

# **The Handy Guide to the Gurus of Management**

Episode 10 - Bill Gates

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## **Bill Gates**

The next guru on my list is very different from all the others. He doesn't teach at any university - in fact he left without ever completing his first degree. He doesn't join the lecture circuit nor is he a prolific author. He has only ever written two books and very few articles. Despite all that, his views on the way the world of business is going, and what that means for all of us, are just possibly more influential than all the others in my guide put together.

His name is Bill Gates, in many ways, the richest man in the world: richest because he didn't just talk about the future, he helps to shape it, richest because he doesn't just understand how technology works, he also understands how markets work, not least by outsmarting IBM, and richest, finally, because his heart is where his voice is, he is genuinely passionate about the new world he can see emerging and the benefits it can bring.

I wanted Bill Gates on my list, partly because of his views on the future, which he can talk about with more authority than most, but partly because he's an outstanding example of another sort of guru, the guru who preaches more by deeds than by words, who lives the theories he comes up with.

We need gurus of management, I argued at the beginning of this series, to spread the good news of what works and what is new. But some of those who are creating the good news are perfectly capable of spreading it around themselves.

Jack Welch, who has just retired as Chairman of General Electric in America, is another of those who preach by example. Both Welch and Gates are great teachers - of their own staff, and that process, I suspect, helps them to spell out their views and beliefs in ways that others can relate to. In fact that's the first lesson we can learn from Bill Gates - good managers are good teachers. Literally so - they spend lots of time in front of their people, talking, listening, answering questions. Gates may not follow the other gurus around the conference lecture circuit, but, whether it be by his beloved email or in person, inside his company or outside it, teaching is what he is doing for much of his day.

Back to his story, however. You probably know some of it already, how he got hooked on primitive computers at an early age, along with his friend Paul Allen, how he and Paul stumbled across an advert for a small kit computer called the Altair 8800, how they started to write a programme for it, how they started to dream about what it would mean if everyone had their own affordable and easy-to-use computer, how Bill left his degree programme at Harvard to try to live that dream and how, between them, Bill Gates and Paul Allen created the world's first microcomputer software

company. They called it Microsoft. It was 1975 and the world was about to change.

It all looks obvious in hindsight, but back then, I remember, computers were huge machines that had to be kept in special temperature-controlled rooms with their own special languages that you had to learn before you could interact with them. So the second lesson that we can learn from Bill Gates, before we even get on to his ideas, is that it is always possible to dream the impossible and make it happen. That, I think, is what great leaders always do, in every field, but of course they then have to communicate their dream so that others can get involved and excited. No-one can do much on their own. Bill Gates would be the first to admit that he's no technological genius, he needs others for that. What he has is the thirst for social invention. He revels in change and draws inspiration from a crisis.

Of course, you can't build a company as successful as Microsoft has become without making enemies, and Bill has many of those, not least the bruised competitors he leaves in his wake. The US Government's anti trust action against Microsoft that started in 1998 confronted Gates with something new for him - unpopularity. He has responded by giving up day-to-day control of his firm and giving more of his attention to the gigantic charitable foundation that he and his wife Melinda have set up. As he has said, when children are dying and starving in parts of the world, easier internet access seems almost beside the point. It's another lesson for managers - remember always that there is another world out there. If you

get too fixated on your immediate business problems you may get too disconnected from your public and lose their support.

If you've just joined us, this is the BBC World Service and I am Charles Handy. We're discussing the life and work of Bill Gates the latest person in the Handy Guide to the Gurus of Management. And it is time, now, to turn to the explicit teachings of Gates, and his views of how the digital revolution will shape the future of business and management.

His first book, *The Road Ahead*, was published in 1995. As he forecast in the introduction, the book already looks obvious, so quickly has the world caught up with his vision. But it also, and he forecast this too, looks oddly wrong in parts. Gates famously ignored the Internet at first. 'We didn't see, he says, that the Internet, which was originally a network for academics and techies, would blossom into the global network it is today.' Full marks to him, however, for recognizing his mistake just in time and pouring money and the energies of the firm into catching up. It is a striking example of how a failure can be the spur to new endeavours. The Internet and its implications dominate his second book, *Business @ the Speed of Thought*.

