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## Google, Microsoft, and GM: Large Corporate Beast Mating Rituals

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In 2003, I read *The End of Detroit: How the Big Three Lost Their Grip on the US Car Market* by Micheline Maynard. In my notebook from that period, I wrote down:

*"Throughout 2002, and particularly in December, GM had flooded the market with rebates and zero-interest financing, at a cost of nearly \$4,000 for every car and truck that it sold."*

The consequences of this type of financial wizardry was a US government bailout. Even the business cheerleaders at Fox News said:

*In reality, GM's claim about paying back [the US government's] bailout money is misleading. Much of the \$50 billion in federal assistance came in the form of equity purchases, with the government taking a 61-percent stake in the company. The cash loan totaled "only" \$6.7 billion in taxpayer dollars. For taxpayers to recoup their investment, the federal government would have to sell its 365 million shares at a profit. The break-even price would be \$55 a share, but GM is currently selling at \$28.90. And it doesn't look like share prices are increasing any time soon. The stock market is up since mid-November [2010] by about eight percent. But the stock of General Motors has bucked the trend. It's down more than 16 percent since its initial public offering on November 18, 2010. Source: <http://www.foxnews.com/opinion/2011/06/10/truth-about-gm-bailout/>*

The reason I am thinking about GM results from the flurry of information about a couple of corporate behemoths fighting to mate with the once-fecund General Motors. GM is big, but the company is not as productive as it was when Charles Wilson, GM's president in the 1950s, made a statement which has been misquoted and entered in its distorted form the American business canon as "What's good for General Motors is good for America." Legend has it that Mr. Wilson was more circumspect, but the catchy quote lives on with GM's success equated with that of the United States.

The mating ritual between Google and Microsoft concerns the right to license spreadsheet, word processing, presentation software, among other common work place utilities to an estimated 100,000 GM workers. The revenue from a big deal with GM is significant, but the marketing value of the deal dwarfs the millions which the chosen suitor gets. GM may be past its prime, but in the US market, GM still swings a big stick even if it is made from plastic fabricated in China.

Before the onset of the current economic slowdown in 2008, Zig Ziglar-type sales professionals would have said upon losing a plum like GM, “We will land another one.” Sounds good, but today mounting an elephant like GM might not be so easy as it once was. Many large American corporations are suffering from arteriosclerosis and some need hip replacements.

I picked up a rumor about GM’s evaluation of Google’s enterprise cloud apps earlier in 2011. Since that time, the giant company has played Google and Microsoft as Yehudi Menuin bowed his Prince Khevenhüller Stradivarius. But in the end, GM embraced Google’s office and enterprise applications cloud solutions.

The contest for the GM enterprise license for what are basic office software applications made headlines. The highly regarded Forbes Magazine reported in November 2011:

*“The search giant has recently signed a deal to provide its e-mail and cloud-based software to General Motors’ 100,000 employees. While the deal itself is big, what is more important is the precedent it can set for other large firms to adopt cloud-based application software, threatening traditional players like Microsoft and IBM in the process.” Source: Google Apps To Catch A Ride Inside Of GM’s Neural Core, November 9, 2011, <http://www.forbes.com/sites/greatspeculations/2011/11/09/google-apps-to-catch-a-ride-inside-of-gms-neural-core/>*

Microsoft, the incumbent, is not too happy with the GM decision. Tony Redmond, writing in IT Pro, said at the same time the Forbes Magazine story broke:

*I suspect that Google will beat Microsoft on sheer price but will then struggle in other areas. For example, Google’s client story is not as good as Microsoft’s is. Few corporate “knowledge workers” will enjoy moving from Outlook to Gmail or Word to Google Docs. On the other hand, GM has many factory workers and they probably will find a Google kiosk to be much the same as a Microsoft kiosk. Service and support will also play a part. Unlike Microsoft, Google does not have a strong track record when it comes to the delivery of service to large corporations, whether that service is delivered from Microsoft or through partners. And service does make a difference, especially when you have to deal with large multi-national organizations.*

Not long after the news about Google’s successful courtship of GM, the GigaOM blog ran an interesting story which cataloged the alleged failings of Google’s office applications. The

article “Let’s Make Google Docs Suck Less” struck me as a bit of a hatchet job, but I am suspicious of quite a bit of the “free” online content which flows each day across my desk. Among the alleged “problems” of Google Docs, for example, are filters which mess up imported documents’ formatting, sluggish loading of “complex spreadsheets,” lack of off-line editing, and dicey file sharing features, among others. Source:

[http://gigaom.com/2011/11/11/lets-make-google-docs-suck-less/?utm\\_source=theappleblog&utm\\_medium=specialtopics](http://gigaom.com/2011/11/11/lets-make-google-docs-suck-less/?utm_source=theappleblog&utm_medium=specialtopics)

Like a spurned teenage lover, Microsoft itself is likely to take the Google win at GM with less than sporting grace. Ignoring the public relations blitz which may be underway, three separate factors are likely to be affected by this Google win. I can see a time in the future, when Google and GM get divorced. Microsoft, putting shame aside, will be ready to rent an Escalade, pick up the blushing bride, head to Las Vegas, and get married in the Elvis Wedding Chapel. Elvis, as you may recall, drove a gold plated Cadillac which is now on display in the Music Hall of Fame and Museum in Nashville, Tennessee. In America, “The opera is not over until the fat lady sings.”

