

1.0 Problem 1: Integrated Technology, Product/Market, and Competitive Strategy for Microsoft

1.1 Define the problem

Clearly figure out what the real problem is. Identify the main issue that actually needs solving. How can Microsoft develop an integrated business, technology, and product/market strategy for 1996 to 1998 that protects its dominance in PC software while positioning it to lead the rising internet era?

1.2 Plan How to Tackle the Problem

Before doing analysis, plan out how to approach the problem:

- What information do I already have?
- What assumptions do I need to make to keep things realistic?
- What is the best way to structure my analysis?
- What kind of calculations or comparisons do I need to do to solve the problem?

Information:

- "Lecture Notes on Competitive Strategy" Pages 17-19
- Microsoft 1995 Case Study

Key Assumptions:

- Time frame is 1981-1998 only
- Industry: personal computer software industry

Framework

To help Microsoft develop an integrated business, technology, and product/market strategy for the years 1996 through 1998 I will apply a structured three stage analytic framework that directly reflects the company's position in late 1995. This framework is tailored to address Microsoft's internal structure, its role within the software industry, and the evolution of its own competitive strategy. The goal is to connect Microsoft's business goals, technological capabilities, and market direction into one strategic plan.

1.2.1 (PLAN) Stage 1: Company Analysis:

The first stage is the company analysis. This will focus on understanding Microsoft's internal position as of 1995.

1. Identify Microsoft's business goals and objectives.
2. Identify Microsoft's technology and product/market strategy. The case study shows operating systems like MS-DOS, Windows 3.1, Windows NT, and Windows 95 are companies core advantages.
3. Identify Microsoft's developmental goals by aligning technology advancement with business growth.
4. Create functional evolutionary maps that trace Microsoft's progress from the DOS era through Windows.

1.2.2 (PLAN) Stage 2: Industry Analysis

The second stage looks at the structure of the industries in competition with Microsoft.

1. Complete a structural analysis of the software industry using relationships and market data from the case study.
 1. Create a structural map of the industry/market landscape in which the company is embedded.
 - a. Use a structural map from class to guide the map.
 2. Perform a five (or six) forces analysis of the I/M landscape.
 - a. Use the table given in the LNCS handout.
 3. Determine the attractiveness (as measured by the profit potential)
2. Identify Microsoft's current competitive strategy within the industry. The case study hints at Microsoft relying on platform dominance and bundling software with hardware manufacturers.
3. Analyze Microsoft's relationships with other players in the industry.

1.2.3 (PLAN) Stage 3: Assessment and Evolution Strategy

The final stage evaluates how Microsoft's strategy should evolve based on internal and external analysis.

1. Using the company and industry analysis I will assess the evolution of Microsoft's competitive strategy.
2. I will then identify what Microsoft's future competitive, technology, and product/market strategies should be for 1996 to 1998.

1.2.4 (PLAN) 3-5 Specific Recommendations

- Analyze MS's current position using information from the case study to identify its main strengths, weaknesses, and industry challenges then develop 3 realistic recommendations focused on business, technology and product/market strategy for 1996-1998
- Each recommendation must be clearly justified using evidence and trends from the case study

1.2.5 (PLAN) 3-5 Specific Strategic Initiatives Taken by MS

- Research 3-5 major strategic initiative MS actually implemented after 1995
- Compare each initiative to recommendations made in 3-5 Specific Recommendations above
- Display information in a clear table

1.3 Execute the Plan

Work through the plan. Go one step at a time, analyze your data, and explain what the results mean.

- Use charts, graphs, or tables to help visualize the data.
- Write down key conclusions and connect them back to the main problem.
- Keep work organized with clear sections and labels.
- Finish this step by stating conclusions or recommendations.

1.3.1 (EXECUTION) Stage 1: Company Analysis:

The first stage is the company analysis. This will focus on understanding Microsoft's internal position as of 1995.

1. Identify Microsoft's business goals and objectives.

Goal/Objective	Evidence	Note
Expand computing accessibility through software used in all households and business	"To make software that will permit there to be a computer on every desk and in every home" - Microsoft founding statement.	Establishes Microsoft's founding purpose and long term direction.
Focus on markets with	Gates said Microsoft looks for	Explains why Microsoft

network effects where Microsoft can establish the dominant standard.	“opportunities with network externalities where there are advantages to the vast majority of consumers to share a common standard.”	strives for monopoly share positions rather than specific roles.
Achieve and maintain majority market control in each product category.	Gates stated Microsoft aims to “garner large market shares, not just 30%-35%.”	Reinforces Microsoft’s competitive drive for leadership rather than coexistence.
Transition to recurring revenue through upgrades, maintenance, and repeat customers.	Gates said “building annuities, by tapping into broad revenue streams that rely on our software expertise.”	Shift from 1 time sales to recurring payments for software.
Sustain double-digit growth in revenue and profitability while reinvesting in R&D.	Net revenues grew from \$198 million (1986) to \$5.9 billion (1995); net income \$1.45 billion (1995).	Shows that strong financial performance supports strategic flexibility.

