Microsoft The Company Essay, Research Paper

Microsoft: THE COMPANY

The thought of forming a company which supplies its customers with software, was a great idea–especially coming from a college dropout. Bill Gates, along with high-school friend Paul Allen, formed a software company in 1975. From the beginning, Microsoft had a tremendous potential to become a very successful corporation. Beginning with a revenue of sixteen thousand dollars, and three employees, Microsoft developed into a huge “money making machine.” In its twenty-five years of existence, Microsoft has developed a very powerful and dominating corporation–but is not necessarily considered a monopoly.

William Henry Gates III was born in Seattle, Washington on October 28,

1955. Gates’ father was a lawyer, and his mother was a teacher (Cusumano and

Selby 23). Much of Gates’ programming started while he was a thirteen year old, from Lakeside School (tripod 1). He learned BASIC (Beginners All-purpose

Symbolic Instruction) programming with, then sophomore, Paul Allen. By 1973,

Gates was a student at Harvard University in Cambridge, Massachusetts. Allen

had enrolled at the University of Washington, where he studied computer science. Gates left Harvard after just two years of education, and planed on programming for many personal computers. He and Allen later founded the Microsoft company –a name which Gates had picked — in 1975 (Cusumano and Selby 24).

When Microsoft started out, there were only three employees–Gates and

Allen included. The gross revenue totaled sixteen thousand dollars. By 1978,

Gates and Allen had employed eleven other people, but the revenue had jumped to

1.3 million dollars. The growth rate was quite steady until 1982-1983. This was when Microsoft had grown 104%. By 1995, Microsoft’s revenue was 5.9 billion dollars, and they employed 17,800 people (Cusumano and Selby 3). In December of 1996, Gates owned 282,217,980 shares in Microsoft, which ultimately helped him become the richest man in the world (geocities 2).

Gates may have been the richest man in the world, but he had more

important things to worry about at the time. Beginning in 1990, Microsoft had

been under investigation by the FTC (Federal Trade Commission) for antitrust

crimes. The Sherman Antitrust Act prohibits any form of monopolizing tactics,

which is now thought to be used be Microsoft (Case 1). In fact, the Sherman

Antitrust Act states that it is only prohibited for a company to control the supply and demand of products, in order to increase the prices of their own goods. In other words, lowering the supply of a product, intentionally, is the only illegality stated in the Sherman Antitrust Act. Doing so, would result in an increase in demand, thus an increase in price (Monopoly 9).

“Antitrust laws kick in when significant competition does not exist in a

market” (Bob Lewis- InfoWorld 1)

As Lewis is stating, Microsoft is at no fault if there is no competition for its products. Microsoft could not prove they were not at fault though. So on July 29,1998, a judge ordered Microsoft to hand over the “blueprints” for Windows 95 to Caldera, a company against Microsoft in antitrust violations. The judge believes this would help competition in the “unfair” computer market (lawsuit 1).

The market is heavily controlled by Microsoft, but the customers are the

ones who choose the company to begin with. Microsoft is also doing much more

research than many of its competitors. In 1997, Microsoft spent a hefty three

billion dollars on research (monopoly 1). Also, by 1997, Microsoft employed over nineteen thousand employees (Cusumano and Selby 3). It is estimated that 90% of PCs (personal computers) have, or once had, Microsoft Windows installed on it (monopoly 1). There are many alternatives to Microsoft’s Windows. Such systems include: Sun’s Solaris, Caldera, BSDI, Digital’s Unix, BeOS, Apple’s Rhapsody, and IBM’s OS/2. Microsoft’s Windows 95, MacOS, and IBM’s OS/2 are all around the same price (monopoly 2-4).

As far as the money goes, Microsoft is making a lot of it. Microsoft’s profits in 1998, which neared four billion dollars, exceeded 40% of the profits from the ten largest software companies (Cusumano and Selby iv).

Beginning with BASIC, moving into one of Microsoft’s most popular

programs MS-DOS (Microsoft Disk Operating System), and going through many

steps before getting to Windows, Microsoft has totally dominated the computer

industry. Every product Microsoft comes out with has been a success, primarily

due to the amount of money in research the company puts in. Microsoft has just

been trying to make the most efficient products for the consumer, and it has

succeeded in that. Approximately 140 million people access MS-DOS everyday on

their computers–while 70 million access Windows (Cusumano and Selby 1). In

1987, Windows was designed for the new Intel microprocessor, which was made

along with Compaq (Cusumano and Selby 152). When a company joins with two

other companies in producing a product, and splitting the profit, the question of monopolizing an industry should be eliminated. A monopoly is present when there is only one company controlling a certain product, along with the price of that product. With Microsoft, there are several companies trying to compete, but none succeed. Handing over blueprints to a company, to promote competition, is absolutely ridiculous. Microsoft has succeeded in producing the best computer products for the past twenty-five years, and will probably continue to do the outstanding work for the years to come.