

Capitalizing on Collaboration: Microsoft's Collaboration Strategy

By Christian Buckley, Red Hill Partners

"The Goliath of Redmond has a simple mantra: Control the operating system and you control destiny. Indeed, Microsoft's hegemony allows it to set the agenda – on desktops and servers, at least. But the company's taste for monopoly over innovation has attracted a host of persistent Davids" (Wired, June 2004)

A change is underway in how businesses collaborate, accelerated by demands for new technology that links teams, shares data across the firewall and across borders, and integrates back office systems. Industries already served by the various mature collaboration technologies, including product data management (PDM), knowledge management (KM), and change management (CM) systems have begun to see parallels between the applicability of these disparate systems and are investigating ways to bridge these tools and systems together.

The market for products within a variety of channels is expanding. Solutions abound for enterprise portals, document management, web content management, team ware, project portfolio management, ad hoc collaboration, enterprise application integration, and application servers. While the rapid evolution of these tools have sparked the imagination of IT Managers – and have opened up a floodgate of billable hours for integration consultants – for Microsoft and other software houses, they further complicate the challenge of correlating customer requirements with software products.

Companies are looking for ways to bridge the data gaps between their systems. Whether developing these connections or hybrid solutions on their own, or by influencing software and solution providers in their development paths, the demand for systems that communicate is universal. Cross-application data sharing, for example, has spurred development of new business-to-business (B2B) communication protocols and models by supply chain and middleware companies. Additionally, the rapid increase of virtual and geographically diverse teams has opened a wave of new opportunities for team-based collaboration solution providers. Data replication capabilities are critical to most companies – clearly, the offline use and replication of data is of increasing relevance to multi-site teams and other mobile information workers.

Microsoft is in a position to become the powerhouse in collaboration – not just in the peer-based or behind-the-firewall collaboration space where they are already seen as a dominant player, but in the larger B2B arena. They currently have all of the components for online and offline collaboration and presence awareness – Outlook, instant messaging, NetMeeting – but the problem is that they have not yet demonstrated a strategy for how these pieces play into the project and multi-enterprise collaboration space. Most importantly, they have not shown strong inroads into the lucrative small-to-medium business (SMB) marketplace, which is the key to their continued growth and dominance.

Deciphering Microsoft's Strategy

The fact remains that Microsoft *does* make some nice software. For those of us who perform some degree of project management functionality, there has always been a love/hate relationship with Microsoft Project, the de facto application for managing a project. Microsoft's dominance with this one application – as an example – is huge, and yet a wide variety of applications are springing up seeking to overthrow the Project empire. Many of these tools exploit the MPX compatibility, and fully integrate with HR and financial systems – which Project cannot do. Microsoft answered this challenge by developing a server-based version of Project, but the trumpeting of this one tool largely fell on deaf ears. How it links into Microsoft's larger collaboration strategy is even more confusing. This single offering is far from what is needed for project collaboration among distributed teams.

Company literature and Microsoft-friendly analysts all claim that Microsoft is now diligently focused on reconciling and refining its real-time offerings. Through their new Collaborative Business Knowledge offering, Microsoft has focused its communication and collaboration strategy on Windows XP, Windows Server 2003, Office 2003, PlaceWare, and the new SharePoint offerings – and resurrected the term "Office System."

Office System comprises a set of comprehensive real-time collaborative business knowledge tools, which by and large work together in a single overarching environment. Microsoft claims that companies can use this to deploy true collaborative business environments – but what is not clear is what all of this *means* to Microsoft. The fact remains that Microsoft Office System 2003 is still multiple products and environments, and they have not yet demonstrated their ability to meet collaboration needs *outside* of the firewall – which is the key to serving the SMB market.

LiveMeeting (external, formerly PlaceWare) and NetMeeting (for use behind the firewall) address part of the need for real-time collaboration. Microsoft's answer for knowledge management requirements is Outlook and SharePoint, which is positioned as more of a portal solution -- and clearly illustrates that they don't understand the space (it's more closely akin to IBM's Lotus Notes, or eRoom's document repository).

The most obvious hole in Microsoft's strategy is the inability for anyone within the company to *articulate* his or her strategy. Ask someone on the inside to define the company's collaboration position, and you'll most likely receive marketing spin on their various applications. Conversations with Microsoft employees about anything outside of these product groups either leads to a confusing discourse on the company's grand .Net efforts, or the person readily admits that they are not aware of the company's larger strategy.

Recognizing growth in this area, Microsoft has created a Real Time Collaboration (RTC) business unit, headed by Anoop Gupta, which resides within the Productivity and Business Services Group. PlaceWare, corporate IM, and other collaboration tools have been added to the new group. Additional search, aggregation, and other features will also be added over time. Collectively, these products and technologies establish a strong collaboration footprint for Microsoft, and will also serve as the foundation for future collaboration-oriented Microsoft offerings. But Microsoft has yet to explain how SharePoint and Office fit into their strategy.

Application integration is also a key requirement for real-time contextual collaboration – extending applications and solutions so that people can leverage real-time tools without leaving their current work context. PDM vendors have led this space for the past decade, with software configuration management not far behind. But even these solutions have their limitations, with most systems



serving users behind the firewall. Businesses face additional challenges of collaboration with vendors and partners, especially those with stringent security and information retention and auditing requirements. To apply real-time communication tools in business contexts it is often necessary to have complete management control over identity and authentication services, as well as detailed records of all data transactions.

