."

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- There is a risk in limiting ourselves to the NOS crusade vs. Infrastructure.
- 2. We should add a vertical bar to win the desktop. This should include Windows on the desktop and Office 2000 as the productivity app. Competitors are Linux, NC's, Java OS, Corel, SmartSuite, etc. MS Office 2000 is a one year product hit that we need to execute on. It will have the largest impact on EA's and \$\$/pc and it can impact solutions in LOB, Notes and Unix. It is still about 50% of our business.
- 3. There isn't anything for CCU.

Frank M. Clegg

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-----Original Message-----

From: Orlando Ayala
 Sent: Saturday, February 20, 1999 5:38 PM
 To: Dianne Gregg; Joe Vetter; Bill Henningsgaard; Eugenio Beaufrand; Simon Wits; Frank Clegg; Steve Schiro
 Subject: FW: FY00 WW Initiatives
 Importance: High

here you go.. I will not see you until mid march.. will be great to have feed-back from you before that time.. tx

-----Original Message-----

From: Orlando Ayala
 Sent: Sunday, February 21, 1999 9:34 AM
 To: Jeff Raikes
 Cc: Jean-Phillippe Courtols; Pieter Knook; Michel Lacombe; Deborah Hickey; Sam Jadallah; Sanjay Parthasarathy; Thomas Kofi; Charles Stevens; Liz King; Mike Nash; Russell Stockdale (Exchange); Joachim Kempin
 Subject: FY00 WW Initiatives
 Importance: High

I am finally done with MYR's. Apologize I was not able to provide you earlier with some structured feed-back on the WW initiatives. My intention with this email is to provide you with a concrete suggestion on how to structure your proposed initiatives (I agree with most of them), in a way that we can fit all the thinking in a *single PPT slide (below)*. The intention is 4 fold:

- (1) It is super clear for the our field people and partners what we are shooting for.
- (2) We take everyone of these initiatives and assign cross-group responsibilities for execution (field, CU's, WPG)
- (3) We really distinguish well between 12 months Initiatives (vertical bars in the slide below) versus Key long term Themes (horizontal bars) which we should see as absolutely critical not only for FY00 but for next 5 years to be able to succeed as a company. This differentiation is critical, as our people need to understand that at all levels of the company we will demand great execution for the short term (vertical bars) but also for the long term. (horizontal bars)
- (4) We clearly communicate people our intention to intensely compete in everyone of these initiatives (vertical and horizontal bars) and also ensure our people (specially management) and partners understand we must do it better than anyone else. We should really raise the bar for ourselves on our competitive approach. Surgical approach to competitive understanding (and then aligned investment and resource focus as a result of that) should be a *must* for every location in their process to execute the framework below. optimal Cross groups (CU's field, WPG) work will be critical to maximize effectiveness. We are not anymore planing at functional level (ICU, ECU, ADCU, etc).. but the initiative and competitive level which will demand much better cross group integration to achieve the goals.

I took the email you (Rose) sent last night and have built the slide below in an attempt make things as clear as possible and also respond to some of the questions you were asking in your email. Please take a look to this slide. As you will see I am proposing 6 initiatives (12 months focus... vertical bars in the slide) as opposed to 5 so we accommodate one extra for Sun. We may reduce to 5 if we think that the *New Markets initiative* and/or *LOB initiative* could include focus SUN in an effective way. I believe we should not walk into FY00 without an established view of what to do with this competitor. Certainly the field does not understand today if it is really a priority or not. I would like to hear your feed-back about this. In addition to the vertical bars (12 months focus).. I propose 4 themes (. long term critical.. horizontal bars cutting across every vertical bar initiative). These 4 should be absolutely core in the performance of every group around the world specially for the long term. Everyone of the FY "vertical bars" initiatives have a component of the strategic long term themes and as part of planning, people will be asked to clearly think on how these themes will be impacting the execution of every Initiative. Please take a look to the slide. I offer some more detail after the slide on some of the initiatives and strategic themes.

