

From: John Frederiksen
Sent: Monday, October 27, 1997 9:45 AM
To: Mike Nash
Subject: FW: PR Training Confirmation and Reading Material

Mike,

I am currently confirmed for the Thursday of this class, but not for Friday. I had scheduled to take Wed through Fri of that week off to visit my Father on the east coast prior to the following weeks reviewers tour. I moved the trip back by two days but need to travel on Friday. I just wanted to make sure that you were aware of this.

John F.

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

From: Erin Holland (Waggener Edstrom)
Sent: Monday, October 27, 1997 9:35 AM
To: Bill Shaughnessy; Frank Artale; John Frederiksen; Enzo Schiano; Ed Muth; Karan Khanna; Gary Schare; Jeff Price; Stephanie Ferguson; Jonathan Perera; Tanya van Dam
Cc: Mike Nash; Heidi Meslow (Waggener Edstrom); Rich Tong; Kelly Lymburn; Kathleen Mallory (Internet) (Waggener Edstrom); Megan McKenzie (Waggener Edstrom); Rachel Weikum; Travis Bishop (Waggener Edstrom); Laurie Smith DeJong (Internet) (Waggener Edstrom)
Subject: PR Training Confirmation and Reading Material

You are confirmed for Principles of PR training! We'll see you at 9:00 a.m. on Thursday at the Bellefield Conference Center (address and directions below.) Again, here are the logistics for the training session (lunch will be served on Thursday and Friday for those attending the afternoon session). I have also attached the reading materials below.

November 6, 1997 (Thursday)

9:00 a.m. - 5:00 p.m (breakfast and lunch provided)
Bellefield Conference Center
1150 S.E. 114th Ave.
Bellevue, WA
425/453-1600

November 7, 1997 (Friday)

Morning session: 9:00 a.m. - 1:00 p.m.
(breakfast provided and lunch provided for both sessions)
Afternoon session: 1:30- 5:30 p.m.
Bellefield Conference Center
1150 S.E. 114th Ave.
Bellevue, WA
425/453-1600

Thursday, November 6

John Frederiksen
Enzo Schiano
Ed Muth
Karan Khanna
Frank Artale
Gary Schare
Jeff Price
Stephanie Ferguson
Jonathan Perera
Bill Shaughnessy

Tanya van Dam (still needs to confirm)

Friday, November 7

****Morning Session****

Enzo Schiano
Karan Khanna
Gary Schare
Jeff Price
Jonathan Perera
Bill Shaughnessy

****Afternoon Session****

Ed Muth
Stephanie Ferguson
John Frederickson
Tanya van Dam (still needs to confirm)

READING MATERIALS - NEED TO READ BEFORE YOU ATTEND (you will be receiving the book via courier in the next few days from WE):

- **Marketing Warfare Book (will be couriered to your attention)**
- **Microsoft Memo (attached below)**



The Memo4.doc

Directions from Microsoft to Bellefield Conference Center

- Out of the Microsoft entrance, turn right onto 156th Ave. N.E.
- Turn left at N.E. 40th.
- Turn left onto 148th Ave. N.E. at the first light.
- Take Hwy I-520 West/Seattle exit.
- Take South Interstate I-405 traveling towards Bellevue.
- Take the S.E. 8th Street Exit (~~not~~ NE 8th St. exit).
- Turn right at the light onto S.E. 8th Street, travel through the next light and immediately move into the left lane.
- Turn left at the first street, 114th Ave. SE, you will see the sign Bellefield Conference Center.
- Travel straight and over a small bridge, turn left into the first driveway after the bridge. The building will have the numbers "1150" above the glass doors.
- Once inside the building, walk straight ahead to the conference room.
- Telephone: 425/453-1600

MEMO: Waggener Edstrom Principals of PR Training pre-reading material

As we enter a new year we have a tremendous opportunity to build on the positive aspects of the year just passed and to set in motion PR programs that will really help move the bar on key areas that are important to Microsoft — addressing the corporate image, positioning products in existing and new markets and communicating great customer service and support.

In anticipation of building the programs that will accomplish those broad objectives, we thought it would be good to sit back and consider some of the prominent issues that could influence or even drive the PR effort for 1997. This memo will take a brief look at several of these issues and will make some preliminary recommendations. However, the primary intent of this memo is to provoke discussion that will help us clarify our thinking. The issues that are addressed here are not inclusive but do have the potential to impact PR going forward. We look forward to discussing these issues with you individually as we proceed into the PR planning process for CY 1997.