In 1995 Microsoft’s business goals were focused on keeping its leadership in PC operating systems and expanding control across other software markets.

2. Identify Microsoft’s technology and product/market strategy. The case study shows operating systems like MS-DOS, Windows 3.1, Windows NT, and Windows 95 are companies core advantages.

Area	Evidence	Strategy
Operating systems (technology)	Windows 3.0/3.1 success through backward compatibility with DOS and ease of use.	Backward compatibility protected the installed base and drove mass adoption.
Distribution model (product/market)	OEM bundling led to higher margins and constant sales.	Channel control → competitive advantage
Competitors (product/market)	Apple, IBM OS/2, UNIX, total < Windows 90 million installs by 1995	Monopoly in desktop OS
Windows NT and Cairo (technology)	NT targeted networks, Cairo planned for 96-97	Shows MS’s move up to enterprise platforms
Windows 95 (technology)	Release Aug 1995, intended	Shift to 32 bit desktop

	full replacement for DOC/3.1	standard
Applications	Word and excel on windows outsold competitors	Leverages platform to win application usage
Business computing	MS select volume licensing and maintenance contracts for corporate buyers	Enterprise market adaption
Online services and internet	MSN bundled into windows 95	Network computing shift
Consumer division	Over 70 CD-ROM titles; Encarta, Magic Schoolbus, Natural Keyboard, 80% external content	MS brand into home computing and media

Microsoft's technology and market strategy revolved around controlling the operating-system platform while expanding into computer applications and growing the brand with media.

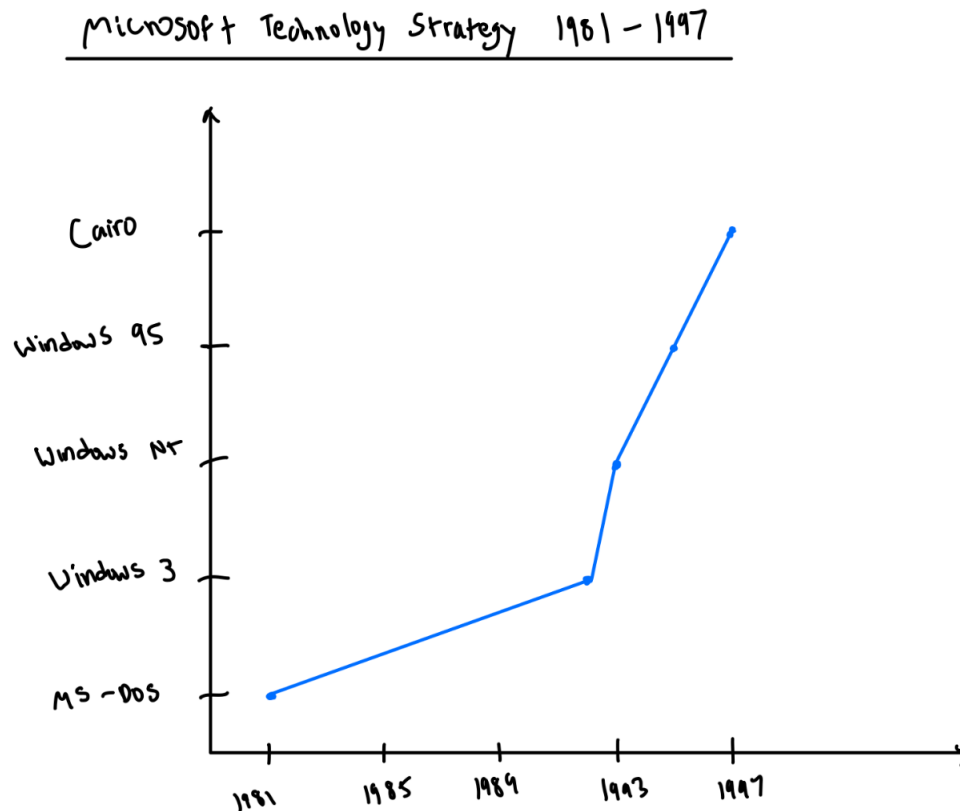
3. Identify Microsoft's developmental goals by aligning technology advancement with business growth.

