

## Clash of the Titans

To describe Microsoft as a Titan in the same sentence as IBM may seem odd, since Microsoft has sales of \$1 billion per year compared to IBM's \$60 billion plus. However, in the PC world Microsoft's influence is arguably greater than IBM's. The companies have had a development partnership since the early 1980s when they created the MS-DOS/PC-DOS standard. Microsoft profited from DOS sales for over 50 million PC clones sold during the 1980s. Microsoft then established successful software businesses in graphics, word processing, spreadsheets, user interfaces, CD-ROM, advanced operating systems, and LAN operating systems. The original Joint Development Agreement (JDA) between IBM and Microsoft was expanded to include Presentation Manager, LAN Manager, and OS/2.

The technology of IBM's LAN Server and Microsoft's LAN Manager has diverged, and the market has hesitated to buy either LAN operating system. Consequently, IBM has adopted and will remarket LAN Manager/Server's chief competitor, Novell's NetWare. IBM and Novell will build interoperability links between NetWare and LAN Server. There are no comparable plans for LAN Manager/NetWare interoperability.

The poor market reception for the partners' OS/2 Presentation Manager operating system has been eclipsed by Microsoft's success with MS-Windows 3.0. MS-Windows 3.0's interface is virtually identical to Presentation Manager and should later pick up much of OS/2's technical capabilities in multitasking and multimedia. Three million copies of MS-Windows 3.0 were sold in 1990 alone. OS/2 sales will not reach that level until 1993. (Note that IBM and Microsoft *jointly* own OS/2, while Microsoft *singly* owns MS-Windows 3.0.)

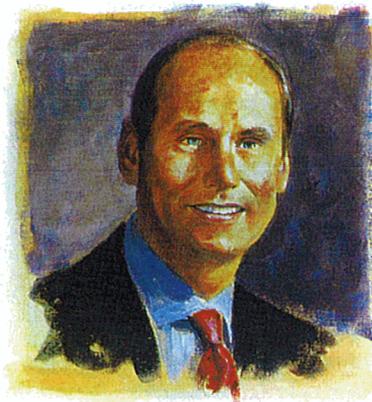
IBM is building other partnerships to build advanced operating systems apart from Microsoft. Microsoft is building OS/2 New Technology (NT), or OS/2 Version 3.0. Very little existing code from OS/2 Versions 1 and 2 will make it to Version 3. Microsoft has described NT as

all things to all people, but it doesn't seem to pay much attention to current OS/2 technologies, which IBM has described as "strategic" to its customer base. The two partners are pursuing independent courses for new technology in other ways—IBM's WYSIWYG font technology will be based on Adobe's Display Postscript; Microsoft's font technology will be based on its own Truetype.

The most interesting conflicts are MS-Windows 3.0 versus Presentation Manager and LAN Manager versus NetWare. In early 1991, Microsoft issued statements about the expected ascendancy of MS-Windows 3.0 over Presentation Manager and OS/2, commenting that future versions of OS/2 would have technological roots in MS-Windows 3.0, rather than OS/2 Versions 1 and 2. Given that IBM has declared these versions to be strategic, IBM's displeasure with Microsoft is easy to understand.

Although the marketing agreement between IBM and Novell for remarketing of NetWare was rumored for months, the announcement was timed to appear as a marketing counterthrust directed at Microsoft. IBM's endorsement of NetWare will undoubtedly slow LAN Manager's expected progress in taking market share away from Novell's dominant NetWare products. NetWare not only enjoys a market share well over 50 percent, but comparative evaluations have failed to convince customers to choose LAN Manager over NetWare. LAN Manager's principal competitive advantage seems to be better suitability for client-server network-based applications. IBM's support for the LAN Manager/Server solution was expected to generate most of the future sales of this product. IBM is still supporting LAN Server as the strategic SAA client-server network, but its non-exclusive relationship with Microsoft in this market will slow Microsoft's progress in this field.

A divorce may not be in the offing, but more fights are likely. The IBM/Microsoft relationship is guaranteed to provide continuing entertainment. And, in a small way, you can participate with your buying decisions. □



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