Areas that the memo will cover include:

- Re-engaging the industry
- Innovation
- Future of Applications
- Development Platforms—getting developers' hearts and minds
- The push model and the Internet
- Microsoft as a media company

Re-engaging the Industry

We have developed a way of working where the negatives about Microsoft's image are addressed by corporate PR programs which talk to non-industry audiences and don't really involve the Microsoft divisions. It makes sense to be doing these corporate programs and addressing the broad audiences and *we should keep doing so*, but it's worth visiting whether we should also do some work to address image issues at the industry level.

Before the Internet became a focal point, Microsoft had gained the perception as the undisputed center of the PC industry. Microsoft was Windows and the industry revolved around it. The primary requirement was to move the platform technology forward and share it freely with developers. Over time, Microsoft began to lessen its participation in industry forums because Microsoft *essentially owned the agenda*. Although competitors and others in the industry still looked at Microsoft with animosity, the industry had reached a period of relative order. Thus it was determined that a Microsoft-centric communication strategy was the most efficient at accomplishing the company's marketing objectives. It was deemed better to have our own events rather than participating in industry events.

Things have changed.

Bill has said that no company has moved successfully from one era to the next. With the rise of the Internet, Microsoft is working to make a technical and marketing transition without sacrificing its position of leadership and control. Because this is consistent with what customers want, it's a reasonable path. But perceptually, the ground has shifted under our feet, and characters are being redrawn. Rather than leading "the" industry, Microsoft is now seen as a participant in an industry whose character is still being determined. Internet pioneers will say the party was already going and Microsoft just showed up. Industry animosity is increasing. *Whenever there is change, there is uncertainty and fear. In this case, there is fear about what the outcome of Microsoft's forays in the Internet era will mean for other companies. People assume that Microsoft's goal is to control. Microsoft's rapid turnaround, which was established firmly in people's minds by the Kathy Rebello story in Business Week and echoed by many others, is leading people to wonder if*

Microsoft will be the only company to ultimately succeed in the Internet space. It is this fear that Reback and others are tapping into.

The editorial community is intensely interested in who will win. There is a sense of delight in the editorial community about the new foment in the industry. It makes for more interesting stories. Thus, the many companies who did not succeed in the PC industry as well as Microsoft are working fervently to assure that Microsoft does not make the transition to the next phase. The interesting thing is that with the prominent exception of Netscape, most of the new "enemies" are really the old enemies — Sun, Oracle, IBM. However, given Microsoft's overwhelming dominance, these historic competitors have successfully recast themselves as the new guard, protecting the industry from Microsoft domination.

None of this has much to do with real customer problems that need to be solved and technology solutions that we need to communicate. Microsoft shouldn't stop engaging in a substantive dialogue and talking about its vision for the Internet. *Indeed, we need to be less presumptive and spend more time educating about our technical approach* (see discussion about Active Platform, the future of applications, the push model, and the media strategy). Clearly communicating our directions will help make Microsoft more predictable and, therefore, less vulnerable to negative and uninformed assumptions. The goal is to diminish the fear.

We also need to recognize the perceptual shifts and re-engage in the industry. We need to be willing to appear to be listening and learning shoulder-to-shoulder with other companies. We need to stop holding ourselves apart from the rest of the industry and focus on more give-and-take in our communication. The point here is that it is better for Microsoft to be perceived as a participant and a bearer of new business opportunity, than the company that wants to accrue all the good business for itself, to the exclusion of others. There is almost a formulaic approach to coverage when MS gets into a new business — if Microsoft enters a business, everyone else better look out because MS will get 90 % of it. Based on some key businesses, namely Windows and the applications business, that would be a reasonable conclusion. However the Internet world is a far different place. Many many companies will be founded and prosper. To the extent that the perception of much success is fostered, it will help Microsoft's image.

One way to address this is for Microsoft to participate more in industry gatherings. It's easy to stay home from these since the topics are often stacked against Microsoft. But if we are really motivated to share our vision, we'll be willing to be perceived as taking it to others, not exclusively asking people to come to ours. Microsoft is well known by press and analysts but we are relatively invisible to the rest of the industry. Being unknown leads to being misunderstood.