Area	Evidence	Purpose
Upgrades	32% of customers upgraded on interim releases and 75% on major ones.	Creates constant revenue and locks customers into the MS ecosystem.
Platform Advancement	\$500 million cost to develop new OS, NT and Cairo intended to add network and developer functions	Commitment to long term technical leadership.
Windows 95 Launch	400 thousand beta copies, \$400 million dev, \$200 million marketing	Massive scale and coordination strength
Enterprise services	MS Select introduced volume licensing and maintenance plans.	Shift toward a steady revenue model.
Talent and organization	17 thousand employees by 1995, hiring delays and dependence on Gates for decisions	Identifies growth pressures and leadership centralization
Consumer content process	Hundreds of contracts for	New development model for

	CD-ROMs	content based software.
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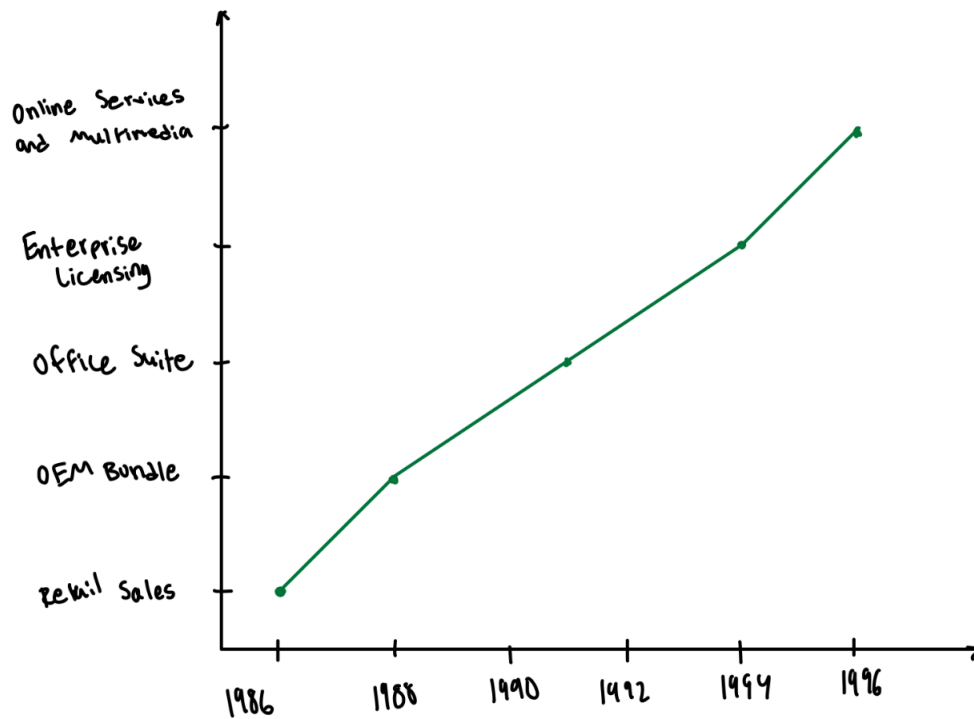
Microsoft's developmental goals combined fast technological progress with scalable production.

4. Create functional evolutionary maps that trace Microsoft's progress from the DOS era through Windows.



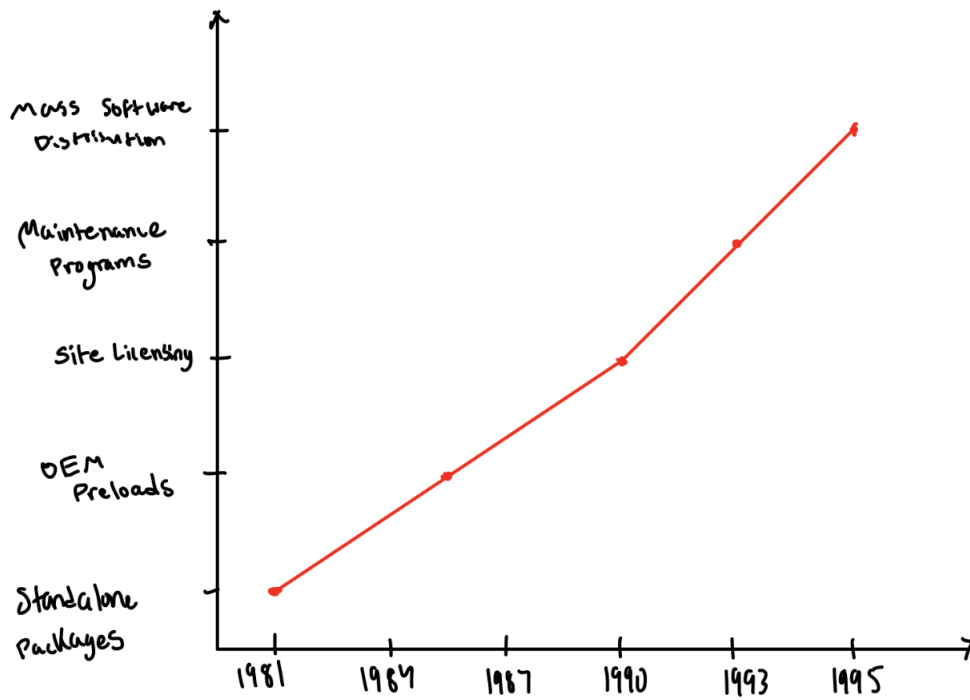
This functional evolutionary map shows Microsoft's technology strategy from 1981 to 1997. They transitioned from using MS-DOS operating systems to the projected launch of Cairo.