But we can learn as much from Bill Gates by looking at what he does, as a manager and a leader, than by reading his books. Think first of Gates as a marketing guru. He has described his method as a six-part business strategy.

1. Concentrate your effort on a market with large potential but relatively few competitors.
2. Get in early and big.
3. Establish a proprietary position.
4. Protect that position in every way possible.
5. Aim for high gross margin
6. Make the customers an offer they can't refuse.

Right from the beginning he practised what he preached. In 1980 IBM approached the fledgling company that was Microsoft looking for software for its new secret product, the PC. At that stage all that Gates and his partner Allen had to offer was their version of the computer language called BASIC. But when IBM asked if they could also supply an operating system, Gates and Allen said yes. Actually they didn't have one at that moment, but they thought that the product of a local firm, Seattle Computer Products, could perhaps be used. When IBM went away, Gates and Allen bought this product for \$50,000 and then agreed to give IBM a licence to use it for ever - for only \$80,000 with no royalties. It was an offer IBM could not refuse and it knocked out two other competitors, but what IBM didn't notice, or didn't mind, was that Microsoft retained the right to licence their system to any one else. You see, IBM didn't think that the PC was going to be much more than a household toy, but Gates saw the huge market potential and wanted to get in early and first on the back of the biggest player in the business. As he

says in his first book 'Getting in on the first stages of the PC revolution looked like the opportunity of a lifetime and we seized it.'

It's one thing to have the right idea. Creating the organization to deliver it is something else again. Here, too, Gates, with no previous experience, no MBA, and no mentors, set about creating a new sort of organization, what he called a knowledge company. The knowledge company's raw material is brainpower. You hire the best and best trained brains, create an environment in which they can do their best work, and build systems so that the knowledge that results is woven into the fabric of the organization. Then it can be packaged and sold. The company headquarters at Redmond, near Seattle, has often been compared to a university campus, but if so, it is a very hard-nosed university indeed, with one overriding and very clear purpose - to put a PC on every desk and in every home (using Microsoft software, of course, even though Gates leaves this bit unsaid nowadays).

Here is Bill describing how they work - "we read, ask questions, explore, go to lectures, compare notes and findings...we consult experts, daydream, brainstorm, formulate and test hypotheses, build models and simulations, communicate what we're learning, and practise new skills." Vital to it all is what he calls the DNS - the Digital Nervous System, the e-mails and computer systems that allow everyone to learn everything they need to know.

It sounds wonderful, but it doesn't tell you how decisions are taken, and at first they all got taken by Bill Gates himself, or Paul Allen. Incredibly bright

though they both were, there was no way that they could personally control the huge sprawling giant that Microsoft was becoming. Besides, too many mistakes were creeping in, as when Windows NT flopped disastrously in the marketplace. So, in 1999, Bill Gates set about re-inventing the company. He called it VV2, for Vision Version 2. It set out to switch the focus from personal computers to all forms of information software and hardware and to build the company around the needs of customers. The company was divided into eight separate and autonomous business groups, along the lines originally adopted by Alfred P. Sloan, the legendary boss of General Motors in its great days, and a personal hero of Gates, who discovered, rather late in the day, that traditional management theory had its uses.

Behind the structures, however, there are some very clear people policies, which are the things that give the company its extraordinary vitality. Gates summarizes them as five 'E's:

Enrichment, Empowerment, Emphasis on Performance, Egalitarianism and E-Mail.

Enrichment is the lure that attracts the young talent to the firm. Gates has created many millionaires through the stock options he provides for successful performance. And that performance is rated twice a year with marks from one to five. Four means exceptional, one means you're out. Egalitarianism is evident in the laid-back style of the place, hectic though it is underneath, and e-mail, of course, is everywhere. Nevertheless, in

Microsoft it is still clear who is boss, who takes the really big decisions and who charts the long-term future of the company, and that man is still Bill Gates

The next guru on our list has also used his business as an example of how to manage in modern times, only this business makes pumps and dishwashers, not software and it's in South, not North, America. His name is Ricardo Semler from Brazil.