

THE UNAUTHORIZED GUIDE TO DOING
 BUSINESS THE

BILL GATES



WAY

 10 SECRETS OF THE
WORLD'S RICHEST
BUSINESS LEADER

 By Des Dearlove

3RD EDITION

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CAPSTONE

Third edition published 2010
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First edition published 1998
Second edition published 2002

The Unauthorized Guide To Doing Business the Bill Gates Way 3rd edition is an unofficial, independent publication, and Capstone Publishing Ltd is not endorsed, sponsored, affiliated with or otherwise authorized by Bill Gates.

Registered office

Capstone Publishing Ltd. (A Wiley Company), The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, United Kingdom

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Library of Congress Cataloging-in-Publication Data

Dearlove, Des.

The unauthorized guide to doing business the Bill Gates way : 10 secrets of the world's richest business leader / Des Dearlove. -- 3rd ed.

p. cm.

Includes bibliographical references and index.

ISBN 978-1-907312-46-5 (pbk.)

1. Gates, Bill, 1955- 2. Microsoft Corporation--Management. 3. Entrepreneurship--United States. 4. Success in business--United States. I. Title.

HD9696.2.U62G374 2010

658--dc22

2009054398

A catalogue record for this book is available from the British Library.

Set in Myriad Pro by Sparks (www.sparkspublishing.com)

Printed in Great Britain by TJ International Ltd, Padstow, Cornwall

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ACKNOWLEDGEMENTS

I'd like to think this is a fair analysis of why Bill Gates has been so successful over so many years. In the end, though, whether you see him as the Antichrist of the IT revolution or its Messiah or, to a new generation, Bill Gates the philanthropist, battling against global hunger and disease, it is impossible to escape the conclusion that he is a remarkable individual.

For three decades he dominated the computer industry. More than just a computer whiz-kid, Gates also provided a model for business leadership in the 21st century. For this, he deserves acknowledgement. Now he is setting out to create a new chapter in his life, harnessing his considerable intellect, talent, and financial resources to pursue new goals to help society – rather than retire with his billions. For this he deserves our admiration.

Others also merit a special mention. I would particularly like to thank Randall E. Stross, James Wallace and Jim Erickson for their outstanding books on Microsoft, which were an inspiration. I would also like to thank Mark Allin, Richard Burton and Catherine Meyrick at Capstone Publishing who enabled me to write this book the first

time round – and Jenny Ng and the new team at Capstone who made it possible this time.

Finally, I would like to say a very special thank you to Steve Coomber for his superb work on the original book and again on this new edition. Steve, it couldn't have been written without you!

Des Dearlove, Forest Row, 2010

BILL GATES, A NEW CHAPTER

When *Business The Bill Gates Way* was published in 2002, it was at a time of great uncertainty for both Gates and Microsoft, the company that he founded all those years ago in 1975.

Perhaps the biggest issue at the time for Gates was the protracted antitrust battle fought in the US. Much of his time and energy was channelled into fighting the antitrust suit brought against Microsoft, which alleged that the company used a dominant market position to restrict competition. A central allegation related to Microsoft's 'bundling' of its web browser Internet Explorer with its Windows operating system. Manufacturers were therefore obliged to pre-install the Microsoft browser on their machines. There were also accusations relating to Windows' compatibility with competing products like Netscape's Navigator web browser.

When the verdict came in April 2000, Judge Jackson, the presiding judge, ruled that the software giant had broken US competition laws. As a result on 7 June, 2000 he ordered Microsoft to be broken up into two separate companies. Naturally, Gates was both dismayed and furious at the decision. Not one to back down, he immediately appealed against the decision. Eventually, the Depart-

ment of Justice decided against a break up, and various antitrust penalties were imposed, such as a requirement for Microsoft to share some of its intellectual property, such as source code, with third parties.

As soon as one battle finished, though, another began as the European Union launched an abuse of dominant position case against Microsoft relating to the bundling of its Windows Media Player. When Gates was interviewed by the *Seattle Post-Intelligencer* newspaper in June 2008 he was asked about the antitrust case in the US. Gates replied, in humour: 'Well, I don't know why you highlight the US, I mean, why not highlight Japan, Korea, Europe. Come on! We're a global company.'

Microsoft Corporation was shifting direction too. The technology and computing world was changing, and fast. A smallish company, founded just four years earlier, was one cloud on the horizon. Originally just a very smart search engine, Google was shaping up to play an important role in an Internet dominated business age. Apple, under a returning Steve Jobs had regained some of its crunch, launching a small smartly designed gadget – the iPod – in 2001. The founding of MySpace was just around the corner in 2003, heralding the beginning of social networking and Web 2.0.

