

Office politics

Microsoft bids to keep its grip on corporate computing against Google's challenge.

ANYONE attending the launch on May 12th of the latest version of Microsoft's Office software suite could have been forgiven for thinking they had walked into a meeting about meteorology rather than technology. All the talk was of clouds—vast data centres that provide cheap and plentiful computing capacity accessible via the internet—and how companies can take advantage of them to boost productivity. In a significant move, Microsoft announced new, web-based versions of popular applications such as Word and Excel as part of the "Office 2010" release, and unveiled changes designed to make it easier for workers to collaborate using its software.

These initiatives come at a critical time in the evolution of corporate computing. After dominating the office desktop for so long, Microsoft now faces a growing challenge from a variety of companies that are betting they can leverage the cloud to erode its share of the market.

Chief among the pretenders to the throne is Google, which is aggressively seeking to persuade companies to ditch Office and other Microsoft products in favour of its own web-based offerings, called Google Apps. The competition between these two behemoths is likely to become even more intense as companies loosen their IT purse strings as the economic outlook improves. Google offers some of its web applications free, but these versions lack some of the more sophisticated functions that large companies often need, so it sells them a high-end version of Google Apps for \$50 per user per year.

For Microsoft, this is a battle that it cannot afford to lose. Office is a big money-spinner for the company and many corporate users are locked into longer-term contracts that guarantee a steady stream of revenue from the software. Small wonder, then, that Stephen Elop, the head of Microsoft's business division, has described the launch of Office 2010 as "an epic release".

Among other things, the new, web-based version of Office will make it much easier for workers to use documents and spreadsheets on a host of different devices, including smart phones. Microsoft has also tweaked its software to make it easier for people to, say, embed videos in PowerPoint presentations and to integrate data from their social networks into online calendars and e-mail services. And the company plans to offer a free, stripped down version of its web apps that will compete directly with Google's mass-market offering.

Mr Elop points out that Microsoft already has 40m paying customers using online services from the company, whereas Google can only boast a fraction of that number. He also claims that firms such as General Motors and Starbucks have decided to embrace Microsoft's web offerings after weighing them up against Google's. "The fact that Microsoft has to point to people who considered Google and decided not to go with us is evidence of how far we have come in the business arena," sniffs one senior Google executive.

There is little doubt that Google, which claims it has over 2m users of its productivity apps, looms large in the rearview mirror of Microsoft's business division. This week the company even cheekily proposed to firms using Office 2007, the previous release of Microsoft's business software, that they bolt on Google Apps to get much of the web-based functionality they need, instead of upgrading to Office 2010. Google has also been tweaking its own cloud services to make them run faster and to give users even more of a desktop-like experience.

Yet while Google has been able to sign up some large clients such as Genentech and Motorola, it still gets the lion's share of its business from small and medium-sized companies. The

internet giant argues that this will eventually change as more companies rebel against multiple-year contracts and embrace the flexibility that web-based apps offer. Perhaps, but there are also a host of other companies, including IBM and relatively unknown outfits like Zoho that also have their sights set on this market too. And Microsoft is clearly gearing up for a fight. Get ready for a truly epic battle in the cloud.

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