

*Bill Gates -- Gates Removed Himself From Some Day-To-Day Company Operations And Focused On Broader Issues. Computer Reseller News November 16, 1998*

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**HEADLINE:** Bill Gates -- Gates Removed Himself From Some Day-To-Day Company Operations And Focused On Broader Issues.

**BYLINE:** Stuart Glascock

**BODY:**

For Bill Gates, this year may end up being the real-life version of "The Year of Living Dangerously."

Long an industry icon and media favorite, the billionaire head of giant Microsoft Corp. suddenly finds himself in the uncharacteristic position of being attacked for being a business bully. And the attacks are relentless, and coming from a wide variety of quarters: from the U.S. Department of Justice, which essentially accuses Microsoft of being an illegal monopoly. From state attorneys general, who accuse him of unfair business practices. From competitors who claim he squashes their companies. From book authors, some of whom presented unflattering portraits of Gates. Even from a new media magazine, which published a cover story featuring a college-age mug shot.

Is this any way for one of the world's wealthiest executives to be treated, especially when he runs the world's largest and most important software company? Is Gates really that much of an industry bully and can he be that easily transformed from business icon to enfant terrible?

The jury-figuratively and literally speaking-is still out. But it seems to hardly matter to Gates, whose company continues its highly successful winning streak. Microsoft is rolling along to new financial heights. The entire industry awaits next year's promised release of Windows NT 5.0. And Gates remains focused on the primary task at hand: positioning Microsoft for the unknown future.

In fact, "focus" is a defining adjective that many analysts, writers and associates frequently use to describe the still-boyish (though somewhat less tousled) Microsoft chairman. Other descriptions that repeatedly arise range from driven, stubborn and smart to totally impatient with people who do not meet his high expectations. Critics say he is simply engrossed with technology and power and lacks kinder traits such as tolerance and compassion. Despite the differences, all agree Gates remains a powerful force to be

reckoned with.

"Persistent, resolute, unrelenting, purposeful, opinionated, idealist, utopian" is how Ted Johnson, Visio Corp. co-founder and chief technology officer, describes Gates.

"His vision of a computer on every desk in every home is very much a utopian view, a very inclusive view. It is computing for everybody," Johnson says. "To the extent that Gates' vision has brought that closer to reality, what he has done for all of us in the industry is created one hell of a large market. Gates' impact on the industry has been amazingly positive."

For his part, Gates remains entrenched in his home base in the suburbs of Seattle. He did dash off earlier this year on an unannounced luxury rail journey with a variety of invited business and personal cronies, including legendary investor and friend Warren Buffett.

But Gates' world is primarily within a 30-mile radius of Seattle. This is where Microsoft's corporate headquarters is located, as well as Corbis (Gates' privately held digital-image-collection company), his boyhood home, his swanky prep school, his father's law firm and his new mansion. Despite the media and legal drubbing, Gates remains highly popular in his somewhat insular hometown, where Microsoft acts as a job-generating machine that propels nearby property values and has produced a half-dozen billionaires and more than 2,000 millionaires. Gates also owns a vacation home (to which float planes shuttle industry tycoons and influencers for weekend gatherings) in Hood Canal, Wash.

The war with the Justice Department has the potential of being Gates' greatest battle, and one that could short-circuit his growing industry legacy. Those who know him say it has touched a raw nerve.

"Bill behaves and thinks like a very paternal parent," explains Jay Amato, president of Atlanta-based integrator Vanstar Corp., in which Microsoft owns an equity interest. (Inacom Corp. announced plans to purchase Vanstar earlier this year.) "He is hurt by the misconceptions of Microsoft's position in the marketplace. He is protective of what they have built and how they have done it. To some extent, he is taking it very personally that all the great things he has done, the government has twisted into being something wrong. This thing is a very personal thing to him that has nothing to do with wealth.

"He is very driven, and he has taken this thing very much like a mother or father would if somebody criticized their family," Amato adds.

Gates' early company vision of simply writing great software has become much more muddled, puzzling and political indeed, and one of his reactions over the past year has been to distance himself from some of the day-to-day operations at the corporation he has nurtured since its inception.

The largely ceremonial rise of his longtime right-hand man, Steve Ballmer, to the presidency of Microsoft sets a new stage for Chairman Gates, whose gutsy business

acumen, marketing audacity and sheer luck built the world's most valuable corporation, based on market capitalization.

Like celebrated captains of industry throughout history, Gates, 43, has surrounded himself with the best and brightest lieutenants, and Ballmer is only the most visible of a small army of star performers who work for him. Nonetheless, promoting Ballmer unleashed Gates to concentrate his technological prowess on his passion: harnessing the power of software to solve problems for customers and make millions for legions of shareholders and solution providers.

And Microsoft is having another banner year. This fiscal year ended June 30 saw operating earnings rise 35 percent, on a 28 percent increase in revenue to \$14.48 billion.

"The day-to-day running of the business is off his schedule. It is now Steve's job," says Mich Mathews, Microsoft's director of corporate public relations. "He is spending so much more time hanging out, writing memos, doing the informal stuff that he never had a chance to do before."

In the second half of 1998, despite the ominous federal antitrust suit and increasing competition, Gates excused himself from some corporate meetings and left these to Ballmer to oversee.

"The thing he Gates loves most in the whole world, his favorite thing, is spending time with the product groups," says Mathews. "That's what makes him get up in the morning. The favorite part of his job is talking with the guys in the product divisions, talking about technical things, talking about the future, talking about what we can do today, talking about ideas. That's what he loves. This new job means he has more time for that stuff."

