

The meaning of Bill Gates

Jun 26th 2008

From The Economist print edition

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As his reign at Microsoft comes to an end, so does the era he dominated

WHEN Bill Gates helped to found Microsoft 33 years ago there was a company rule that no employees should work for a boss who wrote worse computer code than they did. Just five years later, with Microsoft choking on its own growth, Mr Gates hired a business manager, Steve Ballmer, who had cut his teeth at Procter & Gamble, which sells soap. The founder had chucked his coding rule out of the window.

In becoming the world's richest man, Mr Gates's unswerving self-belief has repeatedly been punctuated by that sort of pragmatism. But those qualities have never been on such public display as they were this week, when the outstanding businessman of his age stepped back from a life's work.

As Microsoft's non-executive chairman, Mr Gates will devote most of his efforts to his charitable foundation, where he will pit himself against malaria and poverty, rather than Google and the Department of Justice. To choose such formidable new foes in the middle of your life takes bags of self-belief, but it is also pragmatic—and a little poignant. Mr Gates has revelled in the day-to-day details of running his firm. To let it all go is to acknowledge that his best work at Microsoft is behind him. It is to accept that the innovator's curse is to be transitory.

MS DOS and don'ts

As with many great innovations, Mr Gates's vision has come to seem so obvious that it is hard to imagine the world any other way. Yet, early on, he grasped two things that were far from obvious at the time, and he grasped them more clearly and pursued them more fiercely than his rivals did at Commodore, MITS or even Apple.

The first was that computing could be a high-volume, low-margin business. Until Microsoft came along, the big money was in maintaining a select family of very grand mainframes. Mr Gates realised that falling hardware costs, combined with the negligible expense of making extra copies of standard software, would turn the computer business on its head. Personal computers could be "on every desk and in every home". Profit would come from selling a lot of them cheaply, not servicing a few at a great price. And the company that won a large market share at the start would prevail later on.

Mr Gates also realised that making hardware and writing software could be stronger as separate businesses. Even as firms like Apple clung on to both the computer operating system and the hardware—just as mainframe companies had—Microsoft and Intel, which designed the PC's microprocessors, blew computing's business model apart. Hardware and software companies innovated in an ecosystem that the Wintel duopoly tightly controlled and—in spite of the bugs and crashes—used to reap vast economies of scale and profits. When mighty IBM unwittingly granted Microsoft the right to sell its PC operating system to other hardware firms, it did not see that it was creating legions of rivals for itself. Mr Gates did.

The technology industry likes to sneer at Microsoft as a follower. And it is true that the company has time and again bought in or imitated the technology of others. That very first PC operating system was based on someone else's code. But Mr Gates's invention was as a businessman. His genius was to understand what he needed and work out how to obtain it, however long it took. In an industry in which visionaries are often sniffy about anyone else's ideas, the readiness to go elsewhere proved a devastating advantage.

And look at what happened when Mr Gates's pragmatism failed him. Within Microsoft, they feared Bill for his relentless intellect, his grasp of detail and his brutal intolerance of anyone whom he thought "dumb". But the legal system doesn't do fear, and in a filmed deposition, when Microsoft was had up for being anti-competitive, the hectoring, irascible Mr Gates, rocking slightly in his chair, came across as spoilt and arrogant. It was a rare public airing of the sense of brainy entitlement that emboldened Mr Gates to get the world to yield to his will. On those rare occasions when Microsoft's fortunes depended upon Mr Gates yielding to the world instead, the pragmatic circuit-breaker would kick in. In the antitrust case it did not, and, as this newspaper argued at the time (see [article](#)), he was lucky that it did not lead to the break-up of his company.

Inevitability and temperament are two hallmarks of Gates the innovator. The third is the transience of all pioneers. The argument was brilliantly laid out by Clayton Christensen, of Harvard Business School. The perfecting of a technology by a well managed company catering to its best customers leaves it vulnerable to "disruption" by a cheaper, scrappier alternative that is good enough for everyone else. That could be a description of Microsoft's Office, which now does more than almost anybody could wish for—even as Google and others are offering free basic word-processors and spreadsheets online.

Mr Gates was haunted by Mr Christensen's insight—he even asked for his help to keep back the tide. Microsoft successfully extended Windows as an operating system for servers; it has moved into new areas, such as mobile devices and video games; and it has lavished billions of dollars on all sorts of research—without much to show for it. Despite all those efforts, the PC, Mr Gates's obsession, has ended up as an internet terminal. The company still has everything to prove online (see [article](#)). Watching Microsoft in the company of Google and Facebook is a bit like watching your dad trying to be cool.

Business is good for you

Mr Gates had the good fortune to be perfectly suited for his time—but he is less well-equipped for the collaborative and fragmented era of internet computing. This does not diminish his achievement. Nor, as some would have it, does his philanthropy necessarily magnify it. Whatever the corporate-social-responsibility gurus say, business is a force for good in itself: its most useful contribution to society is making profits and products. Philanthropy no more canonises the good businessman than it exculpates the bad. In spite of his flaws, Mr Gates is one of the good kind. Some great industrialists, like Henry Ford, stick around even as the world moves on and their powers fail. Mr Gates, pragmatic to the end, is leaving at the top.