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# Microsoft, OpenOffice.org, and the Future of Office Productivity Software

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At its zenith, Microsoft's Internet Explorer program looked unbeatable. Arising from its tight integration with Windows95 (leading to a much publicized lawsuit) and a heavy marketing campaign, by 1999 Internet Explorer claimed over 90% of the browser market. Consumers had little choice, and it was unclear if it was because there were no further technological developments in the field or if it was because of Microsoft's aggressive marketing.

Yet, without any of Microsoft's branding muscle or distribution, a small open-source program began to take more and more of the browser market. And after a few high-profile viruses and Microsoft's inability to innovate Internet Explorer to meet consumer demand, Mozilla Firefox became the darling of the technology press and the choice of both home and corporate users alike.

Microsoft never really made any profits from Internet Explorer (IE) – it was either packaged free with Windows or available to be downloaded from a variety of sites for free. But IE was the centerpiece of the company's strategy to integrate the Internet, and in particular search capabilities, within Windows and Microsoft Office. As Internet Explorer's share of the market faded and the search market became dominated by Google and Yahoo!, Microsoft ceded a growing market (it claims temporarily) to other firms and has retreated to assess its position.

Like Internet Explorer, the venerable Microsoft Office is by far the standard for office productivity software. Introduced in 1992 as a "suite" of once-individually packaged programs, MS Office outmaneuvered WordPerfect and Lotus quickly, and became a program so central to the home-office computer that to not install it with Windows was akin to buying a computer without the mouse.

And yet, like Firefox, several challengers to Office hover on its margins. WordPerfect remains viable with a core of committed users. Apple has developed an award-winning word processing software program (which will soon be available for Windows users due to Apple's decision to move to Intel microprocessors). Google has recently bought Writely, a web-based program that bills itself as the "online office." And a variety of open-source programs have flourished, some that users can download for free and

others that charge a relatively low price. Can these programs execute the same coup that Firefox did? The following analysis will discuss this question.

This question, more specifically, can be broken down into three parts:

- Does open-source office software pose a threat to Microsoft Office?
- Can we expect that OpenOffice.org (a particular distribution of open-source office software) will displace Microsoft Office as the dominant software player in the market?
- What opportunities for growth exist for OpenOffice.org?

First, I will outline the history of Microsoft Office and the open-source office movement, fixing most of my attention on OpenOffice.org. Next, I will assess the potential for these programs to overtake Microsoft. Proceeding from that conclusion, I will outline the possibilities for growth in the market.

My position is that while open-office software poses a only slight threat to MS Office, there remains significant opportunities in the broad productivity market. Moreover, Microsoft is not poised to take advantage of these opportunities, while the open-source community is more positioned to capture these possibilities.

Through a number of canny marketing strategies and a significant amount of luck, Microsoft in only a few years was able to corner the market in office productivity software. In 1980, when Microsoft released its first spreadsheet program few analysts would have predicted that it could overtake the industry giants at the time. Indeed, Lotus and WordPerfect were more than just technically better than Microsoft's early product: they outsold Microsoft's products by nearly two to one.

Microsoft's break came in 1987, when Windows 3.0 became the default operating system standards with the Intel chip. Most software companies and computer analysts had believed that OS/2 would emerge as the GUI system, replacing MS-DOS and UNIX on business computers. Both Lotus and WordPerfect banked on OS/2's success, and thus failed to develop their office productivity software for Windows (Campbell, 258). In this gulf, Microsoft released Word and Excel independently. Both had been initially released on the Macintosh platform, insulating the programs from competition and providing a

testing space for the development of a competitive product. As its competitors lagged, Word and Excel surged on the Windows platform.

But by 1990, both Lotus and WordPerfect had rebounded and released versions of its productivity software on the Windows platform. Here, Microsoft responded with a devastating strategy: for \$750, a user could purchase an integrated suite of productivity applications. As the price was nearly the same as each program individually, users flocked to the program, and only three years captured nearly 90% of the market (Ibid.).