A sign of the changing times was Microsoft's foray into the computer gaming hardware business. With the Xbox game console Microsoft went head-to-head with Sony and Nintendo, not just for the video games market but also because once video games consoles began offering access to the Internet without a Microsoft operating system or browser, they threatened to cut Microsoft off from a large segment of the population. In the event the outcome was a score draw; Microsoft failed to dominate the video console market, but did enough to spoil Sony's ambitions of dominance.

If anything, Nintendo's Wii proved a winner from the games perspective.

And, while Microsoft was searching for footholds in new markets, away from its traditional Windows OS software, Gates was searching for meaning in his work, trying to implement new management structures that would unlock even greater value for his company. In 2000 he had appointed long time friend and colleague Steve Ballmer as CEO, and taken on the title of chief software architect. With the move, Gates vowed to return 'to what I love most – focusing on technologies for the future'.

Inevitably though, Gates continued to cast a long shadow over his new CEO and the company. On a personal level the question for Gates was: 'What next?'

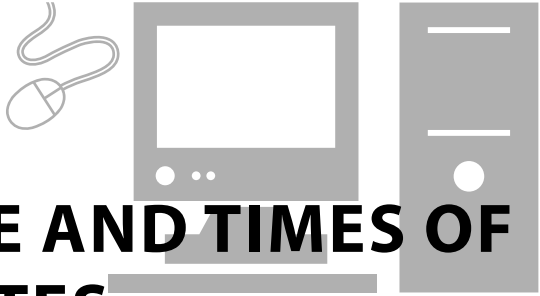
Fast forward seven years and for Gates life is a lot less uncertain. Announcing his intention in 2006 to step down from his full-time position at Microsoft, over the following two years Gates implemented his transition plan from chief software architect to part-time employee, leaving in June 2008. The transition appeared flawless, with Gates putting in place a team of Microsoft stalwarts to cover the various elements of the multifaceted role that used to reside with one person. Gates even managed to compile a humorous, star-studded spoof video of what his last day at the office might look like. In his last few keynote speeches as a full-time employee and his farewell speech on his last day at work, Gates displayed a touching fondness for the company he created and the people who worked there.

Now Gates uses his considerable talents to help run the Bill & Melinda Gates Foundation, dispensing an endowment of over \$30 billion and tackling issues of global health and development, as

well as a US program that focuses on education, health and other issues. Expect Gates to be as consumed with the work of the Foundation as he was at Microsoft.

For many of us, however, Gates will always be the brilliant geek who founded Microsoft, that helped to popularize the PC, and that brought the Windows OS to billions of computer users across the world. Might Gates one day return to the company he created? He says not.

There is no question though that Microsoft will always be a part of Gates' life, as he noted when logging off on his final full-time day in the office: 'There won't be a day of my life that I'm not thinking about Microsoft and the great things that it's doing, and wanting to help. So thank you for making it the center of my life, and so much fun.'



THE LIFE AND TIMES OF BILL GATES

THE GATES PHENOMENON

Love him or loathe him, Bill Gates is a business phenomenon: the greatest of the techno-savant tycoons. His grip on the PC software market made him the richest man on the planet. It has become a popular pastime in bars and restaurants to astound friends and acquaintances with calculations of his wealth and spending power. It is tempting to believe that there has never been another business leader so loaded. In fact, there have been other mega-rich businessmen, John D. Rockefeller and Andrew Carnegie to name just two. But Gates' wealth is only part of his fascination.

His meteoric rise to fame and fortune confirmed the creation of a new business world order: one that is dominated by a different class of entrepreneur and business leader. We may like to label them nerds, but they know things that most of us don't. They understand the potential of the new technology in a way that the traditional generalist manager and bean counting accountant can't hope to. They are smart; very, very smart about stuff we don't really understand, and it makes the rest of us uncomfortable.

When it comes to the future, they 'get it', and we don't. Technically literate and intellectually elitist, Gates was and is a sign of the leaders to come. To some in Microsoft he was a mystical, almost religious figure (indeed he remains so to many, despite his departure from the business), while to others in the industry he was the Antichrist. Both views are outrageous, but underline just how powerful his influence has been. (With all the hullabaloo about alleged abuses of monopoly power, it is easy to forget that back in the 1970s, IBM, too, was the target of antitrust investigations. Yet, memory fades. Some people have come to regard Big Blue as almost saintly compared to Microsoft. Such is the nature of power – we fear most what we understand least.)

But despite his impact on the business world you won't find many clues to the Gates management technique or leadership style in business schools. In fact, the management professors and gurus are strangely silent on what makes the Microsoft chairman and philanthropist so successful. Perhaps they feel slighted. Gates, after all, dropped out of Harvard where he was majoring in law. The academics prefer more conventional business leaders – the traditional company men.