Microsoft Product/Market Strategy 1986 - 1995



This functional evolutionary map shows the product/market strategy of Microsoft from 1986 to 1995. There is a progression from retail sales in the 1980s all the way to online services and multimedia in the late 1990s.

Microsoft Manufacturing Strategy 1981 - 1995



This functional evolutionary map shows Microsoft's manufacturing strategy from 1981 to 1995. The progression is evident from standalone packages to mass software distribution.

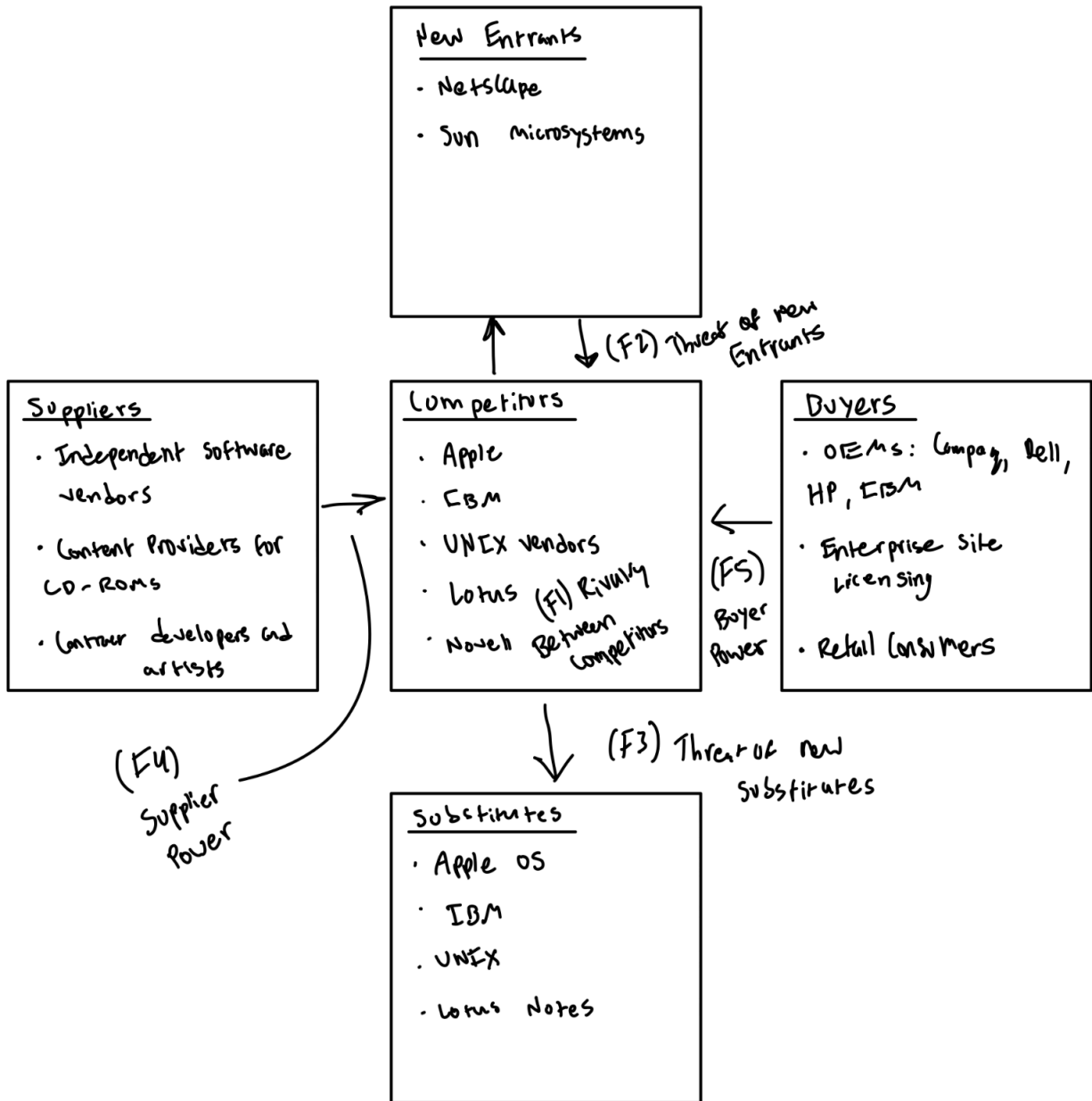
1.3.2 (EXECUTION) Stage 2: Industry Analysis

