



Life after Microsoft

The US Department of Justice has filed proposals for splitting Microsoft into two companies. Paul Stephens looks at the prospects for the new Baby Bills and their customers

It's official at last – the US government wants to break Microsoft up. Having convinced the Washington District Court that the software giant was guilty of an array of anti-competitive practices, the US Department of Justice has filed a Proposed Final Judgement which would split the company into two separate businesses. One would sell Windows operating systems, while the other would handle everything else that Microsoft currently produces, including desktop applications, developer tools, Back Office data servers and the Internet Explorer Web browser.

The breakup, if it happens, could be delayed for more than two years, since Microsoft has vowed to appeal all the way to the Supreme Court. However, the DoJ has requested interim restrictions on the company's activities, including a ban on further integration between systems and applications products. Once separated, the two companies would face a ten year ban on mergers, joint ventures and the resale of each others' products.

Technical problems

The split would create few major technical problems, since Microsoft's often-repeated claim that its applications use the same published Windows system interfaces as everyone else's is largely true (how early their developers got to hear about them is another matter). To resolve any interdependency issues, each company would get a perpetual licence to use and develop intellectual property which is currently cross-distributed between the systems and applications groups. The major exception would be Internet

Explorer, which the systems company could use but not develop. This would effectively end the bundling of IE with Windows, although IE could still appear on the desktops of new PCs, as OEMs would be free to pre-install products from both companies.

Different prospects

Microsoft's latest quarterly figures show Windows earning \$2.3 billion and the rest of its products \$3.3 billion so, in revenue terms, the two new businesses would be on a similar footing. Their long-term prospects, however, could be substantially different, with Windows not necessarily the stronger bet.

The new applications company would be rich, ready-equipped with market-leading products (in particular the all-conquering Office suite) and freed from inhibitions about enhancing the application catalogues of non-Windows platforms such as Linux, the Macintosh (which it already serves) and Palm. This would be bad news for the Windows business, which could see its status as the 'official' Office platform undermined, and equally bad news for rival application vendors like Corel, who see cross-platform compatibility as their trump card.

However, the Windows company's most damaging separation would not be from Office, but from developer tools and middleware products. For the past five years Microsoft has been trying to guarantee Windows' future by making its APIs and protocols (now grouped under the umbrella term 'Windows DNA') the de facto standards for applications running on the Internet and corporate Intranets.



The familiar face of your PC is about to change.

Its strategy relies heavily on products such as its Visual Studio editor/compiler suite and Internet Information Services Web server, which draw developers towards Windows-based technologies. Losing these products would make Windows dependent on a third party vendor to deliver DNA to the developer community.

The new application vendor's best strategy for tools and middleware, meanwhile, would be the same as for its desktop products – serve the Windows market it already knows, but be ready to hedge its bets and open new revenue streams by branching out on to other platforms. The result could be Visual Basic-scripted Active Server pages running alongside SQL Server under Linux, or even Win32 API calls supported by a Solaris version of Visual C++. For a Win2000 marketing manager, that prospect is about as bad as it gets.

New landscape

An innovative, multi-vendor PC market needs a standard operating system, ideally from an independent supplier which doesn't compete in other product sectors. That's what it would get if the DoJ's proposals were successful, but how long things would stay that way is open to question.

A Windows-only vendor would enjoy a huge initial market share,

and might well hold on to it. However, with just its OEM licensing revenue to rely on, it might have to end the era of Windows as a relatively cheap client system, and it would be powerless to prevent a haemorrhaging of applications and tools to any competing platform that achieved critical mass. That would place it in a vulnerable position which, in extreme circumstances, might even lead to a takeover by the likes of IBM/Lotus or Oracle.

The post-Microsoft computing landscape would probably be one in which operating systems had a lower profile, and applications, developer tools and inter-operability standards became the new 'platforms' to which customers committed themselves – much the direction, in fact, in which the industry is already heading. A hived-off Microsoft applications company would be well-equipped to flourish in those circumstances, while the DoJ's proposed systems vendor would have more than a hint of the dinosaur to it. Like his colleagues, Bill Gates would be barred from cross-company shareholding or employment. It's not hard to guess which of the two he'd choose to stay with. **PCP**