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# Microsoft Memo

9 August 1988

**To:** Dick Kramlich, Phil Lamoreaux, Anthony Montagu, Dan Eilers, Tom McConnell, Bob Metcalfe, Woody Rea, Horace Enea

**From:** Bob Gaskins

**Subject: Results of Microsoft's Graphics Business Unit  
since the Acquisition of Forethought, Inc. by Microsoft**

It is now just slightly more than one year since (last July 31st) Microsoft acquired Forethought, Inc. to become the nucleus of a new Graphics Business Unit of Microsoft to be located permanently in Silicon Valley. This unit of Microsoft is responsible for all graphics-related applications software – for Macintosh, MS Windows, Presentation Manager, and other platforms – throughout Microsoft.

My personal commitment (to Microsoft, but equally to my Forethought investors) at the time of the acquisition was to remain as head of the new organization for at least a year and to assure that a successful acquisition was completed within that time. I am gratified, one year later, to be able to report that a successful acquisition has undoubtedly been accomplished.

Yesterday, I reviewed the whole year, as summarized in a 25-page document, with Bill Gates. Bill pronounced himself highly satisfied with the present state of the Graphics Business Unit and with its achievements during the past year. Jon Shirley sent me similar remarks by mail.

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The single overriding goal that I had for the unit was to complete a successful acquisition. On the one hand, to avoid the departure of key personnel and disruption of product plans and schedules followed by slow dissolution and final reorganization which have marked most of the acquisitions of small software companies. On the other hand, to move forward smoothly into an integrated role as a Microsoft business unit, contributing significantly both to product innovation and to corporate revenues. In this twin goal we have been successful.

Over the past year, we have:

- Retained 100% of the former Forethought PowerPoint group
- Closed down all of Forethought's tangled business affairs
- Created a new operations and administrative framework for the unit
- Hired 12 new people (to make a total of 19), all outstanding people
- Created the definition of the new PowerPoint 2.0 color product
- Established working relationships with many device manufacturers
- Negotiated a development and marketing agreement with Genigraphics
- Completed development of the Mac version of PowerPoint 2.0
- Written and done the print production on all manuals for Mac PP 2.0
- Tested the Mac PowerPoint 2.0 product (software, templates, and manuals)
- Accomplished substantial development on a Windows version of PP 2.0
- Prepared full marketing materials for the Mac PP 2.0 introduction
- Accomplished a successful PR tour and launch of the Mac PP 2.0 product
- Located, negotiated for, and leased a first-class facility for our expansion
- Shipped a great deal of PowerPoint in 12 months through July 88.

As you will understand better than anyone – since the problem is identical in the case of a start-up company – the most important achievement was to have at least passed the threshold of success in *every one of* these areas. A failure in any area could have led to failure of the acquisition. If we had not retained our key people, or if we had failed in our recruiting, then all would have been lost. If any single one of our product areas had failed, we would have failed to get our Mac product out, with dramatic negative consequences. If any of our operations areas had not been successfully handled, we could have been hopelessly tied up. If we had not successfully launched our new product and gotten sales up, we would have been out of business.

The challenge was to succeed well enough in *all* of these areas so that we could build up some momentum and thus become a less fragile and more resilient business

unit of Microsoft. This has in fact been achieved, and constitutes the true success of the Graphics Business Unit in its first year.

Less tangibly, we have also retained much of the goodwill enjoyed by PowerPoint as a "hot" product and transferred it to the Microsoft GBU. Repeatedly on the press tour introducing Mac PP 2.0 we heard comments along the lines of 'looks like Microsoft has been great for you, you're still out front.' Jim Seymour published his similar remark in the July 88 MacUser: "Say what you will about Microsoft, they did right by PowerPoint" (p. 72).

Thus, I believe that we have accomplished the goal of creating both the reality and the perception of a successful acquisition. It is always possible to imagine aspects which could have gone even better, but it is much easier to see any number of very real disasters which have been avoided. Like any new enterprise, the GBU was vulnerable to mishaps or mistimings which could cripple or destroy an entire undertaking, but these we have successfully escaped. The Microsoft Graphics Business Unit is now successfully started along its path as part of the Microsoft organization. If it fails in the future, we will have to say that the reason was failure by Microsoft – not a failure to every successfully complete the acquisition.

