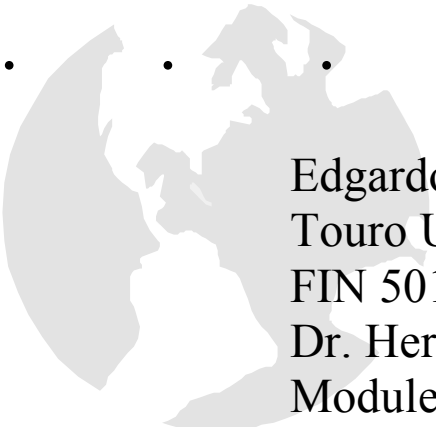




Microsoft Corporation IPO



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Microsoft Corporation IPO

"Microsoft Corporation engages in the development, manufacture, licensing, and support of software products for various computing devices worldwide. Microsoft was founded in 1975 by William H. Gates III and is headquartered in Redmond, Washington." (Microsoft Corporation)

Microsoft Corporation is arguably the Standard Oil of the information age. It rose from humble beginnings initially as a friendship between Bill Gates and Paul Allen who after many years of writing code in their high school computer room continued their passionate pursuit at Harvard University where they wrote the first BASIC operating system for the Altair which was arguably the world's first commercial micro/personal computer. Today Microsoft is a global multi-billion dollar information technology/entertainment behemoth which dominates the majority of markets it chooses to compete in.

Like any huge business success story a variety of different abilities, experience, drive, and circumstances helped bring about Microsoft's success. After years of positioning themselves as one of the leading personal computer software developers they were fortunate to have been considered and ultimately picked by IBM corporation to author the Disk Operating System for the first IBM personal computer which eventually became the industry standard still in use today. Microsoft parlayed that success by implementing a variety of innovations first designed at Xerox PARC when it created "Windows" which continues to be the leader in the Graphical User Interface (GUI) operating system market. That success increasingly became instrumental over the years as Microsoft positioned itself as the world's leading personal computer and business productivity software provider by leveraging the interoperability features between its suite of software products and the Windows operating system.

"Although Microsoft's leader appeared to be in good spirits as he spun through lap after lap this October day in 1985 he had a lot on his mind The company's board of directors was due to meet in less than 24 hours to hear his decision about taking Microsoft public. Gates had avoided the unavoidable as long as possible, and he was not looking forward to the next few months " (Wallace)

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Typically IPOs are the events that define the essence of success for most technology and biotechnology companies. They constitute the moment where the investors have an opportunity to make back the money they originally invested if public sentiment warrants it. Given that valuations for technology companies tend to be based on future earnings and potential for market share in future markets they are usually much higher than a company's actual operating net worth. This phenomenon influences many companies to sacrifice operational profitability while focusing on perceived market positioning.

"Microsoft was considering what amounted to about a \$40 million deal. If the underwriters exercised options for an additional 300,000 shares, about twelve percent of Microsoft's stock would be traded publicly." (Wallace)

The Microsoft IPO was a pivotal moment in its history but its dynamics were different when compared to conventional public offerings. Although Bill Gates did accept a token amount of funding from venture capitalists at a point when his company was already very well positioned and profitable it was done mostly to better align the company with institutional investors. Microsoft was a self-funded profitable startup with optimal positioning both from a product (DOS, Windows, Word) and international market penetration standpoint. Seen from the eyes of Bill Gates and Steve Ballmer the IPO was seen more as an organizational transition stage where the primary goal was maintaining the same level of dictatorial control experienced during their years as a private company.

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