

Gates Pans Google Again – Why Gates thinks Google

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Bill Gates is blowing smoke at Google again. Twice this week Gates has said nasty things about Google. Yesterday he was sounding sort of high-school churlish with his statement, "Google is still perfect; the bubble is floating, and they can do everything. You should buy their stock at any price. We had a 10-year period just like that." Earlier today, he and his buddy, lil' Stevie Ballmer, sounded like they were playing king-of-the-castle at recess when he predicted that Google was going to be dethroned because the other kids will want to play with new-tech toys that Microsoft has but Google doesn't.

Bill Gates is not a man who likes to play catch-up. Being the world's wealthiest person and running the most lucrative corporation that has ever existed, he is not often in a position where he feels behind anyone's eight-ball. One can only imagine the frustration he must feel when he thinks about Google and the threat they pose to his empire.

As everyone knows, Gates' empire, Microsoft is enormous. With the copyright over the operating systems and business software used on the vast majority of personal and business computers around the world, Microsoft has long used that advantage to dictate how things would be done. Over the past 30 years, Gates has seen Microsoft's revenues grow from the \$16,005 they made with 3 employees in 1975 to the \$36,840,000,000 they made with 57,086 employees in 2004. For the most part Microsoft has concentrated its energies on developing the software that runs personal computers, web servers, mobile phones, vehicle components, and much of the global digital infrastructure.

Riding the strength of IBM's reputation Microsoft was established as the predominant maker of operating systems and operating system accessories by the mid 90's. A short and brutal period in the early to mid-90's marked the point Microsoft understood the importance of the Internet. An upstart company named Netscape Communications had created a web browser that was not only better than Microsoft's Internet Explorer; it was being given away for free. This was in the first few years of the commercial Internet and Gates correctly sensed the importance of controlling how people view information found on the Net. Through a strategy of bundling a free browser into the Windows OS and providing tools that would create non-Netscape friendly code, Gates managed to seize significant parts of the browser market back from Netscape. Netscape was forced to sell itself and its technologies to AOL which later introduced the nail in Netscape's coffin, the terrible AOL-heavy Netscape 6.0.

Even with AOL's unwitting assistance, establishing control of the global digital environment was hard work. Over the thousands of person-years of programming, many a mortal soul was invested in producing that outcome. Whatever anyone says about the darker nature of Microsoft's monopoly and corporate business practices, Gate's obsessive interest and passion for IT drives his thinking. One just has to accept that a big part of the thought process involves further ingraining Microsoft's control over the IT environment, as it has for the past 30-years. What he missed, as he elegantly admitted at the January 2004 World Economic Forum meeting in Davos Switzerland, was how important finding information on the internet was going to be. Another upstart rose to become king of the only castle that made sense of the Internet for average users, search. "Frankly, Google kicked our butts...", said Gates in

an interview in Davos. Imagine how he must have felt the day he realized the foundation of his empire had to be supported by the shifting sands of search.

Since at least December 2003, Gates has sensed a shift in the sands of fortune. He was already working on plans to deal with Google's dominance over the search market but while spying around on their website, he noticed that Google was hiring software engineers with qualifications that had little to do with search. Google was (and still is) hiring operating system designers, systems architects, email specialists, and other IT engineers who could easily fit into one of many of Microsoft's divisions. Everything about the Google Job Opportunities page screamed to him "INTRUDER ALERT". The day is practically legendary in Internet history. Apparently he was more than a little annoyed and after firing off a warning email to key executives, he has spent much of the past year in a public pique over Google's continued growth.

The growth and nature of the Internet has allowed serious rivals to emerge. Before the mid 90's, Microsoft could be reasonably certain it fully controlled the operating environment by controlling the delivery system. By controlling the means of delivery, Microsoft could control the software Internet users used. Software bundled into the Windows operating system became the standard used around the world because it was instantly accessible and guaranteed to work with Windows at least 99% of the time. When upstart competitors popped up, Microsoft was generally able to limit their market penetration by simply being there. Gates has good reason to worry.

Today, Microsoft faces a host of challenges. The open source movement has propelled development of literally thousands of variations of the Linux OS. Internet users can download a variety of applications that work on multiple operating systems as well as the Windows OS. Microsoft no longer controls the means of information delivery in the way it once did and it no longer can. Their major attempt at dictating a standard information infrastructure of the Internet, the massive .Net project has likely been shelved at least according to speculation at [Slashdot](#). The forum conversation was brought to me by my very own personalized Google homepage incidentally.

Microsoft actually has a plan to deal with Google. It is in development and code-named Longhorn. Longhorn is the long-awaited Swiss-army knife operating system Microsoft has been hyping for almost two years. With rumoured features such as desktop search and a host of other Internet related tools, Google, Yahoo, Ask Jeeves and several million open source developers have already made it's greatest offerings seem obsolete. Longhorn, in turn has been delayed time and time again, forcing the cynical to speculate on why. My personal favourite theory is they are swapping out the Solitaire game and replacing it with a stripped down version of Duke Nukem Forever. In reality, it appears Microsoft is actually far behind the tech-curve race for the first time in its corporate existence.

The speed and stability of the Internet combined with vast improvements in storage and file compression allows Google (and other rivals) to offer server-side applications such as GMail, Blogger and Google Earth. These applications are precursors to more robust server-side applications and when presented by Google at least, they are available at no-cost to users. Google has also used the Internet to invade what used to be Microsoft's sacred space, the desktops of individual users. This is especially troubling to Gates as the desktop was the domain that Longhorn was supposed to rule. The desktop has always been Microsoft's greatest asset.

In its history, Microsoft has been known to move heaven, earth and entire corporate law divisions defending its turf and defending against lawsuits stemming from stuff they did to defend their turf. Google is a different sort of foe and after a decade of practice, Internet users are now better prepared to pick and choose which products are useful to them and which are not. The days when a product line could

be protected with proprietary practices are long over. While bigger than any other entity on the Net, Microsoft does not control it and therefore no longer controls the means of delivery.

That's where search comes in. While the Internet is the primary delivery vehicle, search engines provide the primary means of finding the stuff that is being delivered, whatever that stuff might be. Controlling search is the key to controlling Ecommerce and the future of advertising. He who controls search gets richer than rich, and that is why Mr. Gates thinks about Google so much of the time.

Google is not Microsoft's richest competitor. Sun, Apple and Yahoo are. The thing that sets Sun, Apple and Yahoo apart from Google is that Google has the most momentum and a hell of a lot of available capital. It also has stock values that rival those of the late 90's. Google closed the day at \$266 per share. Microsoft on the other hand is sitting in the \$26 per share range. While we all know stock values are hardly a measure of competence they are a measure of available capital and right now, Google is enjoying more cash-flow than they ever dreamed of.

For the vast majority of computer users around the world, Microsoft's enduring legacy is seen in the generations of Windows operating systems whose universal popularity created a standards benchmark in software creation. Programmers had to design software that would work with the Windows OS. Today, the Internet itself has become a secondary universal operating system. That and the fact that Google is synonymous with the Net's most important application; search, puts Gates and the wizards of Redmond behind someone else's eight-ball in one of the highest staked billiard games ever.