

# Analysis of harvard business school's

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Imagine a corporation whose ambitions are unbounded and whose main product seems indispensable. Imagine that it has threatened to withhold this product in order to impose its will on competitors and manufacturers who require it. Imagine that it has in its coffers \$30 billion in cash, and that its profits in one recent year came to almost \$8 billion.

And now imagine that this company has provoked so much hostility in its industry that it is regularly referred to as the “? vil ? mpire,” and that one competitor has spent \$3 million lobbying the U. S. Department of Justice to take action against it. (Yoffie, Johnson & Rukstad, p. 3) The company, of course, is Microsoft, and in response to that lobbying, and other complaints, the Justice Department did indeed bring an antitrust suit against it.

In a trial that lasted 76 days and generated 13, 466 pages of transcript and 2, 695 exhibits, the district court in Washington, D. C., presided over by Judge Thomas Penfield Jackson, ruled that Microsoft, with its Windows program, possessed monopoly power over a particular kind of operating system. (An operating system is the crucial program that controls all of a computer's activities.) Indeed, so unshakably secure was Microsoft's position that, according to Judge Jackson, no competitors were likely to arise in the foreseeable future. In protecting and expanding this monopoly, the company had been, he said, “ untrustworthy,” “ disingenuous,” “ oppressive,” and “ predacious,” and had done “ violence” to the creative process.

However, antitrust law in the United States is designed to protect consumers, not competitors, yet consumers did not seem eager for protection; before the trial began, a New York Times/CBS News poll found

that only 28 percent of computer users had an unfavorable opinion of Microsoft and a full 77 percent of all Americans believed it made quality products.( Yoffie, Johnson & Rukstad, p. 11) In addition, the Windows 2000 operating system, whatever its flaws, is regularly improved, with new versions leading to faster speeds and more sophisticated applications. In pursuit of such improvements, Microsoft has spent over \$5. 3 billion on research and development in the last year alone; its latest version, Windows 2000, required 5, 000 workers, 500 man-years of testing, and a \$2-billion investment. User feedback indicates Windows 2000 is a good operating system, and the pains Microsoft has taken with Windows 2000 Datacenter, in particular, are designed to ease the worries of corporate information technology managers, who must keep systems up and running.

Nevertheless, Microsoft is likely to be confronting a skeptical audience as it tries to get its foot in the door of the glasshouse. Steve Ballmer, the outspoken president of Microsoft, at the unveiling of Datacenter, listed all the reasons why Microsoft should be admitted to the heart of your organization, including the extensive testing Datacenter has undergone, the restricted hardware on which it runs and the accountability of the parties shipping it. If it ever fails, call for support and someone will be there within four hours, he promised. Reservations based on experience with Windows 95, 98 and Windows NT “ should be completely dispelled” by these measures, he said. (Yoffie, Johnson & Rukstad, p. 12) ...