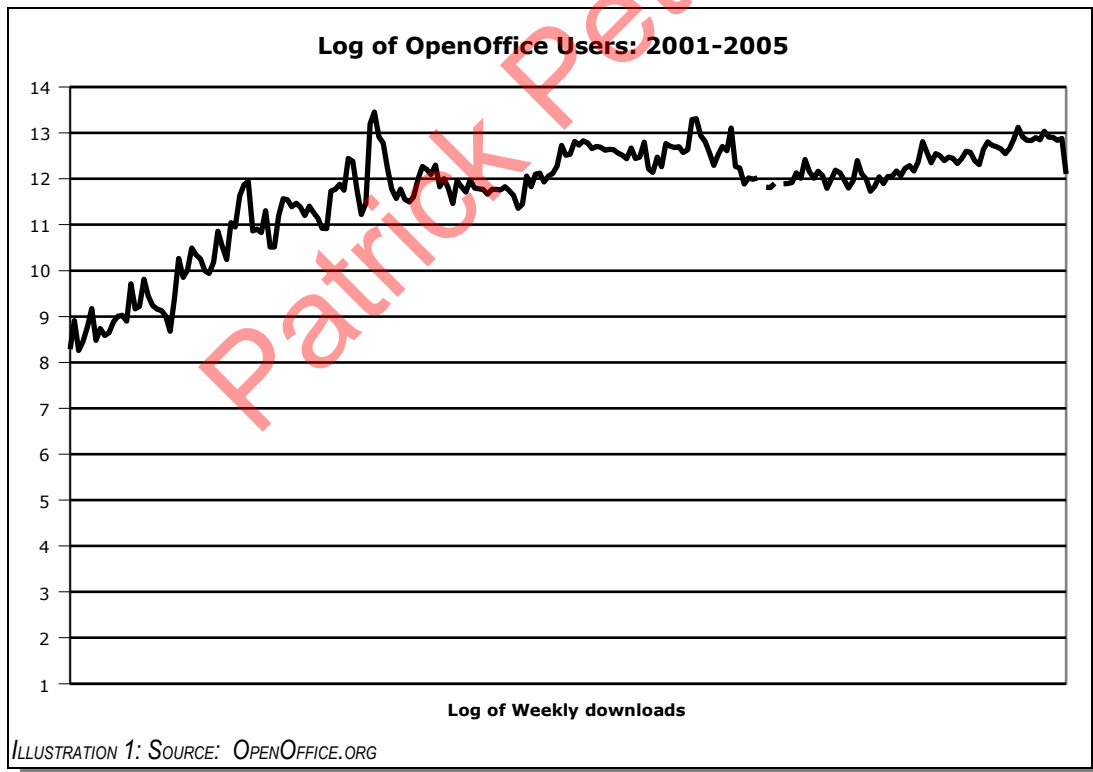
Many analysts have speculated that Microsoft's strategy with Office was to bundle its loss-maker applications (such as MS PowerPoint) with its successful ones with the hope that once these programs would add value (Lawrence, 47). But its most popular feature for users has never been the abundance of bundled programs. Rather, the ability to work (relatively) seamlessly among programs was consistently cited as the most frequent reason for users switching from the various productivity suites to MS Office (Campbell, 301). Estimates of Microsoft's current market share range from 90%-99%, a number which has not changed significantly since its initial release in 1991.

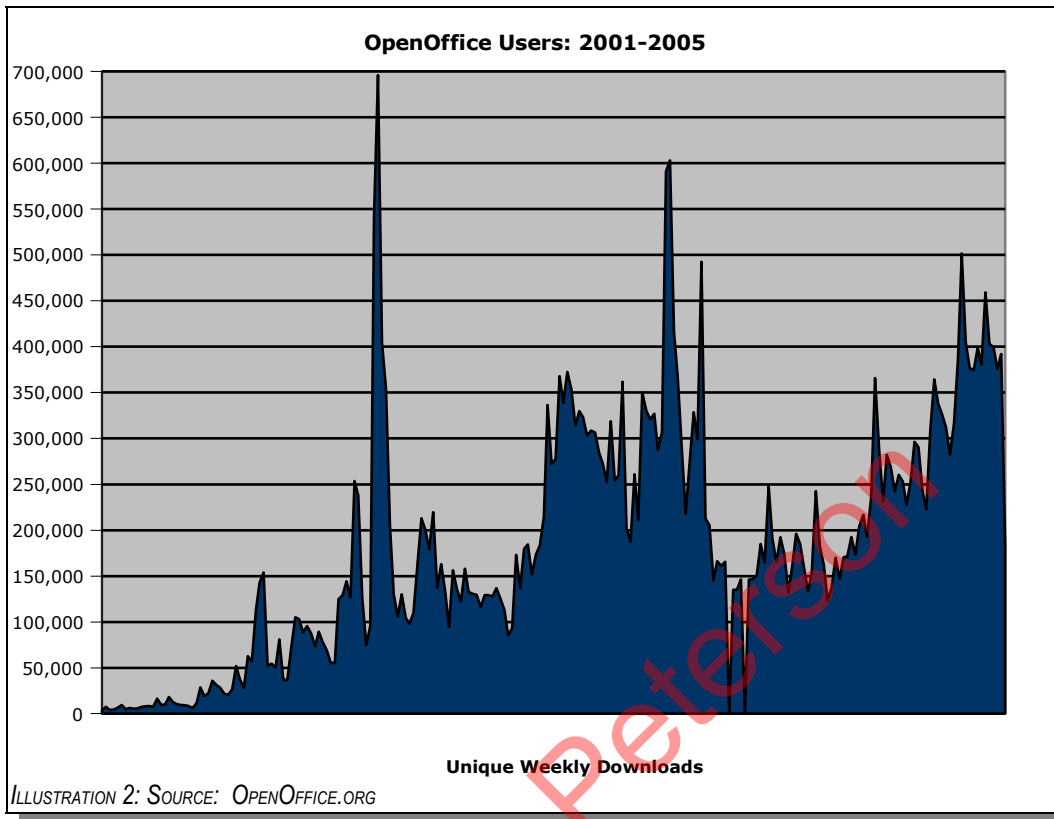
OpenOffice, by contrast, developed in a far different way. StarDivision, a German software company, was bought by Sun Microsystems in 1999 and re-branded as StarOffice 5.2. This program was designed to compete at a lower price point than Microsoft Office and provide an office suite for consumers operating on the UNIX or Linux platforms. Sun reprogrammed StarDivision in Java, its own programming language that is famed for its “compile once, run everywhere” credo. Essentially, this meant that the program was (theoretically) platform-independent and could easily be “ported” to a variety of computers and computing devices (such as kiosks, cellular phones, and PDAs). Sun attempted to inject unique features in its software, including a bundled scheduler and e-mail program (Microsoft Office only had an e-mail program at the time), and the Sun Integrated Desktop. This feature improved collaboration between various types of documents and allowed users to share data and files between programs. These

