From w-collin Wed Mar 27 11:40:05 1991
To: jonl martyta w-pamed
Subject: New cut at Church/State
Date: Wed Mar 27 11:23:05 1991

... whacked a solid page out based on martyta's comments; got rid of
most of apps comments; more focused on systems rationale. Will continue
to collect all this stuff: it may end up just a lot of good internal
info, but writing it for external consumption as well, so we can send
out whatever parts we decide to, if any.

Microsoft's Applications and Systems Division: A Separation
of Necessity

Microsoft has a policy of running its applications and
systems divisions as separate businesses. We have often
used the phrase "church and state" to indicate this idea:
that while both groups share the same cultural assumptions
and corporate beliefs and certainly engage in a constant
dialogue and interchange of ideas -- the two groups also
have fundamentally different missions. The charter of the
applications group is to develop a world-class family of
applications on the major PC platforms: DOS/Windows, OS/2,
and the Macintosh. The charter of the systems group is to
recruit a critical mass of software developers for
DOS/Windows and OS/2 to make those platforms a success.
This means wooing the support of outside parties, hardware
and software vendors alike, and working with these parties
in a fair and open manner. These are compatible but not
identical goals for Microsoft's two divisions.

The policy is not a legal requirement, nor is it self-
proclaimed righteousness on the company's part, some kind of
altruism with no further motivation than to help "the
industry." Microsoft states, for the record, that this
policy is nothing more and nothing less than a sensible and
rational business policy that generates large amounts of
revenue for Microsoft and for other companies in the
industry. That is why the policy exists and why it will
continue. It is good, sound, honest business.

The systems group could, in fact, succeed by providing
significant advantages to the company's applications group
and effectively "locking out" other competitors. Then the
applications group would get all, or most, of a small
business pie, for at least some period of time. In fifteen
years of business, Microsoft has rejected this approach.
Its fundamental business strategy has always been, and
remains, the opposite. The company believes it will make
much more money by keeping its systems business open and
growing a mass market -- one that is orders of magnitude
larger than the world has known before -- and having its
applications group share in this huge pie along with others.

Microsoft has succeeded as a systems vendor because it
recognizes the inherent trap of proprietary solutions.
Proprietary systems will work for some time, but ultimately
customers will desert them for platforms with many vendors.
This has happened repeatedly in the industry, and Microsoft
sees no reason to repeat the mistake. The most open
platform in history -- DOS/Windows on Intel hardware, with
hundreds of hardware vendors and thousands of software
vendors -- is the result of a conscious business strategy.

Thus, what is at issue is not whether Microsoft will be fair because it is the right thing to do, but whether the company has an easier moral task -- to show enough common sense to keep executing a pragmatic business philosophy of fairness that has been successful beyond anyone's wildest dreams, not only for Microsoft but for all companies selling into a market of more than 60 million customers and rising at 12 to 15 million per year.

Systems Mission and Business Policies

What Microsoft has said is that we do not seek competitive advantage for our applications by hiding system capabilities from other applications vendors. Microsoft's systems division has a number of goals to support independent software developers (ISVs) in an open and honest manner, and a number of specific programs to carry out the goals. In the broadest terms, the policies are:

o   Early disclosure of specifications of systems code to major ISVs, and broad dissemination of technical data to the overall ISV community as early as practical. This includes printed specifications, release of early systems code, and technical review sessions with individual companies.

o   Intensive work with major developers -- including Microsoft's own applications division -- on systems specifications. Openness to input from all ISVs about future technical directions and new product features.

     Such input has been significant in the development of features for Windows 3.0, in the upcoming Windows 3.1, in OLE, in Open Tools, and in Windows-32, among other systems software.

o   Open, published specifications for systems products. No secret "hooks" in systems products used by Microsoft applications products. * (*footnote: Beta versions of systems software often contains private interfaces for debugging purposes. There are also private interfaces within groups of related system modules. These are not used by applications and often change from version to version of the system product.)

o   Major programs to recruit, evangelize and support ISVs. These include several major technical conferences each year, design reviews with individual companies, joint marketing programs of various kinds, and MSU training programs.

What requires Microsoft to continue these policies? Customer pressure. For the systems division, the customers are software developers and hardware manufacturers. If software developers cannot make a business case for supporting Microsoft platforms, either because the market is too small, or because Microsoft plays unfairly and therefore the business risk is too great, then those developers will desert Microsoft platforms for the many competitive alternatives available -- alternatives that are languishing today because developers believe their best opportunities are on Microsoft platforms. Microsoft might win in the short term, but over time Microsoft platforms would be abandoned as just one more closed solution. Microsoft's

systems division is under constant pressure from software
and hardware vendors to be fair, and under constant scrutiny
for any hint that it is not.

No Wall With Anyone, Not Even Ourselves

A recent article on Microsoft referred to a "Chinese wall"
between Microsoft systems and applications; because the
reporter's phrase was in quotes, some people have assumed
"Chinese wall" is a Microsoft term. The company has not
used it, and would never imply that its systems and
applications divisions do not communicate with each other.
They do have fundamentally different missions, and
Microsoft's business strategy is to keep them separate.
Every ISV, including Microsoft's own applications group,
gets to provide feedback on design and testing of systems
products. Several different ISVs have provided code that
has ended up in a variety of Microsoft systems products; the
only consideration is that the ISV be willing to let the
information become public.

The systems division is competing with other major systems
providers -- the Macintosh, various Unix solutions, DOS
clones on the low end -- and it cannot afford to withhold
information from the ISV community without sacrificing its
own future. Microsoft has a demonstrated record of talking
as often and as earnestly with ISVs as possible, and of
providing them with early design specifications, early code,
and intensive technical support. It is business necessity
that compels Microsoft to treat its systems customers
fairly, and nothing else.

Consider adding addendums or sections on:

X.   Stuff in Windows, OLE for example, from Microsoft
applications group and others.

X1. Stuff in Windows 3.0/3.1 or OS/2 requested/developed by
other ISVs.

X2. Stuff in Windows 3.0/3.1 or OS/2 from corporate
developers.