Driving Microsoft's evolution has been the company's .Net service initiative and shift to support contextual collaboration, which is the ability to embed collaborative components such as IM and presence directly into applications. IM, team workspaces, and conferencing need to be platform services and confined to a single application. Here, at least, Microsoft's intentions are clear – these services will become ubiquitous with modern business, and efforts to embed them within the OS make total sense. SharePoint Services, on the other hand, let users set up online ad-hoc team sharing spaces, allowing users to share documents company-wide.

Herein lies Microsoft's biggest flaw – extending collaboration outside of the firewall. To move that sharing over the firewall, Microsoft is partnering with peer-to-peer software maker Groove Networks. While offering a nice interface, offline synchronization, user authentication, and seamless integration with Microsoft applications, this offering alone does not meet the needs of the SMB segment. Microsoft is basing its real-time vision on a combination of clients, tools, services, and application integration, but how they plan to span the expansive gaps has not yet been made clear.

How Microsoft Can Dominate

Microsoft's SharePoint products and technologies are central to the company's strategy, forming the collaboration foundation for Office 2003 and also representing the first major .NET Framework-based Microsoft server offering above the Windows platform layer. If successful, WSS and OSPS 2003 could clarify Microsoft's intentions for collaborative products and technologies, and also serve as the foundation for future Microsoft collaboration-related offerings.

The challenge for Microsoft is to get out of the product silo rut they are in, and to step back and see the bigger picture – and the true requirements of any enterprise-wide collaboration solution. Clearly, what we are seeing at Microsoft is a shift in the capabilities embedded within the OS, but the SMB business needs for collaboration are not being met.

Microsoft is in the unique position to dominate team collaboration for the enterprise. Every software company fears the day that Microsoft rears its head and makes the decision to enter into their space. But its because of their domination in the OS and day-to-day desktop applications that it makes perfect sense for them to further integrate the enterprise with team-based collaboration capabilities, which would integrate well with their recent technology acquisitions.

Microsoft recognizes that demand for hosted collaboration services is growing, which they recognized with their purchase of PlaceWare. The hub-and-spoke architecture of the hosted model provides a solution for businesses that are hesitant about buying and maintaining a standalone collaboration server.

But Microsoft does not yet fully understand the real opportunity. Its not just about the OS – yes, the end user expects the future OS to include many collaborative tools now provided by a variety of vendors. Peer-to-peer and intranet-based collaboration will become ubiquitous. But companies want their business applications to also fit seamlessly into their Microsoft desktop. Microsoft needs to move beyond the OS, and dominate how ERP/CRM/supply chain systems communicate

(via XML, common protocols, etc.), how project teams collaborate (documents, meetings, IM, workflow, PDM integration), and how products/portfolios/business units collaborate (PPM, multi-project management, data collection, reporting, process improvement).

Microsoft must acquire key business applications that will take the SMB marketplace *head on* through innovation in three key areas: enterprise application integration, team-based collaboration, and project portfolio management:

- **Enterprise Application Integration**

Already a key initiative at Microsoft, seamless integration of applications should remain a priority. But more importantly, Microsoft should offer more options for communicating data with disparate systems. BizTalk Server is a critical piece of this architecture.

Competition is stiff – IBM's WebSphere, for example, is constantly expanding capabilities through acquisition, and is being set up as *the* B2B connector. The SMB market will view Microsoft as a corporate solution only if they provide companies with the necessary tools to connect their legacy systems.

- **Team-Based Collaboration**

SharePoint Server is headed down the right path, but what is needed is PDM-lite; a secure team workspace for document sharing, ad hoc web meetings, and basic workflow creation and assignment capabilities. Build an environment through which individuals or teams can collaborate with outside vendors and partners on the fly, without having to make them permanent members of the workspace or have them go through stringent corporate security measures – all within a secure, flexible platform.

In addition, Microsoft should provide the SMB market with options for server-based or hosted solutions – it is in Microsoft's best long-term interest to provide alternatives to smaller businesses otherwise priced out of the comprehensive systems they need.

- **Project Portfolio Management**

Microsoft Project needs to be taken back to formula – Microsoft should re-architect the application for the team, modeling it after the web-based portfolio management offerings that will soon dominate this space. Microsoft needs to begin thinking about projects not as standalone efforts, but as components of a larger effort (a multi-project "program," or as part of a product or business unit).

Unless you can see across multiple projects, you can't improve the overall program or business unit. Until you have visibility of efficiencies across multiple programs or business units, you can't improve your product. Without visibility of what is actually happening with your product, you won't truly understand the impacts of market changes to your overall business.

Of these recommendations, project portfolio management is the area in which Microsoft is least focused. There is tremendous opportunity – either through acquisition or new development – for Microsoft to expand their MS Project perspective and quickly capture the lion share of this market segment. Whether project or product-focused, companies need a system that manages time, tasks, resources, metrics, and visibility across the value chain – seamless integration with team-based collaboration tools and legacy systems via a robust application integration solution will make buying from Microsoft just that much easier.



Conclusion

Microsoft believes that real-time collaboration will someday become as widespread among businesses as email. This is an understatement. With the dramatic increase in online meetings, B2B communication vendors, and collaborative application vendors, it is clear that this is the future of business. Still, Microsoft must take steps to clarify its collaboration strategy and roadmap if it hopes to attract the customers it expects, especially within the lucrative SMB market.

Microsoft needs to hire people who understand the intricacies of knowledge management and team collaboration technologies, and, more importantly, to clarify and *communicate* their vision for an integrated solution.

With a solid roadmap and tight integration into the OS and standard Microsoft applications, Microsoft will no doubt dominate.

About the Author

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