features were not especially successful, and StarOffice did not gain significant market share.

To generate a user base, a version of StarOffice was released for free on Sun's website. This action got more attention by the press and the public. This was not inconsistent with Sun's corporate strategy: to move away from selling off-the shelf software to selling “solutions” that would ensure that users got the most of their applications (Campbell, 167) This strategy was not dissimilar to Netscape's strategy of offering its browser for free and only then developing a revenue generation model. For Sun, OpenOffice provided a large user base with which it could then use to test new features as well as a cadre of programmers that would improve Sun's own work.

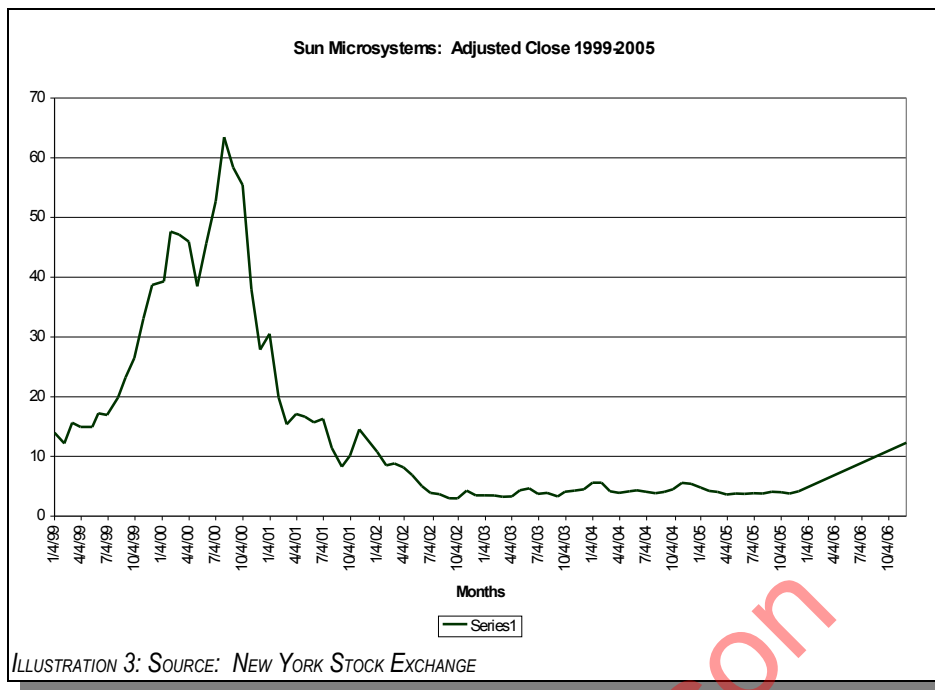
OpenOffice claims 10% of the office productivity market, but this is a dubious assertion at best. Its statistics project has logged 42,702,692 unique (IP address) downloads since its the release of its current version in 2001.





Sun subsidizes the development of OpenOffice.org, which is released under the GNU Lesser Public License. Unlike a program like MS Office, which is distributed by Microsoft to vendors and the public and that cannot be changed and redistributed; OpenOffice.org is distributed under a “copyleft” license. Users are free to access the program's core (called the kernel), improve the software, and redistribute it either for free or for profit. Sun distributes OpenOffice.org for free, and charges for a particular distribution of that core (StarOffice).

The intuition behind open-source software remains unproven. But for Sun, distributing OpenOffice.org as open-source is consistent with its mission: “We will share our solutions to grow communities, increase participation, and create world-changing new market opportunities” (Sun Microsystems Mission Statement, 2006) A less prosaic analysis might look at the recent financial performance of Sun:



Sun's growth was due in part to the larger growth of the technology industry during the late 1990s. When the industry collapsed, Sun's financial situation seriously deteriorated. Battered by a recession that was only encouraged by the terrorist attacks on September 11, 2001, subsidizing a free version of its software in order to generate a user base certainly could not hurt the company any worse than it already was.