In addition, more executives need to be engaged in the work of corporate image.

Specifically, we should:

- Continue to emphasize context-setting, explaining and discussing the implications of our strategy.
- Promote executives as ambassadors and insist they not only speak at MS-sponsored events but at industry conferences, where they should not only share the Microsoft vision but *stay to listen and discuss issues with others*. In addition, the tone of Microsoft tradeshow booths and other corporate participation needs to be open and inclusive.
- Replicate the Hood Canal exercise with other editors and other MS execs in attendance; for instance, what if we had Paulma and Bradsi sit down with editors and talk about the future of applications?
- Hold an IMG Day for editors, not to pitch our products for coverage, but to address strategy and content issues in an interactive way with people who care about them (see below for comments about fears about Microsoft as a media company).

- To project more humility, re-emphasize in all press and industry interactions the demonstrated signs of curiosity, openness and discovery.
- Undertake more relationship-building with Silicon Valley influentials and editors. A lot of the animosity about Microsoft is engendered by its lack of visibility to Silicon Valley.
- Rekindle developer relations in a more visible way. Ever since we "won" the last set of API wars, we've been less effective here. We address this opportunity later in this memo.

The other thing we can focus on is for Microsoft to control some of the negative dialogue by talking about our challenges ourselves. We should be looking for stories, op-ed and speech opportunities on topics such as:

- why we haven't won — we have much respect for our competitors.
- what we've learned from mistakes.
- what we worry about.
- how PCs can be better.

We welcome your perspective.

Microsoft and Innovation

One of the corporate PR planks is to help position Microsoft as an innovative company. We spend a lot of time in frustration hearing some influentials cite Microsoft's successes as the result of luck or great marketing.

It's worth thinking about what the industry means by innovation and looking at how Microsoft fares against some of these attributes:

- The innovative label is sometimes applied to products that are perceived of as *ahead of their time*. The negative way of looking at these products is that they shouldn't have been shipped — but it's worth bearing in mind that whereas no one thinks of the Newton as a product success, it helped Apple's innovative image even though it was a market failure.
- When people talk about innovation they are often talking about *new paradigms*. Since Microsoft has come to define "the" paradigm in PC computing, innovators are often those who break from some paradigm presumably established by, or reinforced by, Microsoft. Part of the innovation aura around Java is that it is seen as breaking the Windows mold.
- Another key issue is that influentials tend to associate innovation with lots of *start-up companies and new ventures*. JFK Jr. expressed this in his interview with Bill as "the blooming of a thousand flowers." The acceleration of Microsoft's acquisitions in the past fiscal year works *against* us in this regard, because the assumption is that Microsoft benefited from other's innovation.

Many of these attributes, as well as some other qualities that are positive for Microsoft, work against our being perceived as innovative:

- For one, Microsoft's *emphasis on customer feedback* has become so pervasive that we often reinforce the notion that what we do best is thinking about our customers rather than innovating for our customers. Although innovation and customer-centricity are by no means mutually exclusive, some influencers assume a customer focus might lead to incremental improvements, rather than "out-there" ideas. Sometimes we talk about customer feedback on so granular a level that we reinforce that notion.

- Microsoft's marketing strength also makes it less likely that a product will be seen as ahead of its time. The company is far too pragmatic to ship a product that is unproved, untested and "merely" great computer science, without any idea about whether it solves a key problem that will compel people to buy it.
- The way we market products also works against the innovative label. If we were to write a PR plan for a product to be perceived as innovative, it would look different from one that is meant to demonstrate that the product will win in the marketplace. Our efforts tend to reinforce how successful a product will be and why. This results-orientation is somewhat incompatible with being branded innovative in the industry-elitist sense. This is a little like the movie industry: a director can do films to impress other directors and win awards, or they can do movies that they think lots of people will really enjoy. They are not mutually exclusive, but they are not the same, either.

