Feb 20, 1996

# Platforms Group Reorganization

We are announcing a new structure for the Platforms Group to more closely coordinate our Windows family strategy and to meet the challenge and opportunity posed by the Internet. The Platforms Group will move from it's existing four divisions (Personal Systems, Business Systems, Developer, and Consumer Systems) to three divisions (Desktop and Business Systems, Internet Platform & Tools, Consumer Platforms).

We have come a long way on our strategy of building a compatible family of Windows products, converging on a common Win32 interface for most applications, and a common UI. Customers, OEMs, and ISVs now expect us to take Windows forward and put a priority on eliminating unnecessary differences. Hence the overall responsibility for the Windows product family is being concentrated in one division - the Desktop and Business Systems Division under Jim Allchin.

This division will be responsible for Windows product strategy and marketing, development of certain core technologies, and integration of other key technologies coming from the other divisions. This division also has the charter of continuing to coordinate, market, and develop core server technologies and products that form the BackOffice suite. As part of this mission, MS's database (SQL Server) and transaction-processing related efforts, which are major areas of investment for Microsoft, are being located in this division. We expect other server applications (e.g. electronic commerce) coming from other divisions to be coordinated with BackOffice, so that we maintain synergy between our server offerings.

The emergence of the Internet has introduced major new opportunities and challenges. This is the most serious challenge we have yet faced in our system software area. Fortunately we have great assets in the form of people and technology that we can bring to bear. We will be concentrating in one division the important products and technologies to do this. This is the Internet Platforms and Tools Division under Brad Silverberg. To fully meet the Internet challenge and opportunity we are going to have to move quickly and set new priorities. We have to be prepared to deliver products or technologies over the Internet more frequently than we currently do for core operating system releases. We have to set a higher priority on providing cross platform solutions. We have to ensure that our user interface and client-server tools are optimized for accessing online information and developing online applications.

We will locate in the Internet Platforms and Tools Division our development tools (Visual Tools, Multimedia Tools, Softimage), runtimes, browser, shell, multimedia efforts, and our online commerce services. Thus this division has key deliverables (browser, runtimes, shell, multimedia) to the Desktop and Business Systems Division for inclusion in Windows. On Dec 7th, Microsoft announced that the Microsoft Network would migrate to be based completely on Internet technology. Thus the responsibility for the ongoing development associated with MSN (in particular the completion of MSN 2.0 work) will move to the Internet Platform and Tools Division.

There are two other challenges that need focus. OEM customers are increasingly interested in products other than the traditional PC, and Microsoft needs to have solutions. At the same time much of the original interest of network operators in broadband Interactive Television has

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shifted to first utilizing lower bandwidth public network infrastructure to support current Internet applications, and to later evolve to high-bandwidth applications.

Thus the third new division, the Consumer Platforms Division, under Craig Mundie, will be responsible for: a coordinated effort for handheld, set-top box efforts, and other non-PC system efforts; our broad-band expertise and systems integration ability to work with large network operators; and incubating certain advanced technologies (e.g. handwriting). The first two of these efforts will be managed by David Cole, who is being promoted to Vice President, reporting to Craig. Our existing ITV trials and system integration efforts will be refocused on nearer-term Internet-related opportunities, while we continue to invest in technologies such as the video server and ATM networking which will be important in the future.

We have long had the goal of using common technology in our three Windows offerings. We have made progress in this area with subsystems such as the Shell, Multimedia, TCP/IP, certain device drivers, etc., being derived from common sources. We plan to increase this sharing, looking forward to the day when all three members of the Windows family are built on a common NT-derived kernel. But this convergence of technology is realistically some time away, and we need to continue to retain our ability to do Windows-95 specific work at the kernel level, while also taking advantage of new opportunities to leverage the skills of the people involved. Thus the Windows 95 platform team will continue to report to David Cole in the Consumer Platforms Division. They will provide Windows 95 kernel related technology to the Desktop and Business Systems Division according to the overall Windows plan.

Roger Heinen has decided to take this opportunity and the occasion of his 45th birthday this week to retire and take a breather from the software industry. We wish him well in this phase of his life, and thank him for his contributions.

This organization will be effective on Feb 20th. More detail on the organization is given on the pages below. As with any major reorganization, there are details which need the input of a broader set of people, need more detailed thought, and which we have not yet closed. We will work through these issues over the next few weeks. As always, please speak with your manager to get further information and to express concerns.

These moves will ultimately open up new opportunities for people, but as we make the transition, we will ask people to stay in their current positions unless explicitly asked to take a new position. Once the transition is complete over the next few weeks, normal rules for transfers will be resumed. The first priority is to ensure that existing work gets completed. We need to keep focused on shipping NT 4.0 ("SUR"), IE 3.0, MSN 2.0, and Win95 OPK 2 release (David Cole will continue to own overall release management of OPK2). Each of these efforts are slated to be complete mid-year.

Although we will be asking some people to take on new objectives, or roles, or to move to different groups, we are not reducing the overall number of people employed in the Platforms Group, and we continue to hire in key areas.

We continue to occupy the best position in the software industry, and our future has enormous potential. The realization of it will require our best efforts yet. This structure is designed to better equip us to meet the opportunities and challenges we face: Windows, the Internet, and non-PC form factors. It is also designed to reduce the overlaps we currently have, reducing frustration and improving efficiency. However there will still be major dependencies between the groups,

and cooperation will be even more important than in the past. Improving group cooperation and learning to be better suppliers and customers to each other is an explicit goal for all of us.

I would like to thank all those in the Platforms Group for your outstanding work and commitment, and look forward to more success in the future.

Paul Maritz