Sun's software philosophy is fundamentally different from Microsoft's, a fact which is reflected in their attitudes toward their office productivity programs. For Microsoft, it achieved success in a competitive marketplace by aggressively (some would say ruthlessly) bundling its profitable software products with its less profitable products in order to increase its market share. Sun, by contrast, pursues an almost messianic agenda, and seeks profits by empowering users with tools (for free) and then selling them customized or more advanced services. And for OpenOffice.org, the ambiguous name ironically reflects its ambitious business model. Indeed, since users are free to redistribute and improve upon OpenOffice.org's core program, it is better to conceive of the latter more as a *platform for services* rather than a program like MS Office or StarOffice. While StarOffice and OpenOffice.org came to market later than MS Office, Microsoft nevertheless has a far better market position than Sun or the OpenOffice.org

community.

A 2005 Gartner client survey found that the the MS Office versions aggregated form a near-total monopoly on the office productivity market:

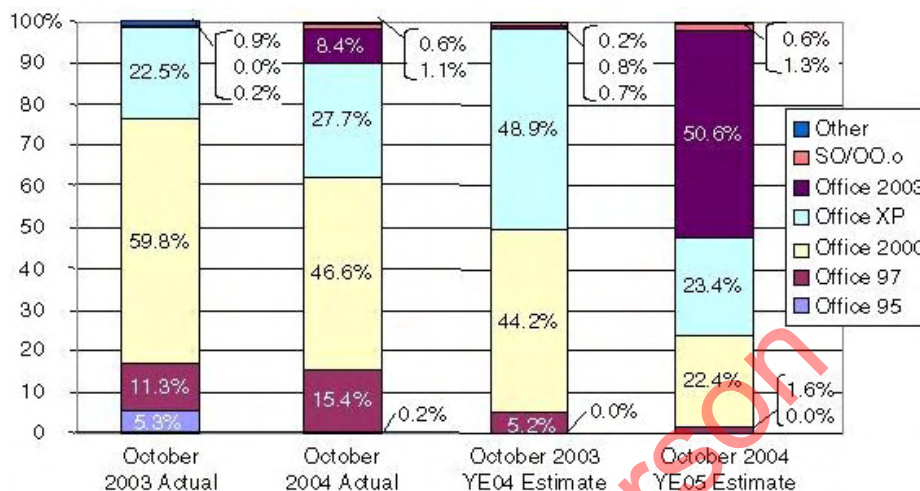


ILLUSTRATION 4: SOURCE: SILVER, 2005

Even given Microsoft's decision to end its support of Office97 and its new policy of ending volume-discounts and upgrade discounts on MS Office, its market dominance is unquestioned (Silver, 2005b). While the European market shows a slightly better picture for Sun and OpenOffice.org (here holding 2.3% of the European office productivity sector), MS Office is the clear dominator.

More troubling for Sun and OpenOffice.org, when the same survey was conducted in 2003, Gartner found that Office97's market share was lower than it was in 2004<sup>1</sup>. This suggests that corporate users are using the existing, left-over software for some computers where (in all likelihood) only basic office productivity features are required. Another Gartner survey of IT managers of Fortune 500 companies found that, while most had investigated the use of open-source productivity sources in order to mitigate the increased price of MS Office<sup>2</sup>, “already installed is cheaper than free” (Ibid.). Moreover, while most IT managers recognized that a portion of their users could be migrated to OpenOffice.org, supporting two programs and managing the migration process would be difficult. Even worse, managers

1 Gartner's survey was not a random, and it stresses that the difference in installed base could simply be statistical error.  
 2 In 2001, Microsoft eliminated upgrade pricing and changed its licensing requirements, which effectively made MS Office more expensive for corporate and institutional users.

found it difficult to determine exactly *which* groups could be switched.

Then there is the issue of quality. The same Gartner survey (conducted on an earlier version of OpenOffice.org) found that IT managers saw both cosmetic and serious flaws in the software's design, and openly questioned whether it would cause more problems in a large-scale deployment than MS Office, erasing the cost advantage that the open-source software provides. The version of OpenOffice.org tested did not include a database program (the current version, OpenOffice.org 2.02 does have a powerful database), and users encountered significant problems when converting documents with advanced macros or other complicated formatting.

Nevertheless, there are a few high profile cases where institutional users have migrated from MS Office to an open-source software provider. These are summarized below.

In 2004, the Brixton, UK City Government chose to abandon its support of Microsoft Office and switch their entire operation to StarOffice. The government estimated that the switch would save the government \$28 million over five years. Couched in simple cost efficiency terms, the move set off a small firestorm in Microsoft's UK sales unit, which lobbied hard for the council to remain on Office. Said John Bees, the Council's executive director, "This is further evidence that the city council is determined to be as cost effective as it can in the way it works – while neither compromising the quality of its services to the public or the resources available to staff" (Bristol City Council, 2004).

