

# THE MICROSOFT WAY

The Real Story of How the Company  
Outsmarts Its Competition

RANDALL E. STROSS

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**MAIN IDEA**

For one reason or another, most people seem to assume Microsoft's success has been the result of predatory marketing.

In reality, the success of Microsoft is the direct result of three factors:

1. The company's ability to hire and retain intelligent employees.
2. The application of bright ideas to developing new software products.
3. An eagerness to use market feedback intelligently in improving successive generations of products.

All of these factors are useful and beneficial, but what really ties everything together at Microsoft is the company's ability to learn from and then adapt to changing market conditions. In effect, the company has reinvented itself several times over as the market it seeks to address has moved. The recent makeover and change of emphasis to bring an Internet awareness to its products in recent times has been an illustrative demonstration of Microsoft's adaptiveness as an organization.

And it is that adaptiveness, combined with the effective harnessing of intelligent thought and reasoning, that will position Microsoft to move forward into the uncharted future with its usual trademark aggressiveness and confidence. Rather than trying to find ways to restrain the Microsoft juggernaut, business would be much better served if it concentrated on developing new and better ways to emulate what Microsoft does right.

Part 1 Microsoft Basic Elements of Success . . . . . Page 2

The three key business practices that have made Microsoft successful are:

1. A deliberate effort to create an environment in which employees will be as productive as possible.
2. A deliberate effort to hire and harness the creative work of smart people.
3. An adaptive approach to business in which the company is willing to learn from its mistakes.

Part 2 Microsoft and the Home Market . . . . . Page 3

In the mid- to late-1980s, Microsoft underwent an impressive transformation -- from a company which focused almost exclusively on selling operating system software to a company which wanted to sell the best software in every possible category in addition to selling operating systems.

Along the way to making this transformation, the company undertook three key initiatives:

1. The development of CD-ROMS
2. The release of Encarta -- an encyclopedia on a disk
3. A losing battle with Intuit for dominance in one specific field.

Part 3 Microsoft and the Information Superhighway . . . . . Page 4

With the advent of the Internet, Microsoft has again changed its strategic direction in the early 1990s by melding sometimes conflicting business and technical considerations together.

Microsoft, along the way, has:

1. Greatly increased its basic research capabilities
2. Carried out extensive work on interactive television
3. Developed several proprietary networks with little success

Part 4 Microsoft as a Potential Monopoly . . . . . Page 5

Has Microsoft been so successful in business that it now must be restrained in order for overall growth to continue? The facts do not support the concept, since:

1. The investigation for the 1994 Consent Decree was pointless.
2. The aborted takeover of Intuit showed problems could arise.
3. The arrival of the Internet changed the competitive landscape.

The sum total answer, therefore, is that Microsoft is competing in a highly competitive industry, which has grown exceptionally well without government oversight, and which will continue to do so in the foreseeable future.

Part 5 The Microsoft Legacy . . . . . Page 8

The most important thing that can be learned from Microsoft lies not in how rich the company's founder is. It is how Microsoft's internal corporate practices can be duplicated beneficially by other companies.

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