

# AND WHAT DOES MR. GATES THINK?

He's thinking Microsoft wants a piece of the "unified communications" action too. In fact, he believes he's got some product that'll revolutionize the workplace as much as the PC did. || BY BRENT SCHLENDER

IN MID-OCTOBER, BILL GATES unveiled Microsoft's own unified communications products aimed at corporate customers. He contends this technology will revolutionize the office as profoundly as the PC itself, and he may be right. Based on a souped-up version of its Exchange e-mail and calendar server system, the new software will render obsolete the traditional backbone of the office phone system—the private branch exchange (PBX)—by handling *all* office communications: telephone, conferencing, e-mail, instant messaging, whatever. It also includes a spiffy \$3,000 rig called Roundtable to manage the camera work during videoconferences—sort of a poor man's version of Cisco's telepresence systems. Gates promises that companies will see an immediate productivity improvement—and that Microsoft will see a solid revenue boost. Gates sat down with FORTUNE to talk about UC, the acronym he hopes will become a new buzzword.

**BILL GATES:** We've always been about empowering the office worker, whether it's creating the documents or spreadsheets that we almost take for granted today. We are always thinking about what we do ourselves as workers, so we also wondered how we could use software to make meetings more effective, or to reduce the amount of traveling, or to make working together on documents better, or even how can you make it so that you don't have to think about all those phone numbers when you want to talk to someone.

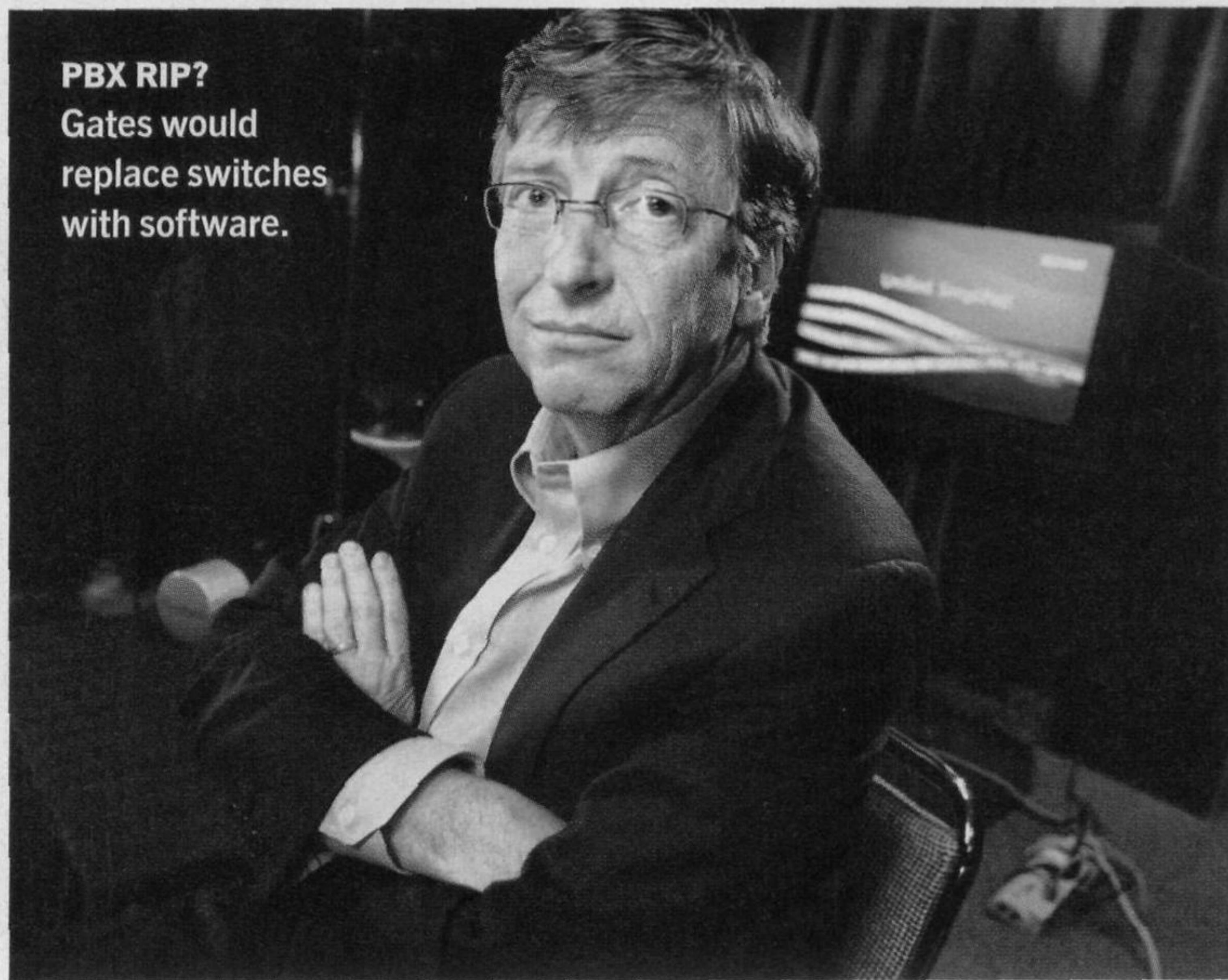
Unified communications jumped out as one of those great opportunities to integrate something into the software you use for everything else you do. Even by Microsoft's standards it's a huge opportunity. People have been spending a lot of money in the PBX world, and not just on buying the devices. It costs hundreds of dollars just to reassign a phone number. And wouldn't it be nice when you get a call from a customer if you could get right on your PC screen the information that tells you who it is and what's going on with them?

**Are the PBX makers going to dig in their heels? Do they have any alternative to what you are offering or what Cisco is offering?**

Well, to be frank, the PBX guys have had a challenge anyway. They've gotten to saturation, and there were a lot of vendors, so there's been some consolidation. It's tough. But then again, when an industry shifts so that user interface and the notion of a person's presence are very important, and that you want a unified master directory for e-mail and telephony—well, we're obviously biased, but we see software as being the most logical centerpiece of delivering these new experiences. Some of the traditional vendors will do great phone hardware, and UC will accommodate that, but with the new standards they won't only be able to sell phones onto their own systems, they'll have a chance to sell those to anybody.

It's just like back before the PC when the computer industry was vertical. Who cared whether the Unisys operating system was better than IBM's? Back then, Microsoft really worried that one of the traditional

**PBX RIP?**  
Gates would replace switches with software.



**“There's plenty of room for Cisco and Microsoft in this space.... But I think we should have the advantage.”**

vertical vendors, like Digital Equipment, would take their operating system expertise and do with it what we did and establish a new computing platform based on the operating system. But they didn't, and we were able to get critical mass. So people have the lesson of how that changed in computing—that if you wait too long, you won't be able to break your assets up and apply them in the new structure. The same thing will happen to the PBX makers.

**With Cisco touting its own approach to unified communications, is there a Betamax-VHS battle looming?**

There's plenty of room for both Cisco and Microsoft to be very successful in this space. There will be some ways that our things can work together, because we've worked with Cisco on a lot of the network and security initiatives. But there's very direct competition here too. Cisco has offered an IP phone system for some time, and our Office Communications Server uses Internet telephony to let you track what's going on with your colleagues and makes it easy to set up a screen-to-screen-type call. Cisco acquired WebEx, and that competes directly with what we call Live Meeting, which is our screen-sharing piece that allows people to talk and work on a document at the same time. But I think we should have the advantage, because we can create the overall user experience. **F**