Here are some things Microsoft should consider in positioning itself better for an innovative image:

- Consider how to position products as breaking with a paradigm the company itself has established. There's an opportunity to do this with the web-centric Office Microsoft is considering, for example.
- Place more emphasis on marketing Microsoft's *natively developed innovations* broadly. IBM, for instance, puts a fair amount of PR effort behind promoting something like the latest data-storage discovery as an IBM "invention."
- Emphasize our innovations at industry conferences. Be willing to show the big, audacious, idea-type demos. David Nagel used to do this every year at Agenda or Demo. Someone in research (Nathan, Rick Rashid or Dan Ling?) could be cultivated to play this role. Past examples we did not exploit were Joeb sharing the process of developing the Windows UI, or Jonde explaining how Microsoft architected Office 97 from components.
- Develop a presentation on products that never saw the light of day, to increase the sense that Microsoft is taking risks and investing in technologies. This should not be focused so much on failures as on educating about the tradeoffs associated with shipping products that are really ready for customers. People are just as interested in what Microsoft *didn't do* as what we do.
- Explain the failures. For instance, Bob died. It is not talked about any more. Through a speech or column, we should turn this into a product ahead of its time and get credit for the innovation in Bob.
- We've raised before the notion of doing advertisements that highlight the work Microsoft is doing in research and even specific product innovations and how they came about. Bob Herbold has raised concerns that this appears self-serving but perhaps it's something to consider.

Be wary of over-communicating about the role of customer input. We should talk broadly about customer problems we want to solve, but leave room for our prerogative in innovating how they are solved. When it gets to the product manager level, the customer-centric message sounds like we are checking out the most granular features. This ends up sounding incredibly responsive but not like "big idea" thinking

One other area of consideration in innovation discussion is not just whether Microsoft innovates but whether Microsoft is a *force for innovation* in the industry. doing so *broadens the definition* of innovation and reinforces that innovation is not a scarce commodity in technology. Some ideas for reinforcing this are below:

- Explicitly translate the work Microsoft is doing in terms that developers can touch and feel. For instance, what if Dan Ling did a "state of the labs" address at a PDC with the tone of, "we are working hard for you" and hold press 1:1s to reinforce the messages.
- Reward instances of innovation in the industry. For instance, we started a Windows Pioneer program but it died. We should rekindle it.
- Bill could do a column every year looking back on innovation in the industry that year.
- Endow a chair at a university every year in honor of an innovation; or establish a scholarship.
- The VCs are thought of as the people who spot the hot innovative companies early. Last year, Paulma, Gregma and others called on VCs to explain the Microsoft strategy and invite venture capitalists to consider opportunities the strategy posed or to consider Microsoft as an investor when appropriate. Of course, the VCs chatted: if we positioned this as an annual conference for VCs on opportunities for innovation, we could make more hay with it.
- This is outside of the realm of PR, but Microsoft might consider sponsoring an exhibition at Epcot or something like the Boston Computer Museum to communicate innovation. A similar message could be sent with sponsorship of the right PBS series or radio broadcast

Some final thoughts:

We should be less offended by the credit Microsoft gets for its marketing greatness. In other contexts, we are looking for recognition for great customer support, great developer relations, usability, etc. Whenever someone gives you a left-handed compliment about marketing, work to turn it to your favor. Make them listen to you (humbly) describe indeed how hard Microsoft has worked to transform itself into a company that really really cares about its customers, broadly defined.

We should also think about getting credit for innovations in our business thinking. It's a separate topic but there is some merit to considering what ways of thinking about the business model and running a company are deserving of recognition.

And finally, considering the "costs" associated with an innovative label *the way the industry defines it*, vs. being thought of as a company that does well-considered products that many people use and like, we might also like to examine whether we are more comfortable targeting the latter categorization!

Getting credit for innovation applies to the next discussion, on the future of applications.

Future of Applications

The work we have done around the launch of Office 97 has garnered great reviews but has not been sufficient to address concerns that the future of applications is a) boring, b) irrelevant, c) not brought to you by Microsoft.

The launch of Office 97 felt about four months too late. Reviews have been phenomenal but they were negotiated at the early edge of the curve; by the time we got into launch mode gears were shifting and the backdrop had changed. Hype about the Network Computer has confused the discussion. In the midst of the activity, it seems editors have veered away from the "one integrated application called Office" goal we were pointing to ever since 1990 and now want something different.

