

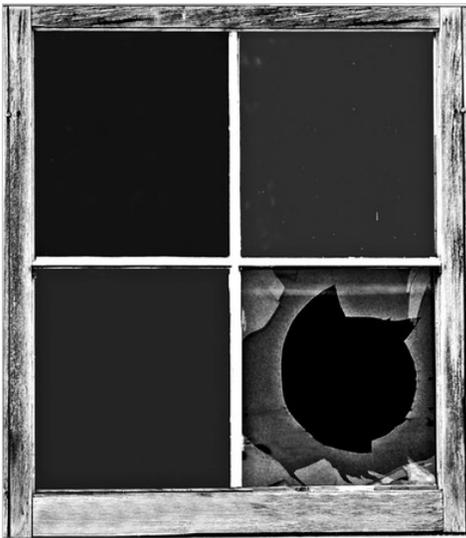
OP-ED CONTRIBUTOR

Microsoft's Creative Destruction

By DICK BRASS

Published: February 4, 2010

San Juan Island, Wash.



AS they marvel at Apple's new iPad tablet computer, the technorati seem to be focusing on where this leaves Amazon's popular e-book business. But the much more important question is why Microsoft, America's most famous and prosperous technology company, no longer brings us the future, whether it's tablet computers like the iPad, e-books like Amazon's Kindle, smartphones like the BlackBerry and iPhone, search engines like Google, digital music systems like iPod and iTunes or popular Web services like Facebook and Twitter.

Some people take joy in Microsoft's struggles, as the popular view in recent years paints the company as an unrepentant intentional monopolist. Good riddance if it fails. But those of us who worked there know it differently. At worst, you can say it's a highly repentant, largely accidental monopolist. It employs thousands of the smartest, most capable engineers in the world. More than any other firm, it made using computers both ubiquitous and affordable. Microsoft's Windows operating system and Office applications suite still utterly rule their markets.

The company's chief executive, Steve Ballmer, has continued to deliver huge profits. They totaled well over \$100 billion in the past 10 years alone and help sustain the economies of Seattle, Washington State and the nation as a whole. Its founder, Bill Gates, is not only the most generous philanthropist in history, but has also inspired thousands of his employees to give generously themselves. No one in his right mind should wish Microsoft failure.

And yet it is failing, even as it reports record earnings. As the fellow who tried (and largely failed) to make tablet PCs and e-books happen at Microsoft a decade ago, I could say this is because the company placed too much faith in people like me. But the decline is so broad and so striking that it would be presumptuous of me to take responsibility for it.

Microsoft has become a clumsy, uncompetitive innovator. Its products are lampooned, often unfairly but sometimes with good reason. Its image has never recovered from the antitrust prosecution of the 1990s. Its marketing has been inept for years; remember the 2008 ad in which Bill Gates was somehow persuaded to literally wiggle his behind at the camera?

While Apple continues to gain market share in many products, Microsoft has lost share in Web browsers, high-end laptops and smartphones. Despite billions in investment, its Xbox line is still at best an equal contender in the game console business. It first ignored and then stumbled in personal music players until that business was locked up by Apple.

Microsoft's huge profits — \$6.7 billion for the past quarter — come almost entirely from Windows and Office programs first developed decades ago. Like G.M. with its trucks and S.U.V.'s, Microsoft can't count on these venerable products to sustain it forever. Perhaps worst of all, Microsoft is no longer considered the cool or cutting-edge place to work. There has been a steady exit of its best and brightest.

What happened? Unlike other companies, Microsoft never developed a true system for innovation. Some of my former colleagues argue that it actually developed a system to thwart innovation. Despite having one of the largest and best corporate laboratories in the world, and the luxury of not one but three chief technology officers, the company routinely manages to frustrate the efforts of its visionary thinkers.

For example, early in my tenure, our group of very clever graphics experts invented a way to display text on screen called ClearType. It worked by using the color dots of liquid crystal displays to make type much more readable on the screen. Although we built it to help sell e-books, it gave Microsoft a huge potential advantage for every device with a screen. But it also annoyed other Microsoft groups that felt threatened by our success.

Engineers in the Windows group falsely claimed it made the display go haywire when certain colors were used. The head of Office products said it was fuzzy and gave him headaches. The vice president for pocket devices was blunter: he'd support ClearType and use it, but only if I transferred the program and the programmers to his control. As a result, even though it received much public praise, internal promotion and patents, a decade passed before a fully operational version of ClearType finally made it into Windows.

Another example: When we were building the tablet PC in 2001, the vice president in charge of Office at the time decided he didn't like the concept. The tablet required a stylus, and he much preferred keyboards to pens and thought our efforts doomed. To guarantee they were, he refused to modify the popular Office applications to work properly with the tablet. So if you wanted to enter a number into a spreadsheet or correct a word in an e-mail message, you had to write it in a special pop-up box, which then transferred the information to Office. Annoying, clumsy and slow.

So once again, even though our tablet had the enthusiastic support of top management and had cost hundreds of millions to develop, it was essentially allowed to be sabotaged. To this day, you still can't use Office directly on a Tablet PC. And despite the certainty that an Apple tablet was coming this year, the tablet group at Microsoft was eliminated.

Not everything that has gone wrong at Microsoft is due to internecine warfare. Part of the problem is a historic preference to develop (highly profitable) software without undertaking (highly risky) hardware. This made economic sense when the company was founded in 1975, but now makes it far more difficult to create tightly integrated, beautifully designed products like an iPhone or TiVo. And, yes, part of the problem has been an understandable caution in the wake of the antitrust settlement. Timing has also been poor — too soon on Web TV, too late on iPods.

Internal competition is common at great companies. It can be wisely encouraged to force ideas to compete. The problem comes when the competition becomes uncontrolled and destructive. At Microsoft, it has created a dysfunctional corporate culture in which the big established groups are allowed to prey upon emerging teams, belittle their efforts, compete unfairly against them for resources, and over time hector them out of existence. It's not an accident that almost all the executives in charge of Microsoft's music, e-books, phone, online, search and tablet efforts over the past decade have left.

As a result, while the company has had a truly amazing past and an enviably prosperous present, unless it regains its creative spark, it's an open question whether it has much of a future.

Dick Brass was a vice president at Microsoft from 1997 to 2004.

A version of this article appeared in print on February 4, 2010, on page A27 of the New York edition.