Analysis: Most companies won't be early adopters of Windows 8

Bill Rigby, Reuters

(Reuters) - There was once a time when the launch of a new Windows operating system was a huge deal for the technology departments in many businesses. Not anymore. Microsoft Corp's release of Windows 8 on Friday is likely to be a non-event for most companies -- and some experts say many may never adopt it.

The system may appear to offer something for everyone: touch-screen functionality for tablet enthusiasts, a slick new interface for the younger set, and multiple versions to make it compatible with traditional desktop PC software.

Many businesses, though, say there is no compelling reason to adopt. Indeed, a large number have yet to make the transition to Windows 7 from Windows XP.

"Windows 8 is, frankly, more of a consumer platform than it is a business platform, so it's not something that makes any sense from a business perspective at this juncture," said Doug Johnson, head of risk management policy at the American Bankers Association, whose members are among the world's biggest technology buyers. "There is really no additional business functionality that Windows 8 gives you that I see."

For most of the past two decades, that sort of comment about a new version of Windows might have set off panic in Microsoft's Redmond, Washington, headquarters. Not now. Windows 8, in a stark reflection of how the technology business is changing, will rise or fall on how it is received in the consumer market.

That doesn't mean Microsoft executives are publicly saying they won't be going after enterprise customers with the radical new version of its flagship product.

"The lines between the consumer and the enterprise are blurring," said Ron Markezich, head of Microsoft's Enterprise & Partner Group. "Business customers are looking forward to Windows 8 because they don't have to compromise between tablet and PC."

But Microsoft's main goal is to show it can master the new touch-optimized, mobile forms of computing pioneered by Apple Inc and Google Inc. Its colorful, action-packed advertising for the system are aimed at a young, free-wheeling audience, and its new Surface tablets are being positioned squarely as consumer devices.

LUKEWARM

Corporate customers have been lukewarm about the product even after test versions have been available for more than a year.

Car maker Volkswagen, which only last year moved 60,000 PCs onto Windows 7, is not planning to make another drastic shift anytime soon.

VW's head of IT, Martin Eickhoff, said his team was "excited to evaluate the new tablet features" but would wait until Windows 8's release to assess its potential benefits.

That's not unusual, as corporations generally test a new system for 12-18 months before planning to adopt it, meaning enterprise take-up of most versions of Windows -- except for the unpopular Vista -- have only usually happened two or three years after launch.

This time even that pattern might not happen.

Michael Silver, an analyst at technology research firm Gartner, expects minimal corporate adoption over the life of the new system: "We believe 90 percent of large organizations will not deploy Windows 8 broadly, and at its peak, we expect about 20 percent of PCs in large organizations will run Windows 8," he said.

WINDOWS RECEDES

This may not be a huge problem for Microsoft.

For one thing, the company gets 40 percent of its overall revenue from multi-year licensing deals with enterprises -- companies, government departments and universities -- which typically give customers rights to the newest version of its software.

Essentially, Microsoft gets paid regardless of what version of Windows many big customers actually use.

And Windows is also declining in financial importance for Microsoft, although the sales of PCs often determine the strength of Microsoft's earnings [1]. Five years ago, it accounted for almost 30 percent of Microsoft's sales. Last year it was 25 percent.

Microsoft's success in selling to businesses, in the short term at least, depends less on Windows than on its Office products and its fast-growing server and tools division.

One institution that has made an early move to Windows 8 is Seton Hall University in New Jersey. The school has already deployed tablets and laptops running pre-release versions of Windows 8 to its freshman and junior classes -- with help from Microsoft, which subsidized the effort with free consulting time.

"The benefit of the upgrade to Windows 8 for me is that it's touch friendly. Lots of the devices that we have in the community could benefit," said Stephen Landry, Seton Hall's chief information officer.

Landry said his students overwhelmingly liked the new system, after a brief training session, but he acknowledged that many of his peers in higher education were not ready to move so fast.

"Talking to a lot of CIOs, they are not ready to jump into Windows 8 with both feet yet. They are taking a wait-and-see attitude. They are thinking 'That's a lot of work, I need to upgrade System Center (Microsoft's IT management platform), I need to have a little different process for managing the back end.' A lot of CIOs I've talked to, they are saying I'm not really seeing a benefit."

Steven Hanna, chief information officer of Kennametal Inc, an industrial parts and tools manufacturer based in Latrobe, Pennsylvania, said his company has only just moved onto Windows 7, and has no plans to introduce Windows 8 broadly in the near future. But he may deploy it selectively for employees who can make use of the touch-screen, such as traveling sales reps.

"The mobility for the sales force, to put all the material and the ability to do basic transactions in their hands, is going to be a phenomenal driver for us," said Hanna. "We're doing some piloting with iPads, but I'm excited to see the Windows stuff come out."

This appears to be the most likely route for Windows 8 into the workplace. But even this will not be simple because Windows 8 is really two operating systems.

The standard Windows 8 for devices with Intel Corp x86 chips will run old Microsoft applications and generally fit seamlessly into companies' networks and security systems, just like any Windows PC. But Windows RT, the version for devices powered by ARM Holdings chips -- such as Microsoft's new Surface tablet -- will not run legacy applications and require more work to integrate.

MOVING FROM XP

Even as it launches Windows 8, a key priority for Microsoft is to get customers off the decade-old Windows XP -- which still runs on 41 percent of the world's 1.5 billion PCs. For the last three years, it has urged enterprise customers to move to Windows 7, and it has said it does not expect organizations to drop those plans because of Windows 8.

That effectively means many companies will downgrade new PCs to run on Windows 7, not 8, over the next few years.

But if people start bringing Microsoft's new Surface tablet to work, or any of the other new Windows 8 devices, Microsoft is hoping corporate IT managers will welcome them with open arms.

"Some organizations, when they look at Windows 8 Intel tablets, they are going to like them because they are manageable," said Michael Cherry, an analyst at Directions on Microsoft, an independent consultancy that helps customers

understand the company. "When they look at RT they are going to be disappointed, because it's no easier to manage than an iPad [2]."

(Reporting By Bill Rigby; Editing by Jonathan Weber, Martin Howell)

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