

Microsoft Is Fast Turning Into A Sideshow

So, now it's clear: Windows 8 [did not blow the doors off](#) [1] during the holiday. In context, this tepid launch is just one of a litany of failures fast relegating [Microsoft](#) [2] to the status of incidental spectacle in the information technology business.

If Windows 8 is Exhibit A, Exhibit B is Windows Phone 8. [Nokia](#) [3] has [started discounting](#) [4] recently launched Lumia phones, indicating that they're not exactly moving like hotcakes. Microsoft makes excuses and says these things take time, but even a fool can tell a torrid introduction from a lukewarm launch.

Thus, in the important high-mobility category (phones and tablets), where [Apple](#) [5] and [Google](#) [6] are cleaning up, Microsoft is 0 for 2.

More on how bad it is: An [in-depth review](#) [7] of Windows 8 by Brian Boyko pans Windows 8 for nearly 24 minutes.

How bad is it? Microsoft is not even mentioned among the four companies a [Wall Street](#) [8] Journal team highlighted in [an assessment of the great battles ahead in tech](#) [9] in 2013. According to the Journal, the firms to watch are Google, Apple, Facebook, and Amazon.

Microsoft has reached an Orwellian impasse, in which it cannot tell the truth — even to itself. It is blinded by its own hallucinations about how the market is operating. The result is that its public pronouncements entirely lack credibility.

When the Metro name had to be dropped, likely for legal reasons, the company said, ““We have used Metro style as a codename during the product development cycle across many of our product lines. As we get closer to launch and transition from industry dialog to a broad consumer dialog we will use our commercial names.” Dialog, schmialog. I'd hate to be the PR person who had to stand up and say *that* with a straight face.

A few [gems](#) [10] in the credibility department from CEO Steve Ballmer:

“We don't have a monopoly. We have market share. There's a difference.”

“Google's not a real company. It's a house of cards.”

“There's no chance that the iPhone is going to get any significant market share. No chance.”

You get the idea.

No surprise, then, that a company culture like that drives away the best people.

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The litany of important defections is literally too long to list. But every major group has lost its most experienced talent in the past several years. A smattering of examples: Steven Sinofsky, head of Windows Group, left as Windows 8, theoretically his baby, was launching.

Craig Mundie, the company's chief research and strategy officer, [just announced](#) [11] that he is abandoning the ship, completing an exodus by top appointees (the other was Ray Ozzie) that founder and former CEO Bill Gates pulled in to replace himself as he was leaving the company. Others include, Jeff Raikes, who led the Office Division; Kevin Johnson, Platform and Services head; Stephen Elop, who ran the Business Division; Robbie Bach, Entertainment and Devices chief; J Allard, another key executive from Entertainment and Devices; Chris Liddell, CFO; and Bob Muglia, head of the Server and Tools Division.

Sclerosis doesn't even begin to describe how the company doesn't function. Given the [draconian performance review system](#) [12], sometimes called "stack ranking," employees are afraid to do anything other than play palace politics in a descending spiral of shooting down each other's projects.

Google has even begun to [gain traction](#) [13] against Microsoft's Office suite with its cloud-based Google Docs productivity software.

Byzantine pricing policies, designed to bleed customers dry without a thought to a future beyond this quarter's results, have even the [most loyal](#) [14] Microsoft adherents in [full rebellion](#) [15].

And product [naming conventions](#) [16] are both horrible and amateurish. Aside from the Metro debacle, there's Bing, which has yet to become a verb in anyone's mind. Other naming bloopers include Bob, HailStorm, Windows Genuine Advantage, PlaysForSure, and 2007 Microsoft Office System.

At some point, the accusing finger has to swing back toward Ballmer, who took over as CEO from Gates in 2000.

Over the years, Ballmer has made a buffoon of himself while turning out wrong call after wrong call on products, markets, and people.

Remember the Ballmer as Monkey Man dance, a moment of [pure insanity](#) [17]? Or "Developers! Developers! Developers! Developers!" replete with [sweaty shirt](#) [18] and cracking voice?. In the classic mashup, an aspiring YouTube artist put the two clips together and added music, with a [horrifyingly funny result](#) [19].

Well, even Ballmer doesn't believe that stuff about developers anymore. Microsoft's policies toward developers these days start with "What can you do for us?" and end with licensing policies designed to absorb any possible profit that a developer might make. No wonder they've all been driven to Apple and Google!

"We want them to be better than this," said one developer who works across all platforms. "We want them to be good enough to act as a foil for Apple and Google,

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which otherwise will take over the universe. Ten years ago, Microsoft seemed totally unassailable. If it's just Apple and Google, we're so f**ked. Microsoft's lack of innovative insight is astounding. Even in the car industry we have three companies, and that's one of the most sewn up markets ever."

Ballmer is not safe even in his dreams, as Jay Yarow points out in his widely viewed story in Business Insider, "[Steve Ballmer's Nightmare Is Coming True](#) [20]."

I've often pondered on why capitalism doesn't work the way it's supposed to when it comes to reallocating resources. The theory is that a useful business attracts human and financial capital, but shouldn't the opposite also be true? A no-longer useful business should release its capital back into the marketplace. But institutions formed during their useful phase never seem to go away voluntarily. Like fat cells clinging to a body, they want to eat, too, despite their uselessness. Over-and-done-with firms need to be pushed out of business before their dead hand can be pried from the stick.

Which leads me to ask, what is Microsoft's useful function now? Well, there's the business of acting as an alternative to other would-be monopolists. But that's pretty weak. There is, however, one function that the company continues to fulfill: it operates a well at the foot of a valley where a large population brings its buckets for water. And Microsoft gets to charge a monopoly rent for its "magic" water. Never mind that there are other wells elsewhere offering cheaper water. Many people are still in the habit of coming to this one place.

As long as people continue to buy its software, which costs nothing to manufacture and delivers in some cases gross margins greater than 90%, Microsoft has a "useful" function. But, as can be noted from the trends, this situation is not going to last forever.

At this point and at the very least, Gates needs to step in and ask his friend of many years to step down. I first [raised the question](#) [21] of Ballmer's tenure 18 months ago. He has had ample opportunity to turn the ship around and hasn't done it. If Microsoft is to recover from its nosedive, it will need to address multiple institutional failures — with someone else in the driver's seat.

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- [1] <http://www.nytimes.com/2012/12/24/technology/tepid-sales-of-microsofts-windows-8-point-to-shaky-market.html>
- [2] <http://www.forbes.com/companies/microsoft/>
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- [15] <http://www.forbes.com/sites/rogerkay/2011/03/23/microsoft-may-have-to-sharpen-its-pencil/>
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- [20] <http://finance.yahoo.com/news/steve-ballmer-s-nightmare-is-coming-true-181558610.html>
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