<< OLE Object: Microsoft PowerPoint Slide >>

12 Month Initiatives (vertical bars)

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- **Win in the NOS space (A.K.A. beat Novell):** I strongly suggest not to make this as part of an initiative called Infrastructure. We really need at least another year of very strong focus on Novell. I know I will have this as a key priority for the US even if we decide it will not be a separate initiative. Elevating it all the way to one of the "key 5 or 6" will be essential to have everyone in the company understand we are not done with Novell. We don't want to repeat FY98 at a time Novell is raising its ugly head again.
- **Contain the UNIX threat (A.K.A. beat Sun) :** As I said before, this is one that I propose as a separate initiative because I also feel we should have a very well established view of what we will do against SUN in FY00. I also mentioned we could have this one together with the ones that you propose on NEW Markets and/or LOB, but again the issue is to ask ourselves if that will be enough focus. I am open to have them together and drop it so we have just 5 but only provided we discuss SUN very precisely as part of the overall picture and provide our people with clear direction against this competitor.
- **Notes! Notes! Notes! (A.K.A. beat IBM and Lotus) :** Super critical to separate this as a very big priority for people. I don't think we have invested enough S&M resource in Exchange since the introduction of the product and not even at that time we did anything really big. FY00 has to be the year in which we should probably over-invest in partner and MS people training, CPR, doing some really radical stuff as I believe we are at a crucial stage of the life cycle of this product and IBM also understands they are at a critical time where the thing can go great or really bad. I anticipate IBM redoubling their efforts, resources and creativity to win that battle for good in 00. We must invest seriously here. Steveb talked about 100M investment in Win200. I think we don't need all that money. I would still spend 100M but 50M in Win2K and 50M in exchange. If we agree with this, then we should form ASAP a cross-functional team in the company to ensure we come up with the best great ideas to spend this money. I hope this really happen.
- **Increase \$\$\$/PC in Mid Markets (Lorgbreath+top MORG) and SMORG (A.K.A. beat piracy, get licensing right, etc) :** Not much to say here. This is one that is a must, since it represents a lot of low hanging fruit specially in the US but I am sure everywhere. Better work and integration with OEM in the field should be a key part of this.
- **Winning the LOB platform:** Fairly well understood now. I think MYR was great to make this a priority. FY00 should be the year that we move from just growing faster than Oracle to really making a dent in their core business. This is all about defining investment and the final selling model and then go for it really hard. It is great that this will accommodate for direction badly needed by the field in areas like E-Commerce and WinDNA vs EJB and even GINI. This is for sure one of the 5.
- **NEW markets (MSN, Web-tv, WINCE, etc) .. (A.K.A. beat AOL/NSCP):** This is probably the most painful today in the field. I have expressed already my frustration as well as the GM's frustration with the lack of a "practical strategy" that the field can at least take and do a decent job with. On this one we are really at a crucial cross-road specially in International markets. We have to establish a clear view of the investment model here and how we can bring that in the mainstream of at least the large and medium size subs. If that is not the way to go then we should also be very clear with the GM saying they should let go.. but let's be sure we kill this confusion in FY00. I am all for having this as one of the 5 key initiatives but ONLY if we figure out how to articulate to the field what the strategy means in terms of their local reality for implementation. If that is not possible then we should tell people it will be OK to ignore that for a year (I hope we don't end up doing that as the game will get harder as time goes) so they don't get even more frustrated by our lack of clarity on this.

4 key long term \$\$\$/PC strategic themes (horizontal bars cutting across every initiative):

- **Customer and employee satisfaction:** These two are somehow linked. Good steps have been taken to understand the levers. I don't think we should treat these as initiatives just for FY00, as I consider them super core for the long term success of the company. Every one of the 12 months initiatives have an aspect of cust sat and employee sat. From the customer perspective is all about competing hard for their business in a way they see us delivering great value. From the employee perspective the initiatives present an opportunity to provide very clear focus and direction and establish an environment where people should be encouraged all the time to achieve great breakthroughs in execution and new great ideas to do better. That is a key factor to retain people for the long term. As part of the execution in the framework established in the PPT slide, every location should treat the customer and employee satisfaction challenge in the context of the goals we are trying to achieve and not just a separate program. That will be our best shot at it. Tie back to the practicality of what they have to do every day.
- **Great Execution of New Product releases:** I consider this one in the category of sustained great execution and extends beyond 12 months. If we stop selling Windows and Office, the game is over. If we don't do a great set of releases of the products coming out of the development and R&D pipelines then we are just not doing the basics. Every one of the proposed (vertical bar) initiatives have as a goal maximizing sales of Windows and Office and specially of the new releases. So I see great execution in that front as the minimum bar for every manager in this company. The development dollars have been already spent.. we better get the return on investment as fast as possible. People should have very serious \$\$\$/license Windows2K and Office 2K goals for FY00 but as said they cut across the 5 key short term (12 months) initiatives.
- **Great Progress in Customer Systems (Missouri):** I know for some of our people bringing systems into the way they work equates = to bureaucracy... I heard more than once that during MYR's. This is just the effect of us maturing as a company. We are moving from somewhat an unstructured way of tracking our performance with customers to a more structured approach. I believe unless we get very serious about it