The first repercussion is that with the loss of GM, Microsoft has taken a shot to the nose and been knocked out. Unlike a matador in the bull ring, Google did not slay the animal with a descabellar. Enraged, Microsoft lives to fight another day. In my experience, a loser in the corporate wars learns from the defeat and comes back with greater resolve, more features, and lower prices. GM may end up with enterprise software for next to nothing. The loss of prestige for Office 365 cannot be allowed to define the new world order in enterprise software. (For a run-down of Microsoft’s alternative to Google’s enterprise products and services, see the Office 365 information page at <http://goo.gl/Ghcfj>). Prior to the GM deal, Google had mostly smaller deployments of its Microsoft Office alternatives. And one of the higher profile deals nearly trampled the Googlers. The \$7.2 million deal signed in 2009 has been dogged by security concerns. As recently as October 2011, a “consumer watchdog” has been complaining about Google Apps’ weaknesses. (See, for example, “Consumer Watchdog Lambasts Los Angeles over Google Apps,” The Register, October 27, 2011 at [http://www.theregister.co.uk/2011/10/27/consumer\\_watchdog\\_la\\_council\\_google\\_apps/](http://www.theregister.co.uk/2011/10/27/consumer_watchdog_la_council_google_apps/))

Second, although I only have subjective and anecdotal evidence, I believe that many US companies act like sheep. In Australia, several years ago, I watched a 40-pound dog control a couple of hundred sheep with a few yaps. Microsoft may be fearful that GM’s executives will jump species and become 100,000 Blue Heelers, herding their friends and acquaintances toward Google’s enterprise solutions. Not even Microsoft can easily counter 100,000 GM professionals singing the praises of Google. How will Microsoft contain the pinball effect of those GM users if Google Apps work really well? McKinsey & Company, Bain, Boston Consulting, and other consultancies will be heading to Redmond, Washington, to help Microsoft find a solution to the GM problem. Big-league consultants can and do work miracles. The Googlers may have some new hurdles to clear in the GM matter.

Third, Google gets some ammunition for its fight for large enterprise accounts. No doubt stung by the September 2011, Gartner Group, a consulting firm, issued a report which asserted: "Gartner analysts claim low enterprise impact for Google". One industry publication explained the Gartner conclusion in this way:

*"We estimate that Google has between 1 million and 2 million users of GAPE [Google Apps Premier Edition], which points to good growth over the year, but still gives it less than 1% of the overall enterprise email market," Gartner said in its latest MarketScope report. "Google had some high profile wins with Motorola's wireless division (20,000 seats) and the City of Los Angeles (30,000 seats). Overall, we estimate that there are about 15 companies with over 10,000 GAPE seats each, and that the average customer size is around 50 users." Source: Computerworld UK, <http://www.computerworlduk.com/news/cloud-computing/3241599/gmail-and-google-apps-used-by-1-of-businesses/>*

Google in October 2011, Google added "plus" or "+" functionality to its enterprise services line up. Google+ offers ad hoc groups for project work, content dissemination, and targeted messaging to specific colleagues. Salesforce.com's social components have been available for more than a year, and there are other social solutions available from companies like Oracle, which owns Tacit Software's intellectual property. With Google+ for business offering SharePoint-like features, Microsoft has to make its Office 365 and other offering be perceived as trumping what Google provides. Neither Google+ nor Office 365 is as cutting edge as Facebook in my opinion. Google and Microsoft are delivering a 1990s style solution in a 21<sup>st</sup> century business environment.

When we put the Google win at GM in a larger enterprise software "frame", Google may be eyeing the Fortune 1000 market in the way it has global mobile telephony. The New York Times said on November 10, 2011:

*Detractors don't realize one very important point: Google does not see Google+ as a separate product; to the company, Google+ is the product. Sure, Google hopes to build a social network that competes with Facebook, Twitter and other social services, but that is not the main reason the company has put so many resources behind Google+. Instead, Google+ is a social layer that has always been intended to sit on top of the company's flagship product: search. Source: <http://bits.blogs.nytimes.com/2011/11/10/google-isnt-going-anywhere/>*

My view is that if Google starts to tally more enterprise sales like the GM deal, Google will trigger some re-evaluation by some partners and may face marketplace and court room push

back. In short the more success Google enjoys in the enterprise space, the more established enterprise application vendors will be forced to make a decision. I think whatever civility now exists in the enterprise software market place will be marginalized.

For me, this is the interesting facet of the GM deal. What looks like a local deal has the potential to reverberate in an uncertain enterprise software marketplace which sprawls across countries, languages, and currencies.

Google, however, faces its own challenges. The company has become swollen and lost agility like a teenage sprinter with an inversion ankle sprain. The legal winds continue to blow, including a renewed gust from Viacom about YouTube's alleged misuse of copyrighted content. Web traffic is shifting from static access points like desktop computers in traditional cubicles to handheld and mobile computing devices. The shift may have some impact on Google's revenue stream.

Author Og Mandino opined:

*"Every defeat, every heartbreak, every loss, contains its own seed, its own lesson on how to improve your performance the next time."*

Google will both take injunction to heart. In short,, let thermonuclear marketing warfare commence. Ladies and gentlemen, nuclear powered large animal mating rituals will commence immediately.

Stephen E Arnold, November 15, 2011

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