What we hear is a lot about smaller/lighter-weight components. They don't really know what they mean technically or organizationally but they yearn for lower overhead, "it's only there if I need it" components. On the one hand, they tend not to want to give up things, but on the other, they are skeptical that things like Office Art are really needed in a standard tool set. They are convinced that there is a common denominator of functionality that runs in 4 MB and then they should be able to snap in other components. How rich the common denominator should be is a big source of debate.

In the meantime, we are engaged in selling a strategy that will help us sell Office 97. Influentials are willing to concede that Office 97 will sell. But longer term, they fundamentally are not convinced that today's Office strategy has a shelf life. There is a vacuum about the future.

We face a danger if MS does not talk about the future and cedes the future vision of apps to others. This gives our competitors an opening to appear to be thinking about the hard problems — with far less to lose than we have. Their incentive is to chip away at festering dissatisfactions with the existing paradigms and in doing so they get lots of press attention. We are particularly seeing Corel fill this void but expect Netscape to take up a lot of space.

Two levels of work we need to do are:

- deeper education about what our existing Office strategy is trying to do. We need to address the lack of understanding about the componentized approach and explain better why Office is built the way it is. In doing this we can also address some of the limitations of the "snap in" approach;
- lead the debate and discussion about the future of applications. Particularly we should do work with analysts here, around defining the right problem-set and where apps should go. Rather than selling a solution, we need to work to own the problem discussion

We have a few opportunities to work through these issues:

- Engage Bradski and his team in these discussions as the more detached "new guy."
- Position work in the web component group.
- Position Outlook future directions in the future context.

Microsoft's Development Platform—Getting Developers' Hearts and Minds

The interesting thing about this topic is that Microsoft has seemingly been willing to reassess the platforms strategy in very fundamental ways, and for which the company has gotten a lot of credit. Witness the browser technology and the Internet server technology that has already shipped. However, the dramatic shift has engendered some difficult communications challenges. It's somewhat amazing to us that these have not yet emerged strongly as issues in the press (they are too busy covering Internet news!)

With the Active Platform now representing Microsoft's primary development platform for the Internet and component development now recognized as the future direction for most developers, the obvious conclusion seems to be that Windows is relegated to "plumbing" status. We are

promoting Active Platform as the complete, comprehensive, component-based development platform available today and letting developers choose whether to build lowest-common-denominator cross platform components or ones that add more value by calling system services (e.g., plumbing) from Windows. With Active Platform offering the higher-level, higher-value services needed for component development, Windows now seems to play the less important, lower-level role that MS-DOS played when users moved on to Windows.

This situation raises a number of questions that we believe Microsoft has not addressed or articulated clearly, which is a cause of much confusion in the editorial community:

- Is this a position that Microsoft wants to take, to say that Active Platform is the more important development platform for today's components and applications?
- If so, what value is provided by Windows and how do we want to articulate that?
- If not and if Active Platform is secondary to Windows or tied to Windows, how will we fight the "Microsoft is proprietary and antithetical to the Internet" perception in the press?
- How does Windows fit into the Active Platform, which claims to be client cross-platform?
- Where do we stand on advising developers to develop for Java x-platform vs. Windows-only?
- How does our evolution to Active as our platform affect our Windows desktop franchise?

Today, we *appear* to be talking out of both sides of our mouth. On the one hand, we claim to love Java, to provide IE on multiple platforms, and to offer Active Platform as OS-agnostic. On the other hand, we denigrate Java apps as "least common denominator" and claim that by writing to Windows system services, developers can create better apps. To an unbiased observer, it appears that we are promoting two platforms — Windows and Active Platform. To a less generous observer, it appears that we are feigning support for Java while secretly pushing Windows and trying to dominate the Internet with our legacy power. Once again, it *appears* Microsoft is only interested in controlling the platform.

One of the unfortunate downsides of the Active Platform/Java/Windows debate is that there are major opportunities for developer confusion. There are many negative consequences that could result — namely, eroding support for Microsoft APIs, decrease in developer momentum and finally, a building perception that Microsoft is alone in the industry. It is super clear that a broad and deep set of successful developer companies behind Microsoft's platform is helpful to both the success of the company and the perception of the company. The Rebacks of the world are neutralized if there is a successful, growing and prospering industry that Microsoft's technology is enabling. We need to have a renewed campaign to get developers and web authors on the side of Microsoft and then to show the world. We need to realize that the question—who are our allies—is hard to answer. Some ideas:

- Do a great job of clarifying the Microsoft platform roadmap. This is a very critical path item.
- The company is super successful holding PDCs. These need to continue on regular basis and we need to leverage the results via the attendees more aggressively.
- Look at the recommendations in the section on promoting innovation above. Several good ideas are outlined there, including a recognition award for "pioneers" and doing more PR around the VC effort.
- Microsoft itself could start a funding source to foster successful companies that base their work on MS platforms.
- Renew the focus on the developer relations function. Do more PR around the support programs that are involved for developers.
- Take advantage of Paul Gross's arrival to have a renewed sense of commitment to the third-party development community. He can be the icon.

