Stanford eCorner

Challenges in Structure Transformation - Microsoft Business Divisions

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Raikes talks about how Microsoft participates in a broad range of competitive and evolving businesses in the software industry. They are transforming into seven business: client (Windows), information worker business (Office), Business Solutions (small to medium businesses), server and tools, MSN, and Home and Entertainment (X-Box, PC gaming).
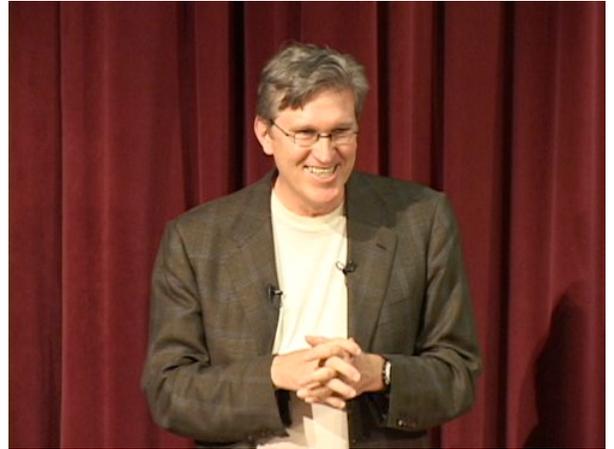
Transcript

I think sharing would be some of our challenges in transforming our company, it would be very interesting. We have the challenge of how do we participate in a broad number of businesses in the software industry that are very competitive, have lots of opportunity, yet how do we bring together those technologies in ways that most satisfy our customers. What we've done is we've tried to transform or where the process of transforming Microsoft into seven businesses. The client business is probably the one that you would most immediately think of. The Windows Operating System. I lead our information worker business. That is the business that centers around Microsoft Office. I have also been very internally involved in a new business for us called Business Solutions where we do business applications for small and medium businesses. Server and tools. The Windows Servers, Sequel Server, Exchange Server, etc.

That is one of our highest growth businesses, and now it's a multibillion-dollar business for Microsoft. MSN, the MSN Network. Long, long period of investment. A lot of money that we have lost in the process but really we viewed that as not a loss as much as an investment in the future. This is now one of the Top 10 media properties in the world that will probably do more than a billion dollars in advertising this year with MSN. Home Entertainment Division, probably known most to many of you as the centerpiece of XBox but also our PC Gaming business. Mobile and embedded devices, we believe that there's a great opportunity for devices like this. This is my pocket PC, but it's also my phone, it's my internet or it has internet access. I can even pull up the traffic flow of the Seattle Puget Sound. We believe that those type of devices very much relate to other parts of our business and so we have invested substantially in that area.

So these are the seven businesses of Microsoft. And one of the things, one of the key business challenges that we have that you may want to discuss later is how do you set up a structure where you can have the focus that's necessary in each of those businesses yet bring those together integrated innovation across those businesses to maximize the benefit of customers. This is one of the key things that we're working on right now from a structural standpoint. Well, while we're a large company, we do $100 million a day in software, we weren't always that big. If you step back to 1981 when I joined Microsoft, we were about 100 employees and $12 million in revenue. So I think it's fairer to say that we were very much in what people would view as an entrepreneurial state.