The decision to structure us as a Business Unit with a clear mission was an essential ingredient of the success. We have enjoyed complete autonomy in marketing, development, quality assurance, and manuals. We work with other divisions of Microsoft for manufacturing, telephone support, and field sales. In fact, the success of this organization has been so obvious that Microsoft has (just this week) reorganized its former applications division in Redmond into several business units patterned on the Sunnyvale operation.

Another vital ingredient was the excellence of Microsoft, throughout the entire company. Everything good you ever heard about Microsoft is really true. The quality of the people, in every group at every level throughout the company, is staggeringly high. Both strategies and projects are well-managed, growth is under control, and the orientation to results is amazing. Our new business unit suffered none of the usual problems of being perceived as a threat to existing groups – everyone in the entire company has gone far out of the way to help us.

The growth of the desktop presentations market during the past year has dramatically confirmed the wisdom of Forethought's investors in getting in early – and maybe also the wisdom of being acquired by Microsoft. At the time we sold, we were at least a year ahead of Microsoft's internal development of a presentations product.

But over the last year there have come half a dozen strong competitors, all copying the breakthroughs of our PowerPoint product, who are just now starting to ship against us. Microsoft's established marketing and sales muscle is making a real difference; I can see that our small competitors will not fare so well. The presentations market has matured and filled with established competitors almost overnight.

In this competitive market, the ability to bring products to market on schedule is critical to success. Here, we have continued the excellent record which we had established as Forethought. We set the final specs for our very difficult PowerPoint 2.0 color product last fall – including lots of things we didn't yet know how to do. Even so, the schedule made then predicted correctly to within two weeks when we would release everything to manufacturing the following May! (This includes software, manuals, boxes, introduction kits, everything.) Our ability to schedule the development of innovative products, an ability which also sets Microsoft in Redmond apart from its competitors, will continue to be a major factor of success.

Thanks to Microsoft's strong international groups, we will have versions of PowerPoint out very soon in French, French Canadian, Swedish, German, Italian, and Dutch – all fully translated, manuals and software. (The international English version is already shipping today.) This is great news, because the presentations category is truly international, and we will be able to build market share early worldwide.

As one indication of how we have influenced the whole company of Microsoft, we're still putting out our manuals in the format that we pioneered as Forethought – what looks like a hard-bound book, but at a surprisingly low cost of goods – and in fact another Microsoft product from Redmond is about to follow our lead. Bill Coggshall, the analyst, says that providing software manuals in permanently-bound books gives the impression that "Microsoft is really sure about what it's doing, like somebody who works the New York Times crossword puzzle in ink."

We got great PR coverage for the introduction of our PowerPoint 2.0 product. Jim Seymour wrote in *MacUser* for July 1988 that "**PowerPoint 2.0 is, simply put, the most impressive combination of power, elegance, and ease of use, I've ever seen in a piece of business software.**" It is clear that PowerPoint will be able to hold its own alongside Microsoft's other dominant applications.

We have outgrown the old Forethought building in Sunnyvale, and so in mid-September we will be moving to a new address:

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This location is the old Saga headquarters, lovingly built by the Saga founders who intended to spend their whole working lives there – prior to the takeover by Marriott a couple of years ago. There is mature natural landscaping and integration of buildings into the site which strongly resembles the Redmond campus, more so than about any site around here. The buildings are built narrowly along hills, so they lend themselves to our pattern of small private offices for everyone, with a high proportion of outside offices. The whole campus with four buildings was purchased from Marriott by the Kaiser Family Foundation, and is being developed as “Quadrus” with a restaurant, health club, meeting facilities, large conference rooms, outdoor exercise facilities, and so forth. We have leased as our permanent home 2460 Sand Hill Road, which is a building of 32,000 square feet. We have an option to also take an unbuilt fifth building (18,000 square feet), which would give us a total of 50,000 square feet of space, enough for about 150 people, over the next three or four years.

(There is always concern, in every company located outside our area, about whether Silicon Valley employees can be retained, or whether they will be drawn off into start-ups. I've always thought that the competition for employees here is what makes for honesty in management – if you don't know what you're doing, your employees go somewhere else and work on something that does make sense. This is doubtless all for the good. So, instead of hiding down in Milpitas, we've decided to boldly locate right next to 3000 Sand Hill Rd. so that our employees can go over and pitch venture groups on their lunch hours, if they want to.)