Noting that Bristol is the UK's 8<sup>th</sup> largest city and that "it employs more people than any other organization in the [UK] Southwest" (Ibid.), StarOffice boasted that its product would would save the council significant money and that it is "proven to work." Charles Andrews, the StarOffice representative, was right to boast, but the council was only narrowly convinced that the project would be successful. A business case attached to the council minutes reveals the difficulty that the council had in coming to its decision. Several questions regarding StarOffice's compatibility, usability, and stability were raised and many of them were rated as "medium" or "high" concerns. Microsoft Office, although eradicated on the

city's government computers, was still used in schools. Notably, the council chose to switch in the middle of its license cycle for Microsoft office – hedging its bet that if StarOffice didn't work out, it could still return to Microsoft Office for a minimal cost.

The key factor shifting Bristol's decision was Microsoft's licensing policy. To be a legal user of Microsoft office, each computer must have a valid Microsoft Office license. Thus, if a user maintained a desktop and a laptop computer, they must purchase two licenses of the software. StarOffice presented a better deal: instead of a site license, they would offer a user license that would be valid on any computer on which a user worked. Moreover, StarOffice guaranteed continuing support and free upgrades for the five year life of the contract. Given StarOffice's imitation of Microsoft Office, the council reasoned that the training costs to employees would be less than the cost to upgrade to a current version of Microsoft Office (although the council remained slightly concerned that unanticipated costs would wipe out the savings incurred by switching to StarOffice).

This case demonstrates the advantage and challenges faced by distributors of open-source software. Free is always less expensive than a legitimate copy of a Microsoft product. But the cost to train workers, convert archives to a compatible format, and doubts about a program's long-term effectiveness distort this simple calculation. In many cases, \$150 is less than free.

Australia's National Archives (ANA) Office chose to switch from a variety of office productivity software to OpenOffice.org in late 2003 as a strategy for preserving its digital collections. Recognizing that its mission to preserve and distribute Australia's public documents meant that it needed to format these documents using a platform-independent standard, it first approached Microsoft for guidance (Deare, 2003). Microsoft representatives discussed the situation and offered use of its then-growing XML standard to the office, but even this standard was not sufficiently open for the Government's needs<sup>3</sup>. “Cross

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<sup>3</sup> XML standards are preferred by users who seek to disassociate a documents data with its “metadata.” or its organization. The benefit of XML standards is that it allows a document to be “read” by a number of different programs and services.

platform development is really important, because we can't say you must have a Windows machine to access this file [in the archives]. Who knows what platform most people will be using in 30 years time?" said Simon Davis, the assistant director of digital preservation for ANA. Like the Brixton case, the Government also made the determination that continuing with Microsoft Office, especially with a large time horizon (by law the ANA is required to maintain all records for 30 years), would be more costly than simply training new users on OpenOffice.org (Ibid.).

For ANA, the impetus behind OpenOffice.org was not only its cost, but also its ability to provide an open, stable format that could withstand successive generations of software development. Since Microsoft was not able to (and given its business model, in all likelihood could not) provide the services required by ANA, they simply chose to go with another provider.

These examples aside, the fundamental problem for open-source office productivity software remains: few consumers (either home or institutional ones) use it, and a decentralized cadre of software developers can hardly compete with a well-funded and well-established sales and marketing force. Thus, open-source software has a branding problem, a quality problem, and a user base problem.

By contrast, many users express reservations about Microsoft (Silver, 2005b), but few encounter problems so severe that switching to an alternative seems practical. Indeed, *Redmond* magazine (a periodical edited by IT managers who are advanced Microsoft users and often form the core of Microsoft beta tester groups) notes that "for some products, Microsoft has stopped having higher-level support available during evenings and weekends" and that this break in support means that high-level problems cannot be solved after business hours (Barney, 2006). Moreover, the magazine reports that a significant portion of its surveyed readership was concerned with the increasing amount of malware (virus software which attaches to a program and can cause a user to lose their data), and that if the new version of MS Office (currently titled "Office Vista" or "Office 12") increased the degree to which malware and other viruses affect institutional networks, pressure to switch off of MS Office would increase appreciably.

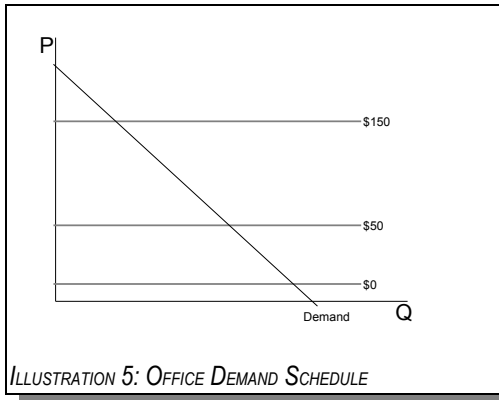
Given the data presented above, it is clear that open-source office providers do not pose an immediate threat to MS Office's dominance. Occupying a minuscule degree of market share and beset with significant branding and (perhaps significant) quality problems, it is unlikely that MS Office's position is in doubt in the short term.