Gates also is spending more time working on a new book about how businesses marshal technology, which will delve into his vision of the Digital Nervous System, a metaphor for the interrelatedness of businesses' information technology infrastructure. "Everything in it, like everything we do at Microsoft, is about making the best use of technology," says Collins Hemingway, co-author of the as-yet-untitled book, scheduled to be published in 1999.

Gates' changing role may also shift the harsh glare of national attention to other executives at the Redmond, Wash.-based software powerhouse. Already, Gates has dispatched eight top executives, conspicuously not including himself or the outspoken Ballmer, to the nation's capital to testify on behalf of Microsoft at the antitrust trial.

These days, most of his public appearances are meticulously stage-managed. In January, the softer side of Gates shone in a breezy interview with Barbara Walters, where he sang "Twinkle Twinkle Little Star" for his 2-year-old daughter, Jennifer. In another soft-sell appearance earlier this year, he joked with Regis and Kathy Lee. Sometimes he brings his own TV crews and invites local newspapers to photo opportunities when he visits inner-city schools to which he has donated software. The Gates-as-benevolent-icon image also

appears in the company's promotional videos.

For the fifth consecutive year, Gates topped Forbes' list of America's richest people, with a personal fortune topping \$58 billion. He was also ranked No. 1 on Vanity Fair's list of The New Establishment, followed by Rupert Murdoch, chairman of News Corp., and Michael Eisner, chairman of the Walt Disney Co.

Despite nagging image issues, this past year has witnessed many extremely positive moments for Gates and Microsoft: the launch of Windows 98, record-breaking financial results and the push of Windows NT further into the enterprise. And several milestones are just around the corner: the launch of new products, SQL 7 and Office 2000; the next version of Exchange; and Windows 2000, formerly NT 5.0.

"Bill provides a laser-like focus on the important issues," says Tod Nielsen, Microsoft's developer relations general manager, an 11-year company veteran. "As a result, if something is noise or random, he has no problem ignoring it. Bill has done an impressive job keeping Microsoft focused on the right technologies, and not betting it all on a technology promise that will not deliver."

Many Microsoft employees say they, too, screen out thoughts about the antitrust case, focusing instead on their jobs. Most of Microsoft's 30,000 employees rarely see Gates, except at the annual meeting held exclusively for full-time employees. Thousands of part-timers, called "permatemps," cannot attend. A group of them are suing Microsoft for benefits and stock options.

"Legal situations are not a new thing to Microsoft," Nielsen says. "The Apple lawsuit was a big deal in the '80s, and Bill did a masterful job keeping the company focused on the right things."

Amy Wohl, president of industry analyst firm Wohl & Associates, Narberth, Pa., says Gates' image may simply be suffering from his business success.

"He is even a better businessman than technologist," she says. "One can be a very good businessman and people may not necessarily like you for what you are doing and how you are succeeding in the market."

Looking back at Gates' upbringing, Wohl notes he came from a family that revered learning. His father is a prominent attorney; his late mother, Mary, served on the boards of many charitable organizations, such as the United Way.

"Bill is very respectful of the idea of constantly learning new things, both for himself and the people who work for him," says Wohl, who first met Gates in 1978. "He actually takes time off every year and learns about something new. I don't know many business executives in the computer industry who do that."

An economist by training who likes free-market advocate Milton Friedman, Wohl adds

that she admires Gates for keeping Microsoft energetic, adroit and able to adjust quickly to drastic change.

"Normally as companies become as large and powerful as Microsoft, they become necessarily more bureaucratic and more cautious," Wohl says. "Microsoft still behaves as if they are that adolescent Boy Scout troop in Albuquerque, N.M. the original birthplace of Micro-Soft; the hyphen was later dropped. They still steer as close to the line as a start-up company does, as if every day they were waking up trying to make payroll. Bill's personality drives much of this style."

It is a style that seems destined to evoke endless, wide-ranging debate within the industry.

"There's tremendous passion within the industry and among users about Microsoft and Gates," says Jeffrey Tarter, editor and publisher of Softletter. "It's really a religious debate. People don't want to hear facts or arguments that disagree with them. It's fascinating, the anger and hostility on both sides."

Tarter thinks there are actually two Bill Gateses: the unpolished, unkempt Gates who used to scream at customers and storm out of press interviews when he disliked the questions, and the polished Gates who has been made over by the company's vast PR apparatus.

"His public persona is very much the creation of Waggener Edstrom the lead of several Microsoft PR agencies," says Tarter. "Not that long ago, they decided they would make him appear like a Fortune 500 executive."

To James Love, executive director of Ralph Nader's Consumer Project on Technology, the Microsoft culture reflects Gates' personal approach—an approach he describes as "mean-spirited, which is odd, given his blessings."

"Microsoft is afraid of innovation by their competitors, and they spend a lot of time trying to crush innovators," says Love. "I think Bill Gates and Microsoft can be used interchangeably. The company reflects his approach. Competition is a game for him, a game of power."

The stakes in that game for Gates ratcheted up dramatically this past

year. And while the ultimate result is uncertain and the pro and con debates about Gates' style still rage fiercely, one fact is undeniable: Gates' influence remains unrivaled.

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Executive Snapshot

Title: Chairman And Ceo, Microsoft Corp.

Location: Redmond, Wash.

1997 Salary And Bonus: \$542,297

Years With Company: 23

Age: 43

Education: Attended Harvard University

Favorite Drink: Declined To Answer

Favorite Movie Director: Declined To Answer

Favorite Web Site: Declined To Answer

Favorite Reading Spot: Declined To Answer

What's Always In The

Refrigerator: Declined To Answer

Most Valuable Investment: Declined To Answer

Most Advanced Home Technology Gadget: Declined To Answer

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