The second stage looks at the structure of the industries in competition with Microsoft.

1. Complete a structural analysis of the software industry using relationships and market data from the case study.

1. Create a structural map of the industry/market landscape in which the company is embedded.
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Personal Computer Software Industry 1981-1998



2. Perform a five (or six) forces analysis of the I/M landscape.
 - a. Use the table given in the LNCS handout.

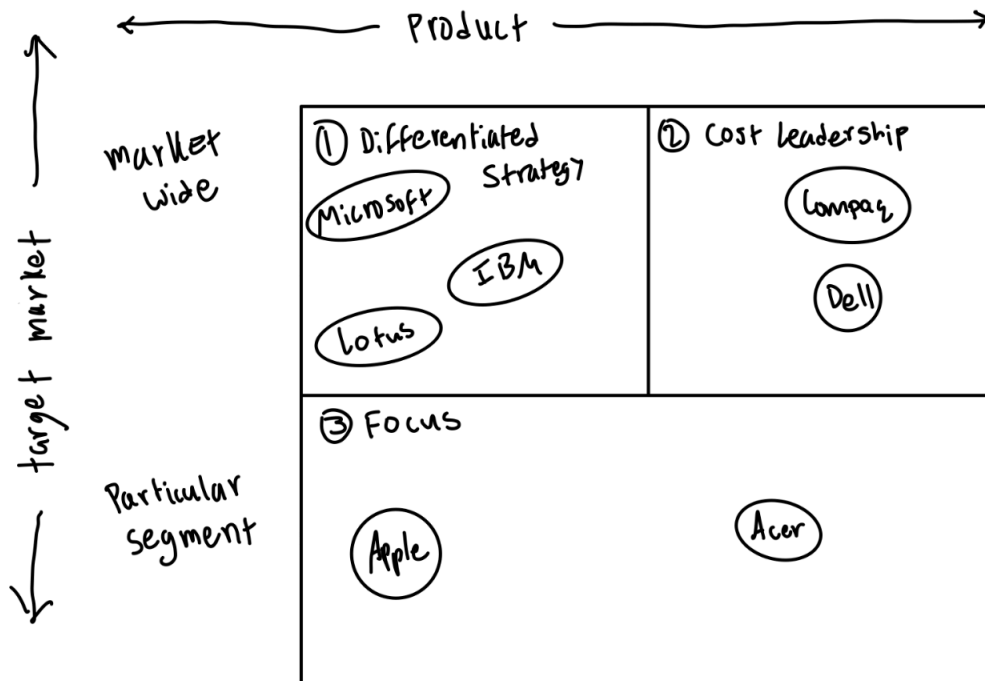
Force	Key Determinants	Analysis	Intensity of Force	Actions
Rivalry Between Competitors	<ul style="list-style-type: none"> Concentration Size Brand differentiation 	<ul style="list-style-type: none"> Microsoft dominated few major competitors One dominant platform with 90+ million installations worldwide Strong product identity through windows interface 	Medium to High	Competition shifted toward applications, networks, and browsers. Microsoft has to maintain OS leadership through continuous feature upgrades.
Barriers to Entry	<ul style="list-style-type: none"> Brand Capital Requirements Network effects 	<ul style="list-style-type: none"> MS strong brand recognition in both OS and applications markets Windows 95 cost = \$400M dev and \$200M in marketing 90M users, high switching costs 	High	Entry requires a gigantic amount of R&D, and marketing costs. MS should focus on alliances and complementary products.
Threat of New Substitutes	<ul style="list-style-type: none"> Switching Costs Availability of Alternatives 	<ul style="list-style-type: none"> High; applications and users depend on Windows APIs Apple 8.5%, IBM OS/2 5%, UNIX 3-5% 	Low to Moderate	Substitute platforms have small portions of the market but lack any real strength. MS should maintain compatibility while keeping internet standards.
Supplier Power	<ul style="list-style-type: none"> Concentration Dependence on Microsoft 	<ul style="list-style-type: none"> Key suppliers are ISVs, content 	Low	Suppliers depend heavily on Microsoft