- Do a "success story a month" program for emerging company's succeeding with the MS platform.
- Communicate how the push model creates more rather than less opportunities ... which, creates a good segue to the next section.

The Push Model and the Internet

Push technology is defining the next browser experience. Netscape and MS are both working to bring push content/broadcast content to their users. Netscape will do via Communicator and Constellation, and MS via the Explorer and Active Desktop.

With the push model, people make the assumption that the content will come to them so they don't have to work hard for it. It is arguably the model that will ultimately be the dominate way people will experience the Internet

Once again Microsoft finds itself in the middle of the debate. The predominant feeling in the press is that Microsoft has amply succeed in the Internet space and is once again uniquely positioned to take advantage of its success. As in the case of the operating systems business and applications business, Microsoft is uniquely positioned in both the Internet platform and content business. Active Desktop is about facilitating the broadcast model. The announcement of the PointCast deal signals aggressive pursuit of the right content deals. Already the competitors and pundits are *assuming* that Microsoft's own content will get those premium spots on the Active Desktop. There is also a presumption that once again, Microsoft has placed the right bets (content) and are positioned to dominate both the Internet platform and Internet content businesses. While this is great business, competitors can make good controversy out of it with the press.

The current debate is really about who gets to be the networks (with the sweet spot on the desktop) and how will Microsoft determine this. Will it be a case where Microsoft's own content gets first pick or will it be a more level playing field. The cries of "unfair" advantage are already ringing. So far we have not answered the question about how someone gets to be a premium channel on the active desktop or even how many premium channels there will be.

Separately, there is a feeling of renaissance about the Internet phenomenon, about freedom and unparalleled opportunity. We don't want Microsoft to be blamed for the inevitable narrowing of the chaos into more sustainable, workable and economically viable models. The early adopters on the internet will bemoan the death of their world. To the extent that MS becomes associated with controlling the user experience via control of the desktop (what gets pushed) there will be negative fallout.

Finally, as MS technology enables greater richness and power in Web authoring, we will be dinged for raising the bar. Web site developers must write to the active platform in order to have access to the active desktop. The assumptions will be that Microsoft is trying to dominate web development by forcing developers to write to the active platform. It is up to developers to make up their own minds — however, competitors will criticize Microsoft for this approach, even as they offer similar technology.

The first step in getting ahead of the issue is to developer clear and reasonable answers to the general questions already emerging:

- How is Microsoft's view of the push model different from the competitions' (Netscape, Lotus or others)?
- How will Microsoft decide what content will be available on the active desktop?
- Will Microsoft give the advantage to the internally developed content?
- How easy will it be to customize the active desktop so users can get the content they want?

- Isn't this another example of Microsoft trying to lock users into Windows? When will it be cross-platform?
- Microsoft can offer Windows real estate in exchange for content (a la the AOL deal).

Note: this situation analysis is really the "consumer" market and there is a whole entire list of challenges related to intranets. How do corporations take advantage of the broadcast model? . We think, for example, GTE would want GTE-NET as a corporate channel. How do they accomplish this?

The key objective here should be to be very clear and open about the strategy and to emphasize the benefits to both users and to the Internet community itself. The goal is to position the push model as generating more rather than less opportunity for people to share information in the richest way possible. It would be great to publicize the small as well as the grand.

Microsoft as a Media Company

Entering 1997, Microsoft's Interactive Media efforts are already a topic of very high editorial interest. As recently evidenced by the front page coverage of Ovtiz's departure, the media has an intense interest in covering the media. The convergence of Microsoft's central role in the Internet coupled with the media's interest in covering "the media" puts the company's every move under a spotlight.

