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HEADLINE: Microsoft would gain if it lost tough-guy attitude

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Every day, most users of personal computers deal with products and services made by Microsoft Corp., the software colossus. But just what kind of company is Microsoft? In recent weeks, two conflicting pictures have emerged.

The Wall Street Journal's Marketplace page last Wednesday presented a new ranking of digital companies' corporate reputations in which Microsoft places first out of 40 firms. The companies were rated by a group of nearly 17,000 online respondents on Oct. 25 in a poll conducted by Harris Interactive and the **Reputation Institute**. Among this group of people, Microsoft was held in the highest regard, beating companies like Intel, Sony, Dell, IBM, Kodak and America Online. On the other hand, on Nov. 5, shortly after the poll was taken, a federal judge ruled that Microsoft is a sort of corporate mobster that uses its vast power to break the kneecaps of any company whose innovations might threaten Microsoft's hold on its territory. In his carefully reasoned, 207-page "findings of fact," Judge Thomas Penfield Jackson -- a stalwart Republican appointed by Ronald Reagan -- laid out a devastating picture of the company.

"Microsoft has demonstrated that it will use its prodigious market power and immense profits to harm any firm that insists on pursuing initiatives that could intensify competition against one of Microsoft's core products," Judge Jackson concluded. "The ultimate result is that some innovations that would truly benefit consumers never occur for the sole reason that they do not coincide with Microsoft's self-interest."

So, which is it? Do Microsoft and its chairman, Bill Gates, deserve criticism or respect? Well, the answer is both. In my view, what Microsoft stands for is a more complicated matter than either the judge's ruling or the poll would indicate.

On purely financial grounds, the company stands tall. Microsoft has been well-managed and high-performing. In fact, this financial prowess is a big source of Microsoft's ranking in the survey. A breakdown of the poll results shows Microsoft ranked first in financial performance, vision and workplace environment.

But the company slipped to fourth in product quality, fifth in social responsibility and 15th in a quality called "emotional appeal," which measures whether the respondents trust and admire the company overall -- and that was before Judge Jackson's scathing findings were released. Only 35

per cent said they'd "definitely" trust Microsoft to do the right thing if faced with a product or service problem.

Microsoft isn't Satan, despite the sometimes hysterical rantings of its corporate enemies. It has done great good, encouraging the widespread use of PCs by setting standards and favouring low prices.

By contrast, Apple, which created the big innovations Microsoft in many cases copied, favoured high prices and refused to license its operating system for years, moves that would have restricted the spread of computing if Apple had been in charge -- even though Apple's products were more elegant and reliable than Microsoft's.

Microsoft has built some wonderful products, including Publisher, Encarta and its Web browser, Internet Explorer. The earlier versions of Word and Excel were best of breed, with many useful innovations.

Mr. Gates has spent millions in personal funds to bring computers to impoverished locales, and his recent philanthropy in other areas has been spectacular. Microsoft has produced the first comprehensive encyclopedia of Africa and African-Americans, a brilliant work with vast social and political value.

But too often, the company acts like a bully, just as the judge says. It is pugnacious and thin-skinned, with a win-at-all-costs, take-no-prisoners attitude that has made it an object of revulsion among many in its own industry. I know many fine and honest Microsoft employees, but the corporate culture in which they toil is unsettling. I have long believed that, if Microsoft's tough-guy attitude were dialed back just 10 per cent, the company might gain more in goodwill than it would lose in market share.

Also, Microsoft in my view pays too little attention to product quality. I agree with Mr. Gates that it was a good idea to incorporate a Web browser into Windows 98. But an even better move might have been to make Windows 98 stable and reliable. Instead, it's a source of endless aggravation and frustration for millions of users. With all of Microsoft's brains and money, the company should be ashamed to market a product of such poor quality.

Interestingly, Microsoft's best products seem to emerge in categories where, in contrast to operating systems, it has real competition. Internet Explorer was good because it was up against Netscape. Microsoft Money got good in a battle with Quicken. Word's best features were added in a race to knock off WordPerfect. Since that battle was won a few years ago, Word has languished, getting fatter but not much better. The record suggests that competition is actually good for Microsoft and its customers.

Finally, Microsoft has failed to innovate like a leader. It has made lots of little innovations, but it has never taken the big leaps that some others, like Apple and Netscape, have. Take the overall user interface for Windows. It's still very similar to the interface introduced on the Macintosh 15 years ago. Yet Microsoft has essentially barred PC makers from experimenting with new user interfaces that might be better.

It's time for Microsoft to stop following other people's tail-lights and show what its billions in research spending can produce -- in big innovations and in quality and reliability. Maybe then it can feel secure enough to stop muscling other companies.

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Previous columns can be found on the Personal Technology Web site (<http://ptech.wsj.com>).

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