Clayton Christensen's *The Innovators Solution* describes two different types of innovation and uses these to describe how a challenger company can overtake an established one. Distinguishing between sustaining innovation (often this is a product improvement, targeted at high-end customers) and disruptive innovation (this type of change offers products that are not as good the established ones but offer it to a untapped market segment), Christensen argues that the disruptive innovation leads consumers away from the existing product and, when managed poorly, puts the established company in a difficult-to-win fight with an upstart. Pervasive in technology companies (which heavily favor startups), the disruptive innovation forces the established company to move to the higher-end of the market (a space which it finds unfamiliar) and to cede the low end of the market to the insurgent company. But the insurgent company learns from its deficient product, and is able to more aggressively challenge the established company in the higher end market. In some scenarios, this process continues until the “established” company has been routed out of the marketplace, replaced by the insurgent company (Christensen, 50).

A cursory examination of the data show that open-source software does indeed fit the definition of a “disruptive invention.” Christensen describes four essential criteria to determine if a product is disruptive (Ibid.):

- Is there a large enough population of people who historically have not had the money, equipment, or skill to do this thing for themselves, and as a result has gone without it altogether or have needed to pay someone with more expertise to do it for them?
- To use this product or service, do customers need to go to an inconvenient, centralized location?
- Are there customers at the low end of the market who would be happy to purchase a product with less (but good enough) performance if they could get it at a lower price?
- Can we create a business model that enables us to earn attractive profits at the discount prices required to win the business of these over served customers at the low end?

It is arguable that OpenOffice.org meets all four criteria. In particular, it is not clear that there exists a large enough base of customers who have not had the means to purchase MS Office, and are willing to pay less for the product than they already pay. For example, let the cost of MS Office be \$150 (the true cost of the software ranges between \$99-\$499), the cost of StarOffice be \$50, and the cost of OpenOffice.org be free. Furthermore, assume a downward sloping demand curve:



OpenOffice.org, at a price of \$0, thus provides the largest consumer surplus. MS Office, at a price of \$150, gives the smaller consumer surplus. Economic theory would predict that assuming that MS Office and OpenOffice.org are substitutes, consumers would switch to OpenOffice.org. Indeed, this is the much-vaunted claim of the open-source software movement: if you build a good enough product, you are able to quickly gain a large share of the market quickly. As has

been thoroughly demonstrated in the above discussion, open-source productivity software has a minimal share of the market, and this share cannot entirely be attributed to the software's relative lack of features. Clearly, there is a base for open-source office productivity software, but these consumers are either unaware of their options or have access to MS Office software at a similar price point<sup>4</sup>.

Assuming that open-source productivity software *is* a disruptive innovation, Christensen notes that simply developing and bringing to market the software is insufficient to gain market share. Once the product exists, the process by which the established company progressively cedes the lower ends of the market happens when the insurgent company improves its product such that it meets the needs of a variety of previously-shut out consumer segments. More importantly, this improving product must fill an evolving customer niche in a way that the established company cannot easily reach, and communicate this

<sup>4</sup> For years Microsoft has been an aggressive pursuer of software piracy. Its 2005 Annual Report lists piracy as its #1 challenge, especially in emerging markets such as China and India. Since users in these markets have relatively easy access to Microsoft's software for free, this provides them *even less* incentive for them to switch to open-office. In effect, these consumers get the best of both worlds: the price of open-source software and the quality of Microsoft.

service effectively to the customer group (Christensen, 91). This allows the improving product to gradually become more competitive vis-a-vis the established product, and eventually allows for the established product's displacement.

Both Microsoft and its competitors thus seek to innovate a product that will either secure or expand their market share. For Microsoft, an effective improvement to its software (both making its program more elegant and adding new features that customers find useful) would solidify its hold on the office productivity software sector and further doom the open-source competitors to also-ran status. Conversely, for these open-source programs, a truly revolutionary innovation could dramatically improve their chances for market share growth and future profitability.

In a recent widely-publicized speech, Bill Gates noted that the competition (particularly with Google) among software companies was moving from computer programs to “computer services.” Chiefly referring to Internet-based services, Gates declared that Microsoft would spend over \$2 billion more in 2006-2007 to grow their business in these sectors (Lohr, May 3 2006). Industry analysts have predicted that in the office productivity sector, this drive towards Internet-based services will manifest itself by increasing the ability of users to collaborate on document creation and editing (Drakos, 2005).