Microsoft will be under intense scrutiny as the media and influentials try to puzzle out the answers to some key questions that are presently unanswered: 1.) What is Microsoft's interactive media "vision?" 2.) How will Microsoft (and others) make money on interactive media and on the Internet? and 3.) What kind of impact will Microsoft's current dominance have as the Internet evolves? These unknowns make Microsoft feel very unpredictable. In the absence of direction from Microsoft, the media will continue to draw their own — and often negative — conclusions.

The question of Microsoft's "vision" for its media venture is a matter of close, often personal concern to the media. For the working journalist, the idea of Microsoft in this regard is often viewed through a very personal filter — they ask themselves, "What would it be like to work for Microsoft?" They see Kinsley and other well respected journalists join the ranks of Microsoft employees. They watch MSNBC closely for signs of Microsoft influence or favoritism. They look for signs that Microsoft has the "soul" of a media company; that Microsoft feels a need for a code of ethics ... commitment to the First Amendment ... sense of social responsibility. They also look to see if Microsoft "gets" what it means to have a point of view and if Microsoft has a vision for how its media properties will shape the opinions and lives of people through the information that represents its voice. In the absence of this vision, they fear the specter of already incredibly powerful Microsoft in the role of a media company which shapes public opinion.

The company is also under close surveillance by the industry observers — journalists and analysts alike — with an entirely different, business-focused interest. They, too, are looking to Microsoft to articulate a vision — if not a grand vision of the "new media world," at least a predictable business strategy. Analysts and pundits are looking to Microsoft to work out how people will make money on information content properties and services distributed electronically. They are watching for potential markets that Microsoft is entering, and for those that it may be abandoning. Every move that Microsoft makes will be closely scrutinized as they try to make it all make sense.

In many respects Microsoft watchers credit Microsoft with being a player — based on its past successes, marketing muscle and deep pockets. For the media the issue is more "how" Microsoft will win — by "fair means or foul." Netscape has already begun its claims that Microsoft will use its OS dominance to the advantage of its own content/services as it moves to the new "push" model to the desktop. MSN says it will compete on the strength of "its brand" but there is no well-understood brand identity or sense of why MSN represents a uniquely differentiated offering from

Microsoft. We can expect that Microsoft's online media business will continue to be examined by the media through the filter of Microsoft's platforms/technology — with Microsoft's media efforts seen variously as a way to get content developed for MS technology or as riding on the "unfair advantage" of the company's installed base.

Microsoft has not articulated a vision for its Interactive Media efforts and its business strategy is not well understood. The company hasn't set expectations for what it means to be a "Microsoft media property." MSN is viewed as a loose confederation of content and services; there may be a unifying look & feel, but there is not a consistent media "voice." At MSN Strategy Day in November, Microsoft was able to show a lineup of content and service offerings — but it was unclear what synergy existed between what was in the "Free Zone" and what was behind the subscription wall. This left editors with unanswered questions and some considerable skepticism about what would move the consumer into the subscription space. This uncertainty left them receptive to claims by competitors that Microsoft would use the push content model to its unfair advantage. The relationship between the Platform business and the Interactive Media business is unclear and therefore open to negative interpretation and attacks.

In the wake of Patty's departure, there was some speculation that the creation of IMG — with PeteH at the helm — was intended to salvage the unprofitable interactive media division and the change has prompted speculation about what this means for Microsoft as a "media company." PeteH is a well respected, strong manager who delivers product — but is not seen as a media maven. For that matter, Pete's direct reports (LauraJ, Petern, Johnni) are all long-standing MS people without strong media/content background or experience. Members of the editorial community are looking for an Eisner-like visionary, or for some Microsoft strategy that mitigates that need

Editors and analysts alike tell us that it seems that Microsoft is in the new media business simply because it "can" — it has smart people, deep pockets and sees a long-term opportunity to make a buck. This does not constitute a vision that lets people understand where Microsoft will be involved and why it is strategic to the company. This makes Microsoft very unpredictable in this space — and people fear what they do not understand.

Thoughts/Recommendations

- IMG and others in the very early stages of this new media world are experimenting with early adapters. In fact, in these early days it is still Microsoft's technology experience that is critical. Much of the content product for MSN, for example, is the by-product of programmers who are creating the underlying technology to make the experience rewarding and compelling..