		creators, and contract devs <ul style="list-style-type: none"> • High dependence for developer tools, platform access, and revenue share 		distribution channels. MS should continue to build up relationships with ISVs.
Buyer Power	<ul style="list-style-type: none"> • Concentration • Switching Cost 	<ul style="list-style-type: none"> • OEMs purchase Windows licenses in bulk • High switching costs, OEMs have a few good alternatives 	Low to moderate	OEMs rely heavily on windows to sell PCs. MS has power in the pricing so it can manage its customers with licensing programs.
Complementors	<ul style="list-style-type: none"> • Relationships 	<ul style="list-style-type: none"> • ISVs, OEMs, and content providers expand the windows environment. 	High	Protect the alliances to keep dominance in the industry.

3. Determine the attractiveness (as measured by the profit potential)

Between 1981 and 1998 the personal computer software industry was one of the most profitable industries in technology. High barriers to entry, control over standards, and strong complementor relationships outweighed the competitive threats. For Microsoft, this ecosystem created a very lucrative environment making the industry extremely attractive throughout the 1980s to 1990s.

2. Identify Microsoft's current competitive strategy within the industry. The case study hints at Microsoft relying on platform dominance and bundling software with hardware manufacturers.



3. Analyze Microsoft's relationships with other players in the industry.

Industry Player	Relationship with Microsoft
OEM Manufacturers	Most new PCs shipped with Windows preinstalled. OEMs depended on MS's software to sell their hardware.
Independent Software Vendors (ISVs)	Developed thousands of windows compatible applications.
Enterprise Customers	Used MS's volume licensing and maintenance plans for reliable upgrades and support. Helped MS secure long term recurring revenue.
Competitors (Apple, IBM, Lotus, Novell)	Competed across operating systems, applications, and networking. Microsoft maintained leadership.

1.3.3 (EXECUTION) Stage 3: Assessment and Evolution Strategy

The final stage evaluates how Microsoft's strategy should evolve based on internal and external analysis.

1. Using the company and industry analysis I will assess the evolution of Microsoft's competitive strategy.

Time Period	Key Strategy	Description of Evolution
Early 1980s	Establishing the Platform	<ul style="list-style-type: none"> Formed early partnerships with IBM for MS-DOS Focused on software licensing instead of hardware manufacturing Dependable supplier for PC OS
Mid-Late 1980s	Building the Ecosystem	<ul style="list-style-type: none"> Expanded OEM contracts to preload MS software on new PCs Attracted ISVs to develop MS-DOS and Windows
Early 1990s	Market Expansion	<ul style="list-style-type: none"> Moved from standalone products to integrated solutions Created MS Office by combining Word, Excel, and PowerPoint Introduced Windows NT
Mid-1990s	Platform Dominance	<ul style="list-style-type: none"> Combined DOS and Windows into one system with Windows 95 Partnered with OEMs to make sure Windows pre installed on nearly all new PCs
1996-1998	Responding to Internet and Network Shift	<ul style="list-style-type: none"> Identified rise of internet computing and browsers

		<ul style="list-style-type: none"> Expanded into online services through Microsoft Network (MSN)
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This table is important because it shows how MS's competitive strategy did not happen overnight. It developed step by step as the company and PC industry grew. MS built such a strong position by traversing through the early DOS days, to the Windows 95, and the start of internet computing.

2. I will then identify what Microsoft's future competitive, technology, and product/market strategies should be for 1996 to 1998.

Strategy Area	Future Strategy	Explanation
Competitive Strategy	Keep leading the PC software industry while responding to Internet threats.	<ul style="list-style-type: none"> MS should focus on protecting Windows as the main PC platform by keeping strong ties with OEMs and software developers At the same time, it needs to respond to new competition from internet based companies like Netscape by adding online features into Windows and Office Bundling and upgrades can still be used to keep customers loyal but the company has to be careful about legal limits and regulations
Technology Strategy	Move from standalone software to connected, Internet ready systems.	<ul style="list-style-type: none"> MS should keep improving Windows NT and future projects like Cairo to handle networks and internet connections better MS should focus on adding browsing, email and networking tools directly into

		Windows <ul style="list-style-type: none"> • Support independent developers through APIs
Product/Market Strategy	Expand products and create steady, repeat income.	<ul style="list-style-type: none"> • Enterprise licensing programs like MS Select should be pushed to lock in long-term business clients • Consumer products such as MSN and multimedia titles can help you grow MS's brand • Office should stay the number one productivity suite for both home and office users

From 1996 to 1998, Microsoft needed to shift from just being a desktop software company to becoming a connected, network platform leader. The goal is to defend the dominance of Windows while making sure the company evolves with new technology and user needs. By improving networking features, supporting developers.

