

.....

---

# Microsoft Corporation: MS-DOS and Windows Development Projects



Edgardo Donovan  
Touro University International  
FIN 501  
Dr. Herbert Weinraub  
Module 5 – Session Long Project  
Monday, March 19, 2007

---

⋮

---

# Microsoft Corporation: MS-DOS and Windows Development Projects

*"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)*

Two of the pivotal projects which greatly impacted the success of Microsoft as it grew into an information technology leader were the development of the MS-DOS and Microsoft Windows operating systems. Both of these projects were capitalized in different ways. The marketing and distribution costs of the first project were the responsibility of Microsoft's joint venture partner IBM. The latter was capitalized through a mix of venture capital funding and existing software revenues. Although both projects were resounding successes the Windows development project incurred costly development overruns.

*"In early November of 1980, the corporate odd couple officially signed the paperwork. Microsoft would develop the software for IBM's first personal computer and supply the vital disk operating system or DOS. The schedule would be brutal."*  
**(Wallace)**

Microsoft Corporation is one of the most dominant companies 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.

*"Gates could now turn his attention to what would prove to be Microsoft's most ambitious and difficult undertaking – the development of Windows. Before the first version of Windows was finished, those programmers would spend some 80 work-years designing, writing, and testing Windows, in contrast to the 6 work-year investment originally approved by Ballmer."* **(Wallace)**

•  
•  
•  
•  
•  
•  
•



Unlike most IT projects which do not immediately lead to profitable returns if that happens at all MS-DOS and Windows were immediately profitable product offerings. Therefore, extensive capital reserves to sustain a 3-5 year market penetration campaign prior to attaining profitability were not required thus giving Microsoft a unique capitalization advantage.

Both projects were highly secretive and it is hard to imagine whether or not Microsoft would have been able to maintain secrecy if it had gone after institutional funds more aggressively. In the MS-DOS development project Microsoft was bound by quasi-DOD security clearance type restrictions imposed by IBM which was in a race to develop a personal computer with the goal of cornering the market. During the Windows development project Microsoft was competing against Apple, Microsoft, and a variety of other vendors in an attempt to make its soon to be released GUI operating system the industry standard. Given the aforementioned conditions private funding without direct tie-ins to those projects could have been an option if Microsoft had wanted have a greater amount of contingency related liquid funds at its disposal.

Two of the pivotal projects which greatly impacted the success of Microsoft as it grew into an information technology leader were the development of the MS-DOS and Microsoft Windows operating systems. Both of these projects were capitalized in different ways. The marketing and distribution costs of the first project were the responsibility of Microsoft's joint venture partner IBM. The latter was capitalized through a mix of venture capital funding and existing software revenues. Although both projects were resounding successes the Windows development project incurred costly development overruns.

## BIBLIOGRAPHY

### I. Works Cited

Wallace, James, Erickson, Jim. Hard Drive: Bill Gates and the Making of the Microsoft Empire. 1997.

Microsoft Corporation. About Us. Microsoft.com, 2007.

### II. Works Consulted

Jay, Mike. The Top 10 Things To Consider When Making A Capital. LeadWise.com, 2001

Kapil, Sheeba. Capital Budgeting Needs Vision. BusinessLine.com, 2003

Otuteye, Eben. The Arbitrage Pricing Dichotomy. Canadian Investment Review, 1998

The Economist. Risk and Return. The Economist, 1996

PCquote.com. Microsoft Corporation. PCquote.com, 2007

Pfizer Inc.. About Pfizer. Pfizer.com, 2007

Sirius Satellite Radio. About Sirius Satellite Radio. Sirius.com, 2007

Yahoo Finance. Industry: Application Software. Yahoo.com, 2007

Microsoft Corporation. About Us. Microsoft.com, 2007.

Anonymous. Introduction to Financial Management. Thompson Learning, 2007

Anonymous. IPO Basics: Introduction. Investopedia.com, 2007

Anonymous. Microsoft Corporation. Microsoft.com, 2007.

Wallace, James, Erickson, Jim. Hard Drive: Bill Gates and the Making of the Microsoft Empire. 1997.

Carter, Adrienne. Morningstar Follows Google's Lead. Business Week, 2005.

Syre, Steven. The IPO Path Less Taken. Boston Globe, 2005.

Iacocca, Lee. Iacocca – An Autobiography. Bantam Books 1984

Ansoff, Igor. Corporate Strategy. McGraw Hill, 1963

Alfred, Alfred. My Years with General Motors. Currency Doubleday, 1963.



Jackson, Tim. Inside Intel. 1997.

Gates, Bill Business at the Speed of Thought. Warner Books, 1999.