**Programming**

In "Microsoft Begins Its Radical Shift to Software as a Service" (Orr, 2008), the author discusses Microsoft's new software delivery model. How will this model affect the way software is designed, built, and maintained? What special end-user considerations are there?

**Abstract (Summary)**

Microsoft is moving towards the world of software plus services, a model that will bring the best of the desktop, the best of the Web, the best of the enterprise, and the best of devices together. The payoff of SaaS (software as a service) can be a big one if it turns out to be a viable way of replacing obsolete legacy systems. SaaS lets IT managers concentrate on corporate vision and strategies, with a staff mostly devoted to "light customizations." With SaaS plus software, perhaps the biggest boon to IT wilt be the flexibility and wide range of options it opens up -- trying out SaaS for a year, ten years, or one month while still keeping things running smoothly with in-house software. In its new incarnation, Microsoft is also making nice with a couple of traditional competitors. One is Linux, the open source operating system that has gained a toehold in Microsoft's cash-cow grazing pasture, the server market.

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Tens of millions of people around the world know Microsoft mainly as a PC desktop from which they manage myriad functions of their personal and business lives. In its fiscal year ended last summer, the company posted record revenues of $51 billion, up 15% from 2006.

So why should software's world champ even think of changing a winning strategy? As CEO Steve Ballmer put it, Microsoft is "moving towards the world of software plus services, a model that will bring the best of the desktop, the best of the Web, the best of the enterprise, and the best of devices together." Ballmer expects that within a decade nearly all of the company's applications will migrate to an online platform, according to a New York Times article by John Markoff.

Will software plus services fly?

Adam Honore, senior analyst at Aite Group, spent two hours with Microsoft technical people and still has doubts. Microsoft is playing catchup and has a long way to go, he says. They're putting out a "convoluted message" that won't work for applications such as portfolio management in capital markets, says Honore. But the payoff of SaaS (software as a service) can be a big one if it turns out to be a viable way of replacing obsolete legacy systems, he adds.

Elizabeth Herbert, senior analyst at Forrester, on the other hand, says that Microsoft is on the right track. Offering both products and services can be a big plus for IT, she says. With today's standalone in-house applications, IT managers spend too much time in administration. SaaS lets them concentrate on corporate vision and strategies, with a staff mostly devoted to "light customizations." Those are applications with many common elements; e.g. customer relationship management (sales, customer history, etc.), human resources (recruiting, hiring, records, etc.) and corporate governance (risk, Sarbanes-Oxley, etc.). Other kinds of applications, such as enterprise resource management and supply chain management, aren't well suited for SaaS yet because they require a lot of customization, Herbert says. She also expects good results from scalability on the internet model of building capacity out, not up with new servers that don't require expanding the network. With SaaS plus software, she says, perhaps the biggest boon to IT will be the flexibility and wide range of options it opens up-trying out SaaS for a year, ten years, or one month while still keeping things running smoothly with in-house software.

The great platform in the "cloud"

Microsoft builds platforms, Ballmer told an audience at a company-sponsored conference of developers. In past years, he said, the company built a platform for clients, for servers, and for mobile devices. Now Microsoft is in the process of building Windows Live, a platform in the internet "cloud" that will "intricately intertwine" websites, web servers and software. For Microsoft and its 40,000 development partners worldwide, Windows Live will transform existing software products into user-facing services and create an uncountable array of new solutions that will enhance personal and business productivity, Ballmer promises audiences. "We're building a servicebased infrastructure, not server by server but a new management model, a new device model, [and] new storage, networking, and computational models from the get-go," Services will come out of the cloud via a users' desktop, which chief technical officer Ray Ozzie calls the ideal control point for individually or collaboratively creating, editing, publishing, and reviewing the documents vital to all information work.

For IT execs, the biggest short-term gain may be cost savings because each user shares with thousands of other users a common computing and storage utility, along with software designs protected by strict security measures, Ozzie says.

Will it pay to advertise?

In a series of presentations to partners and financial analysts last summer, Microsoft execs invariably emphasized that software as a service opens rich new opportunities to "monetize" the costs through online advertising. The foundation plank of all advertising is touching the most people and making sure that "everybody on the planet can participate in your software," Ballmer says. The global ubiquity of the web fills that need perfectly. The "Live" applications platform of the cloud is an ideal medium for targeting individuals and very small businesses, Ballmer says. "These are generally ad monetized apps, and because of that, there's synergy in sharing data and features among the apps at this level. . . These are services like identity services, contact lists-this is the layer where our social graph of your relationships lives, along with your presence and rendezvous, [and] communication services. Perhaps most importantly, our advertising platform Lives at this level," he says. Customers, independent service providers, and Microsoft will share ad revenues.

In a financial move that everybody expected but even so stunned them by its astronomical valuation of the target, Microsoft paid $240 million for a 1.6% stake in Facebook, the flourishing social network with nearly 50 million registered users. At a Web 2.0 Summit conference this fall, Ballmer said, "We'll probably buy 20 companies a year consistently for the next five years." During the fiscal year ended June 30, Microsoft bought 13 companies for a total of $1.3 billion.

Microsoft is clearly on a path that it hopes will eventually overtake Google, the undisputed champ in online advertising. Ballmer recognized this when he allowed that "the most valuable advertising real estate, in a sense, comes out of search," a service that Google virtually owns now.

Unexpected overtures

In its new incarnation, Microsoft is also making nice with a couple of traditional competitors. One is Linux, the open source operating system that has gained a toehold in Microsoft's cashcow grazing pasture, the server market. Ballmer announced a relationship with Linux through Novell, also a sometimes rival, that will achieve interoperability between Microsoft software and that of Novell's Linux users.

Another move, still in progress as this article went to press, is a so-called "duet" with rival software giant SAP. Ballmer says the two companies operate in different markets, so when we add a new customer, it's most often not one we take away from them, and vice versa.