1.3.4 (EXECUTION) 3-5 Specific Recommendations

- Analyze MS's current position using information from the case study to identify its main strengths, weaknesses, and industry challenges then develop 3 realistic recommendations focused on business, technology and product/market strategy for 1996-1998
- Each recommendation must be clearly justified using evidence and trends from the case study

Strategy Area	Key Recommendations (1-5)	Justification	Supporting Evidence
Business	1. Secure OEM dominance by renewing and expanding windows	1. <ul style="list-style-type: none"> • Over 90% of PCs already ship with 	1. <ul style="list-style-type: none"> • Stage 1: Company Analysis -

	licensing deals with major PC manufacturers (Compaq, Dell, HP, IBM).	<p>windows</p> <ul style="list-style-type: none"> Keeps Windows as the industry standard and blocks new entrants from entering 	<p>OEM bundles</p> <ul style="list-style-type: none"> Stage 2: Structural Map - Buyers (OEMs) depend on MS Functional Map - Product/Market Strategy shows OEM bundling as a key growth factor
Technology	<p>2. Integrate core internet tools directly into Windows 95 and Office including a built in browser, email, and online setup application.</p> <p>3. Accelerate Windows NT and Cairo development to dominate business networking and enterprise systems.</p>	<p>2.</p> <ul style="list-style-type: none"> Netscape's rise in 1995 proves users want built in internet access Including these features in the OS ensures users stay inside MS's ecosystem <p>3.</p> <ul style="list-style-type: none"> NT already offers scalability and multiprocessor support By improving, MS can replace Novell and UNIX 	<p>2.</p> <ul style="list-style-type: none"> Stage 2: Industry Analysis - Internet and browsers identified as emerging substitutes Functional Map - Technology Strategy shows transition from standalone systems to networked platforms MS Case Study section: Windows 95 and MSN confirms MS's early move into online services. <p>3.</p> <ul style="list-style-type: none"> Stage 1: Company Analysis - NT and Cairo outlined as next

			<p>generation OS investments.</p> <ul style="list-style-type: none"> • Functional map - Technology Strategy traces NT's evolution as enterprise software. • Stage 2: Competitive Strategy Table - shows push toward enterprise networking as new growth path.
Product/Market	<p>4. Expand MS Select Enterprise licensing and offer bundled maintenance contracts to large customers.</p> <p>5. Aggressively grow MSN by bundling free 3 month access with every Windows 95 installation.</p>	<p>4.</p> <ul style="list-style-type: none"> • Case study shows MS Select stabilizes revenue • Broader adoption locks in corporate clients and creates recurring revenue <p>5.</p> <ul style="list-style-type: none"> • Online services are the next big thing in computing • Bundling trial access drives consumer adoptions and helps MS position itself as source to the Internet 	<p>4.</p> <ul style="list-style-type: none"> • Stage 1: Development Goals Table - highlighted MS Select as early success in corporate licensing. • Functional Map - Product/Market Strategy shows enterprise licensing as core to long-term growth. • Stage 3: Evolution Table - marks shift from one time sales to recurring enterprise revenue. <p>5.</p> <ul style="list-style-type: none"> • Stage 1:

			Company Analysis - Consumer Products division growth and MSN integration <ul style="list-style-type: none"> • Stage 2: Five Forces Model - identifies internet based substitutes as emerging threats • Functional Map - Product/Market Strategy highlights MSN and multimedia as new markets
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These five recommendations help MS stay the industry leader while adapting to the Internet era. Strengthening OEM deals keeps Windows the default on new PCs, and adding Internet tools to Windows and Office keeps users within the MS environment. Speeding up NT and Cairo development expands its reach in business networks, while growing MS Select creates steady revenue from clients. Finally, building MSN trials connects MS directly to consumers as they shift online, positioning the company to lead the shift toward connected computing.

