

Lynn E. Williams (Legal)

From: Paul Maritz
To: Brad Silverberg; Richard Tong; Jim Allchin; John Ludwig
Subject: RE: Novell Nightmare
Date: Fri, Jul 30, 1993 7:50AM

I agree. I will get us together next week to kick this off.
 In response to request from Billg, I am going to writing a memo over next few days on our "server" strategy which I will review with you.

From: Brad Silverberg
To: Richard Tong; Jim Allchin; John Ludwig; Paul Maritz
Subject: Novell Nightmare
Date: Thursday, July 29, 1993 7:38PM

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One thing that I have come to an increasing realization is that we do not have an integrated "game plan" or comprehensive, thought-through strategy for competing with Novell. We have instead a bunch of projects underway and then mostly react when news occurs. Or we just wring our hands.

On the other side, though, Novell sure does seem like they have a well-developed strategic plan against us that they are executing against. Even if you disagree, and claim I give them more credit than they deserve, it's clear that they are making substantial progress against us and we cannot underestimate them.

I strongly believe we need to take action to address this situation and get such a strategy underway. I view this as the Pentagon developed detailed plans for this nation's basic defense strategy. This should have as elements:

- PaulMa assign some smart senior person on a full time basis to lead the Novell strategy effort. This must be a very clever individual, not some mid-level product manager who looks for bugs in Netware 4.0. Currently this gets part time attention from a lot of us, but not enough to put together a complete integrated plan.

- Our strategy then drives tactics on a day-to-day and week-to-week basis. A good example of how we are "not" doing this now is the surprised-panic reaction that PR has exhibited regarding the contents of M4 (netware client) and the fact that Mars will also ship soon. We are not prepared now to even execute our own efforts, let alone react to Novell's moves. We must start now laying the groundwork and public positions that cover the moves we are planning to take over the next year. The plan must involve much broader communication of our system strategy, interoperability, and object management efforts. [Mail on this has already gone around. It indicates both part of the problem as well as part of the solution.] That is, it's a plan for winning that involves both us doing leadership things as well as directly competitive items.

- The senior management of Systems (Paulma, Bradsj, Jimall, Jonl, Richt, Bobmu, Johnlu, designated lead, etc) meet on a regular basis (say every 2 weeks) to discuss our strategy, review progress, and review tactics. This is the National Security Council. This serves to maintain focus, commitment, and track operational progress.

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I am increasingly hearing from my outside contacts just how obsessed Noorda is with taking Microsoft down. Anyone familiar with Novell's behavior before the FTC will corroborate this. I also hear, as I am sure you do, that Novell is actively considering some type of merger or acquisition targeted against us. Contacts I have on the street, such as Rick Sherlund, also bear this out.

Here are some of the possibilities:

1) Ray wants to retire but doesn't have a successor, so wants to sell the company to a stable larger firm that will preserve and enhance his investment for the next "n" generations of Noordas. The company I heard mentioned most often here is AT&T, which Novell obviously already has good business relationships with.

2) Noorda merges with Lotus. This is the scariest scenario. The combination of Notes plus Netware gives Noorda control over networking; gives him a strong and growing middleware platform, a place to set new standards for (cross-platform) application api's; and a strong application suite. He'll use the app suite to wage price war against our apps and destroy our profits while preserving his own (netware and notes). He'll give Novell DOS away. [This is already planned. We hear he's asking 5 cents royalty and that some big oem's are going to defect.] He'll establish a powerful application server and application environment. He'll get Ray Ozzie focused on making Notes and Netware great. He'll have notes servers on win 3.1, os/2, NT, Netware,

3) Ray can't/doesn't merge with Lotus so buys Wordperfect and/or Borland. Let's say both. He gets his app suites as above and wages price war. He gets a server database (Interbase). He gets some great development tools for building client-server apps and thus establishes control over client-server app development. He gives Novell DOS away, etc as above.

4) Ray buys Oracle. As will (3) but not in position to wage app price war.

5) I am sure there are other scenarios, especially as related to Apple, Sun, etc.

If one of these scenarios happens, especially 2 or 3, then Microsoft no longer has the luxury to putz around as we are now, uncoordinated, inefficient, building overlapping products with unclear missions. We won't have the time then to be polite with people/projects. We'll have to be decisive and not panic.

We have to wake up NOW and make the tough decisions. Get the plan in place, make the necessary org/project/people decisions. Do it now while we can be rational.

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