we will find some resistance to really execute for the long term on this. I think we all agree that Missouri is great hope, specially in our ability to manage for the long term customer and partner relationships. What will be hard is the execution. Elevating this as a key theme cutting across the 5 key initiatives will be the best way to ensure people understand we are dead serious about using these tools across many disciplines. And that hopefully that will make us the best in the industry in understanding and satisfying customers.

- **Systematic Partner Engagement.** One of the things I believe we are not very good at is our focus on engaging partners early enough in the planning process and do it in a systematic way. Again that should not be a "12 month mantra" but one that is so core to our long term success. We really need to think about the initiatives not only in the context of what they mean for us in terms of focus, investment and execution but also what they really mean for our partners so they proactively carve their individual value add to us and what is more important to customers. I am sure it will be super powerful to present them with a well structured vision like the one we are trying to put in place and then work with them at every level (disti, SP, LAR's, Retailers, Competitive recruitment, etc) to hit July 1st 99 really running and running fast. Again this cut across all the 5 key initiatives and is one that will require of great sustained execution for years to come.

ON EXECUTION OF THE ABOVE FRAMEWORK

One important discussion to have is how to move from establishing this initiatives/themes and then move with great cross-group execution. That has always been a challenge. Here are 4 things I propose to consider to ensure good thinking for FY00 priorities is followed with great execution.

(1) we should consider formalizing high level exec sponsorship (VP level at minimum) for every one of these initiatives in way accountability starts way at the top. I know it may be different by Geo but clearly the need to bring WWCU's and WPG as a critical part of the execution is very important. For instance, product group marketing resources (both people and \$\$\$) should be very accountable of how they will support these initiatives. They will be crucial to better understand competitive engagement ensuring they turn into an arm that helps us respond real time to competitive situations. Customer units will be key enablers to some key core programs needed to deliver the 5 initiatives. A good example will be \$\$\$/PC, OCU/ECU have a key role to play enabling early enough key levers needed to make solid progress (e.g.licensing, etc). Very precise accountability for sponsorship at very high level is a concept we should at least consider (e.g Sam should own \$\$\$/PC, Deborah, Notes, etc...I sign Up for NOS, Charles for LOB, etc, etc). We need to take this framework and the translate it in resource allocation/ new investment? by every box in the slide.. so we move with all planning for resources around it.

(2) If we believe the above framework makes sense the key for us is to establish no more than say 3 things per initiative that will really matter. I know that is super hard but that is I guess at the core of the discussion we were having with Steveb about do less things but do them really well. How to measure success is also a discussion to have and formalize. We should not turn this into "metrics madness" but at the same time our people will need to track success. A key piece to figure out really early is what our competitive ambitions are against every competitor in FY00.. (e.g. what % of every competitors revenue, and licenses, market share points to get by customer segments, etc). I think this is critical to have that well established specially for planning and for sure for MGS. Sometimes we end up signing up for objectives that when we really try to understand how to achieve, they seem quite challenging or sometimes we end up with the other case: they are not ambitious enough.

(3) How to make these plans very actionable for the channel. Timing is critical .. we need to identify the forums where that should be done and also decide how incentives to the channel will map vs. these initiatives.

I hope the above helps. I am enthused about the fact we are being more formal on establishing priorities around the world. I believe this can really turn into something really effective for our people and partners and hopefully what really matters at the end..... maximization growth/profit and making customers really happy in that process.