What is critical in the short term for IMG business goals is to maintain momentum for Microsoft's on-line offerings — to be viewed as an up and comer — and to attract eyes, the best partners and the best talent. It will be critical to communicate Microsoft's long term commitment — while being open and candid about the experimental nature of some of its efforts.

- We need to change the vocabulary and the dialogue about what IMG is and does. And we need to help editors and analysts to understand what Microsoft means by being the "media business" — both what it is signing up to do and what it is not.

PR Recommendations

- In the near term, IMG must be prepared to address how it plans to carry its channel metaphor into the push model — and Microsoft must address the intersection between Microsoft content and its platforms businesses. This will become a more pressing issue in the first half of 1997 as the media attention shifts back to the competitive battle between IE and Communicator.
- Walk the Walk. Microsoft is under a media microscope. The media will examine closely anything that smacks of commercialism or Microsoft favoring its own media outlets. The most visible and sought after icon of Microsoft is Billg. It will be extremely important, both for continued broad-based broadcast coverage of all of Microsoft and for MS's reputation of being even handed with the media, that Microsoft *not* be perceived as favoring news media like MSNBC with Billg access or advantaged MS news.
- Role for Billg. PeteH can, will and should be the primary Microsoft executive spokesperson for IMG. But for a strategic effort of this magnitude, Bill will need to explicitly state his commitment and to lay out at the highest level what Microsoft's intent is in the interactive media space. Billg is the one person who can credibly address the innovative use of technology to support a positive user experience across both Microsoft's platforms and interactive media initiatives.
- PeteH Media Plan. Pete has incontestable success in applying technology to give users a positive experience. As he did for the apps business, Pete must be able to speak out for the on-line consumer — understanding and anticipating the demographics — and the process for making the on-line experience more valuable and more enjoyable. In addition, he needs to be the company's spokesperson for how the on-line *business* is evolving. This is, after all, a critical "need to know" for not only the media, but the industry at large.
- Whatever the parameters around its mission, Microsoft cannot sidestep media company concerns and issues. As a company in the business of developing and delivering news editorial content (MSNBC, Slate), IMG needs to be viewed as operating within core journalistic standards not just for PR considerations but to continue to hire and retain the talented people it requires. The most credible spokespersons in this regard are the key journalists that Microsoft has recruited — Kinsley, Brown and others. IMG should consider a "corporate" campaign that provides a platform (industry speaking engagements, on-line forums, focused PR efforts) for these journalists to talk about the challenges of creating this new medium, things they have tried (both successes and failures — humbly). They would talk about what it is like to work at Microsoft and, as subtext, reinforce the message that they have the right kind of environment to foster experimentation in the development of new media forms.

Conclusion

Microsoft is moving forward rapidly even as the ground shifts under our feet. These changes create unpredictability in the industry, and unpredictability creates a market for wild speculation and even fear-mongering (witness Reback). A number of companies are exploiting this unpredictability. They are heavily invested in forcing a change in the course of the industry, a change away from Microsoft's. We need to take some of the force away from their arguments by undertaking the intent to be more predictable.

One thing we cannot do is underestimate the heightened need for communication about where we are going. This is the role of a leader, not to tell people simply to follow, but to clearly state the direction and invite others along that path. The need for over-communication about our own vision and plans is greater than ever. In the book, "*Leading Change*," Kotter defines the elements of effective communication of vision as:

- Simplicity: jargon and techno-babble is eliminated.
- Metaphor, analogy and example.
- Multiple forums are required to effectively spread the word.
- Repetition: ideas sink in deeply only after they have been heard many times.
- Leadership by example.
- Explanation of seeming inconsistencies: unaddressed inconsistencies undermine the credibility of all communication.
- Give-and-take: two-way communication is more powerful than one-way communication.

It seems to us that Microsoft has done a phenomenal job at communicating its vision to its internal troops. Given the challenges for Microsoft at keeping up at this pace, this is critical. But in meeting these challenges, there is a danger of turning inward and neglecting to engage people outside the company who also look to Microsoft for vision and direction. If we become isolated from others in the industry, competitors working against us have the opportunity to position us to influentials and attach non-factual motives to our actions.

This will take an enormous amount of work; communication takes patience and time. In the next months, we look forward to working with Microsoft to develop plans to communicate its strategy and assist its transition into the next phase.