Current programs existing for the purpose of document collaboration exist almost universally outside the office productivity software which created the document in the first place, leading to discontinuities, unanticipated problems with compatibility, and a difficult learning curve for users. In particular, notes the Gartner analysis, users are looking for a *single product* in which their collaboration needs can be satisfied. These needs include shared web space, videoconferencing, and simultaneous editing of documents. Currently, the market for these services is fragmented and expensive, but the technology itself is nearing maturity. Both Microsoft and the open-source alternatives have an incentive to add these features into their existing office productivity software – successful integration of collaboration components into MS Office or its open-source alternatives would solve the fragmented concerns held by current users of collaboration services as well as opening up new features for existing or new consumers

who do not yet use these services but would if it were offered. Certainly, adding collaboration functionality to office productivity software may not be the *only* necessary development to keep up with the market. However, given the Gartner survey which found that users had the greatest need for this service, the remaining discussion will examine in depth the opportunities of collaboration software.

One model for taking advantage of this opportunity is to create office productivity software that allows users to collaborate with other users via the Internet. Such a service would provide web space for users to create documents and provide the tools necessary to facilitate communication between a user group. A cursory model of such a service might involve a relatively small program hosted on a user's computer. A user would access most of their documents on a secure website, where most of the office productivity software code would be hosted. Instead of running the office software from a user's hard drive, they would access the software located on a central server over the Internet. Thus, a user could access and edit their documents using a web browser from virtually any computer with a fast enough Internet connection; and collaborate on these documents with anybody else with a similar Internet connection. Similar programs like this exist – web-based e-mail being the most readily available example. Given the potential for growth in this area and the expressed user interest in such a service, what is the likelihood that Microsoft or the open-source programs could include this kind of collaboration into the existing office productivity software?

On the surface, Microsoft has immense advantages. With 24,000 people employed worldwide in product and research development (Microsoft, 20), Microsoft certainly has the potential to quickly develop collaboration components and include them in MS Office. But a deeper look at Microsoft's forays into web-based services reveals a more complicated picture. According to Microsoft's Annual Report, in 2003, its MSN Business Unit<sup>5</sup> earned an operating income of \$87 million in 2004 and lost \$573 million in 2003. Revenue growth was projected to be higher in 2005 (\$405 million). Moreover, Microsoft Business

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<sup>5</sup> MSN is the business unit responsible for Microsoft's online services, including Hotmail, MSN Messenger, the MSN Network, and its search service.

Solutions, the unit in charge of selling customized services to small and medium-sized corporate clients operated has more consistently lost money, losing \$143 million in 2003, \$115 million in 2004, and \$163 million in 2005.

Moreover, NielsenNetRatings showed that in 2004 MSN continued to rank third in search engine market share, far behind Google and Yahoo!, and that for a reported \$150 million advertising campaign, its 12.8% market share increased by only 1.4%. And in the last quarter of 2005 (a key time for Internet services as people use search services to shop for the holidays), MSN lost \$26 million with sales dropping by 3.4% (LaMonica, 2006). In terms of Internet communities, MSN ranks behind Google, Yahoo!, and America Online in terms of the number of subscribers.

Louis V. Gerstner's *Who Says Elephants Can't Dance* counsels companies to know their business and be able to develop its comparative advantage in an industry. He recites a list of companies whose excursions into related industries ultimately lost focus and profitability: “Xerox...into financial services, Coca-Cola into movies, Kodak into pharmaceuticals” (Gerstner, 219). Microsoft is a software company, and has been successful designing software (at its most basic definition, a set of instructions that help people use technology better) and then selling that software to the public. This business model is not easily portable to an Internet services business, where revenue is generated through advertisements, subscription fees, and other ongoing relationships with clients. Microsoft's recent experience with Internet services suggests that its success in software development will not as easily extend to the Internet.

Then there is the cultural problem. Because Microsoft has grown up as a software development company, its employees are socialized to see problems in a certain way. Richard Foster describes this kind of company as “Stage 3” in *Creative Destruction*: “A few [companies] have risen to dominate their industries and become models of managerial acumen. They have scale, resources, talent, and insight. It seems like they will last for a long time...There is little surprise – as long as continuity prevails” (Foster, 82). For Microsoft programmers and managers, profit has been driven by a series of (often staid) software titles

which follow the traditional software company business model. It is unclear if this view will allow these decision makers to as nimbly earn profit in a different market.

Additionally, in order for Microsoft to effectively deploy its MS Office on the Internet, the program itself would need a significant re-write. Currently, MS Office requires 400MB of space and 128MB of RAM in order to function. Although broadband connections have grown significantly and will continue to do so, running a program with these kind of requirements is simply out of the question. More importantly for Microsoft, creating a platform-independent program that can be accessed through an Internet browser would require that its kernel, or most basic software instructions, be made open to third-party developers (Microsoft has historically vehemently opposed this).