1.3.5 (EXECUTION) 3-5 Specific Strategic Initiatives Taken by MS

- Research 3-5 major strategic initiative MS actually implemented after 1995
- Compare each initiative to recommendations made in 3-5 Specific Recommendations above
- Display information in a clear table

MS's Strategic Initiative Post 1995	Description	Comparison to my Recommendation	Supporting Evidence
1. Integration of Internet Explorer (IE)	<ul style="list-style-type: none"> • MS released IE and 	<ul style="list-style-type: none"> • It matches my recommendati 	<ul style="list-style-type: none"> • Microsoft 1995 Case

into Windows (1995-1998)	bundled it with Windows 95 and 98 to compete with Netscape <ul style="list-style-type: none"> Internet access became a built in windows feature 	on #2 (adding internet tools) <ul style="list-style-type: none"> My plan predicted this step earlier and warned about legal requirements to avoid DOJ issues 	Study: Rise of Netscape as a threat and Internet growth <ul style="list-style-type: none"> Stage 2: Industry Analysis: identified internet browsers as substitutes Outside Source: IE 1.0 bundles with Windows 95+ (1995)
2. Development and release of Windows NT 4.0 and Windows 2000	<ul style="list-style-type: none"> MS improved NT with stronger networking, security, and business integration NT became the base for enterprise systems 	<ul style="list-style-type: none"> Aligns with Recommendation #3 to speed up NT and Cario My recommendation pushes for a faster rollout to beat Novell and Unix 	<ul style="list-style-type: none"> Stage 1: Company Analysis: NT introduced in 1993 with planned upgrades Functional Map - Technology Strategy: NT evolution path Outside Source: NT 4.0 (1996) and Windows 2000 development began (1997)
3. Launch and Expansion of MSN / Hotmail acquisition (1995-1997)	<ul style="list-style-type: none"> MS built MSN into an internet service and bought Hotmail to expand online presence 	<ul style="list-style-type: none"> Matches recommendation #5 to grow MSN My idea for bundling 3 month access with Windows 95 anticipated this move exactly 	<ul style="list-style-type: none"> Stage 1: Company Analysis: MSN integration into Windows 95 Functional Map - product/market: MSN and multimedia

			<ul style="list-style-type: none"> growth Outside Source: Hotmail acquired in 1997, MSN launched in 1996
4. Enterprise Licensing Programs (MS Select -> Enterprise Deals)	<ul style="list-style-type: none"> MS expanded MS Select into larger licensing and maintenance plans, ensuring predictable income 	<ul style="list-style-type: none"> Directly matches my 4th recommendation (expand MS Select) My version adds bundled maintenance and wider corporate adoption 	<ul style="list-style-type: none"> Stage 1: Development Goals Table: MS Select stabilizes revenue Stage 3 Table 2: Enterprise licensing as recurring revenue Outside Source: (1997-1998) rapid enterprise revenue growth
5. Global Expansion and Localization of Windows and Office	<ul style="list-style-type: none"> MS translated and localized software for Asian and European markets and partnered with global OEMs 	<ul style="list-style-type: none"> Builds on recommendations 1 and 5 (OEM dominance + consumer internet expansion) My plan connects localization directly to OEM growth which is a faster way to gain global customers 	<ul style="list-style-type: none"> Stage 1: Product/Market map: OEM bundling shown as global channel Functional Map - Technology & Market: localization trend Outside Source: localized Windows 95 in > 30 languages (1996)

Overall, Microsoft's real strategies after 1995 lined up closely with the recommendations that I made. The company followed almost the same path by integrating internet tools, expanding their enterprise software, and growing MSN. They were also able to expand their reach globally. However, my recommendations pushed for faster and more organized action. My insights urged early internet adoption, closer OEM connections, and compliance that could have helped MS avoid some legal battles and competitive challenges down the road. MS had a solid strategic plan but my approach would have reached these goals sooner with fewer risk.

1.4 Check Your Work

Before calling it done:

- Are my numbers right?
- Do my results make logical sense?
- Were my assumptions reasonable?

I read over the full case study, I reviewed all the data, tables, and recommendations to make sure everything looked accurate and consistent with the case study. The timelines, product names, and market details all match with information provided in the case and the functional maps I drew. My results make logical sense because MS's real actions after 1995 closely align with the strategies I recommend. The assumptions I use were all reasonable for that time period and supported the case evidence. I used outside sources for the last table but I made sure to add a supported evidence column to show where I got the information from. A works cited will also be included.

1.5 Learn and Generalize

Reflect after solving the problems:

- What did I learn from this?
- Did my assumptions change the outcome drastically?
- Are the results strong enough to trust?

I learned the importance of connecting company data with real market trends when building a strategy. MS's case showed that long term success comes from adapting technology and product decisions to match changes in the market. My assumptions about internet growth, OEM relationships, and enterprise deals helped shape realistic recommendations close to the actual outcome of what MS did after 1995. The results are strong enough to trust because my analysis matched both the case evidence and what MS actually did.

1.6 Appendix

Microsoft Corporation. (1995). *Microsoft Annual Report 1995: Strategy and Technology Outlook*.

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