Where, then, should we turn for an insight into what makes this remarkable man tick? Where better than Microsoft's early foray into the online encyclopedia market with Encarta. 'Much of Gates' success rests on his ability to translate technical visions into market strategy, and to blend creativity with technical acumen', it said under the entry for Gates, William, Henry, III. Not bad for a one-line explanation of Gates' remarkable talents.

In the end, though, what sets Bill Gates apart from any other business leader in history is probably the influence that he wielded over our lives. Whereas the power of earlier tycoons was usually concentrated in one sector or industry, through the power of software, Microsoft extends its tentacles into every sphere of our lives.

Media barons like Rupert Murdoch make us uneasy because they have the power to control what appears in our newspapers and on our television screens. But the influence of the people who write software is incalculable. No wonder we feel uncomfortable with Gates' domination of the software market. No wonder he was vilified and attacked.

But beneath the hype and counter-hype, what sort of man is Bill Gates really? Is he some brainy but basically benign computer whiz-kid, who was in the right place at the right time? Or is there

something more to the man who could have retired comfortably in his 20s but preferred to carry on working 16-hour days? Stories abound about Gates the genius mathematician and computer programmer, and about the other Gates, the ruthless businessman who went all out to crush the competition. Only by separating the fact from the fiction can we begin to reveal the real Gates. What emerges from this analysis is a far more complicated picture.

This is not simply a story of technical brilliance and enormous wealth. It is one of remarkable business vision and an obsessive desire to win. It is also about a radically different leadership style to anything the business world has seen before. What Bill Gates offers business leaders of the future is a new template, one that brings together characteristics and skills that are much more suited to the challenges of the twenty-first century. With all his faults, Bill Gates has much to teach the next generation of entrepreneurs and executives.

BILL'S BIG IDEA: A COMPUTER ON EVERY DESK AND IN EVERY HOME

Since the early days of Microsoft, Gates pursued his vision of 'a computer on every desk and in every home'. (Interestingly, the original slogan was 'a computer on every desk in every home, running Microsoft software', but the last part was often left off, because it seemed too self-serving.)

Looking back now, the spread of personal computers from the office into the home seems almost inevitable. Hindsight is a wonderful thing. Foresight, however, is much more lucrative, as Gates has shown. It is important to remember, too, that the ubiquitous screens and keyboards that we all take for granted today were the

stuff of science fiction just a couple of decades ago. Back in the 1960s when futurists in America tried to predict the trends that were likely to shape society in the rest of the century they completely missed the rise of the PC. It is no coincidence either that the young Gates devoured science fiction books.

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It is not true that Bill Gates alone was responsible for putting the PC in homes and offices all over the world, any more than Henry Ford was responsible for the rise of the automobile. What the two have in common, however, was the vision to see what was possible, and to play a pivotal role in making that vision a reality.

Gates set about achieving his vision by transforming Microsoft into a major player in the computer industry and using its dominant position to create a platform for the huge growth in applications. What Gates realized very early on was that, in order for his vision to succeed, it was essential that an industry standard be created. He knew, too, that whoever got there first would have a major opportunity to stamp their authority on the computing industry.

Several years before IBM approached Gates to find an operating system for its new PC, Gates was lamenting the lack of a common platform, and predicting that without one the potential of PCs would not be realized. Articles he penned at that time suggest that he had no more idea of the role destiny had in mind for him than anyone else. The fact is, however, that when the opportunity presented itself, Gates saw it for what it was and grabbed it with both hands. He's been doing much the same ever since.

In the early 1980s, Gates masterminded Microsoft's movement from a developer of programming languages to a diversified software company, producing everything from operating systems such as Windows to applications like Word and Excel, as well as programming tools. In the process he transformed the computer industry.

Those who like to criticize him, and accuse him of monopolistic tendencies, might pause once in a while to reflect on where the PC revolution would be right now without the timely, if self-interested, intervention of Bill Gates. In the end, it's hard to argue with the claim that Bill Gates played a major role in ushering in a new technological era.

HOW RICH IS BILL GATES?

Gates is the richest man in the world today. In the 2009 Fortune Billionaires list Gates was placed first (again) with an estimated pot of \$40 billion. On that showing though Gates still has a way to go before he is the richest tycoon of all time.

Back in 1998, *Forbes* magazine¹ recalculated the fortunes of past and present businessmen by comparing the Gross National Product (GNP) in their lifetimes with the size of their bank balances. On this measure, Texas oil baron John D. Rockefeller amassed a fortune of \$190 billion. In the number two slot was Andrew Carnegie, the steel baron, who would be worth \$100 billion today. Cornelius Vanderbilt, the railroad and shipping magnate came third on \$95 billion, followed by John Jacob Astor, the real estate and property tycoon, on \$79 billion.