From a technical standpoint, the open-source programs are more capable of creating an Internet-based program. Both were developed using Java, a programming language easily scalable on the Internet. Both have experimented with small versions of their software (In OpenOffice.org's case, programmers have developed a USB Key version of its software that can run on only 60MB). And in both cases is is remarkably easy to add components to the existing program, extending OpenOffice.org's capabilities.

Creating an Internet office productivity service would also help OpenOffice.org create a revenue base. It cannot charge for the software (why would somebody pay for OpenOffice.org's program if they can simply download it for free?), but programmers *can* charge for the web space and collaboration tools embedded in OpenOffice.org.

Again, the open-source challenges articulate throughout this paper severely limit its ability to successfully earn profit on an extended version of OpenOffice.org. With quality problems, a nonexistent user base and sales force, and no marketing resources, one wonders how even the most innovative software would make a splash in the market.

The open-source office supporters have another worry: Google recently bought Writely, an startup company whose software product is described as "The Web Word Processor." Amid wide speculation

that Google plans to release a web based word processor, even if OpenOffice.org were to release a more advanced product, Google's brand may outmaneuver the innovations that OpenOffice.org might bring to the market<sup>6</sup>.

Should open-source supporters decide to pursue development of a “collaboration-enabled” OpenOffice distribution, they may find the constraints above be solved by subscribing to the following recommendations:

- **Use existing research to quickly develop a viable product.** Most of OpenOffice.org's core is functional, and a stripped-down version designed to run on the Internet would not be difficult to engineer, nor would it be difficult to include existing collaboration features demanded by customers. In order to outrun Microsoft and (presumably) Google, the programming group should develop this product as quickly as possible.
- **Test the product in a small market.** OpenOffice.org is the dominant office productivity system on UNIX and Linux machines, where MS Office does not compete. Testing a program in this market capitalizes on OpenOffice.org's existing strength, allowing them to address unanticipated issues and build a library of solutions that can then be used as marketing tools for other consumers. And since a UNIX-based operating system is more friendly to “net-centric” applications (that is, applications that are designed to be accessed and run over the Internet), the product would be at home in the environment. Ironically, Microsoft used this strategy to initially develop Microsoft Word and Excel (creating versions for the Macintosh operating system before releasing them for MS-DOS and Windows).
- **Partner with a well-known brand with experience in the Internet services business.** Once the product is developed and can be directed towards a more general audience, the programming group is unable to sell it to the market on its own – indeed, this is the overarching problem with OpenOffice.org itself. Moreover, ineffective marketing allows competitors to probe the product and improve on it, releasing similar software under their own name. Therefore, partnering with an established brand is essential. Before the Writely acquisition by Google, intense speculation centered around OpenOffice working with Google, but given the acquisition, this is unlikely. A far better candidate is Yahoo!, a company with extensive experience in Internet services and a strong track record in revenue generation. Yahoo! has a similar set of services that would neatly complement an collaboration-enabled OpenOffice, and could add these services to its existing web space and small business unit. Most importantly, Yahoo! has a strong brand on which OpenOffice could piggyback.
- **Target corporate clients, especially those at the end of the MS Office product cycles.** Institutional consumers have consistently expressed frustrations with Microsoft's licensing policy. While this frustration is not usually enough to persuade these customers to switch to an alternative provider (the cases in this paper notwithstanding), one might be able to sell these customers on complementing their existing licenses with the collaboration-enabled OpenOffice. And since corporate customers are by far more likely to need collaboration tools in their office productivity

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<sup>6</sup>Recall that Christensen advises companies to not go forward with its disruptive innovation unless it can be certain that it will not make improve the position of a third player in the market. Should OpenOffice.org release an extended version of its software, it is possible that it would simply improve Google's chances when or if it chooses to launch Writely.

software, they are a far more attractive consumer segment than home users.

- **Create and stick to an effective business model appropriate for the product.** One must constantly be clear about what a collaboration-enabled OpenOffice would be selling: *tools* for users to work together and *space* to facilitate that work. OpenOffice.org is free, and there is no reason to charge for that widely-available program. Because of this, revenue from a successful product will not be on the order of Microsoft Windows or Microsoft Office.

These recommendations are an indication of the solutions that a programming group seeking to redistribute OpenOffice may wish to pursue, but they are obviously not inclusive.

Microsoft has an easier time: it must simply develop the product, test it within its widely accepted program, and approach corporate clients with whom it has a strong relationship. As Google develops and rolls out Writely, Microsoft should focus on the customers that are most likely to use the service: corporate and institutional clients that need to do business across space and operating systems. While Writely will surely get the buzz, Microsoft will walk away with the clients and (if managed correctly) the revenue.

The evidence above shows that while neither OpenOffice.org nor StarOffice has the ability to overtake Microsoft in the office productivity sector, there is room for growth. If OpenOffice.org works with the right clients and develops software that fill a gap in Microsoft's customer base, it has the potential to gain market share and earn profits.

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