MoS Episode Transcript – Bill Gates

> **BILL GATES:** You have a hose across the road and every time a car goes over it, it counts.

REID HOFFMAN: That's the unmistakable voice of Bill Gates, whose name is as entwined with the history of computing as Neil Armstrong's is with the history of spaceflight. Bill is the person who brought us Microsoft, Windows, Powerpoint, Excel, Xbox, and of course:

> **GATES:** Traf-O-Data.

HOFFMAN: Traf-O-Data? Ok, so Bill's first company didn't have the name recognition of "Microsoft," but it is catchy. Like "Filet-o-fish". Or "Wond-O-Rama".

Bill is taking us back to his high school days. Like many teenagers, Bill and his best friend Paul Allen were consumed by a love that spilled into obsession. The object of their affection? The computer – which had not yet become a household object.

> **GATES:** When Paul and I were just messing around with computers, we were looking for computer time, so we'd sneak into labs at the University of Washington, day and night.

HOFFMAN: During one of these covert ops, Bill and Paul were introduced to the intricacies of counting traffic. The technology was a bit primitive.

> **GATES:** You have a hose across the road and every time a car goes over it, it counts. There's a 16-channel paper tape that's punched out in those metal boxes.

HOFFMAN: Bill and Paul saw an opportunity.

> **GATES:** Strangely we found this guy who took the tapes. And this guy was looking for a cheap way to get the graphs made that showed the traffic patterns. So we volunteered to do it super, super cheaply. First, by hiring kids to literally visually read and write down the numbers, and then we would go and key punch it in.

HOFFMAN: The key-punching gave way to a high-tech solution for traffic-counting. Well, high-tech by early '70s standards. The big innovation of Bill and Paul's first company, Traf-O-Data, was doing away with that paper tape in favor of a cutting-edge home computer.

> **GATES:** Then our company, Traf-O-Data, we actually created a machine with an 8008 microprocessor. So the largest 8008 program ever written was the one I wrote to do the Traf-O-Data work. The early microprocessors are very, very limited. You couldn't do general software. But you could do this Traf-O-Data thing.

HOFFMAN: That limited microprocessor gained Bill and Paul unlimited riches – at least, unlimited from the point of view of a pair of high school kids.

> **GATES:** So we made, you know, like $10,000 – which at the time seemed like a lot – by processing these funny tapes through our little machine.

HOFFMAN: Traf-O-Data would run its course. But it opened Bill and Paul's eyes to a new microprocessor that could change everything: the Intel 8080.

> **GATES:** Paul hands me the 8080 manual, and that was better than this mini computer called the PDP-8. It was way easier to program. So I look at him and I say, "Hey, we can do anything you want with this. This is the revolution."

HOFFMAN: You can just picture the gleeful face of the young Bill Gates looking up from that manual.This was a time when computers were only for the most ardent hobbyists. They came as kits. You had to build them yourself. It was more single-lane dirt track than information superhighway. But Bill's mind was already leaping decades into the future.

> **GATES:** So we sit there, expecting everybody to go out in the streets and go, "Oh my God, the revolution has come."

HOFFMAN: But actually...

> **GATES:** Nobody pays much attention at all.

HOFFMAN: Bill had spotted this critical inflection point. But he was still in high school. He wasn't in a position to accelerate the digital revolution he could picture so clearly. So he set his fever dream aside and enrolled at Harvard. But his time there would be short-lived.

> **GATES:** We're thinking, "Oh my God, the revolution could happen without us." And so that's when Paul pleads that I should drop out and we should get out there and become the software suppliers to this kit first personal computer, which was a kit with almost no memory. But I had managed to squeeze a BASIC interpreter into that.

HOFFMAN: Ok, so there's going to be a little more technical jargon in this episode than usual. For anyone not familiar with the vagaries of computer memory and the role of an interpreter in software development, all you need to know is: This was the start of something big. And Bill could see exactly what role he and Paul could play.

> **GATES:** So that's where Microsoft gets started. We're watching the chip revolution and it finally delivers a microprocessor that is beyond a mini computer.

HOFFMAN: Bill and Paul saw that this new microprocessor was more than a sea-change in the computer industry, it was an inflection point that would change the way everyone thought about technology. But just spotting that inflection point wouldn't be enough. Bill knows this full well.

> **GATES:** When you do get there three months earlier and get more people and get the better customers, the mythology is like, "Oh my God, nobody ever thought of that. Nobody ever did anything like that." Well, it's bullshit. Actually, probably, some guy did it years before you did, but he just didn't get all these pieces right.

HOFFMAN: I couldn't agree more, which is why I believe that it's not enough to just take advantage of inflection points, you have to accelerate those inflections if you want to achieve huge scale.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe it's not enough to just take advantage of inflection points, you have to accelerate those inflections if you want to achieve huge scale.

Inflection points are more than big changes. They're orders of magnitude bigger. True inflection points have far-reaching effects that change how people work and how they live. Think the printing press, the internet, or the laser disc player. Ok, maybe just two of those three.

Companies that effectively harness an inflection point can ride a wave of changes to massive scale. But it's not enough to be the first to see an inflection point, you have to actively accelerate the inflection. You can't just ride the waves, you have to make them.

Bill Gates has proven again and again his ability to identify inflection points before anyone else and then play a central role in accelerating them. And he did this in both technology and philanthropy. In fact, when you think of the people who've achieved huge scale in both global business and global philanthropy, the intersection is literally one person: Bill Gates.

So in this special two-part episode, I talk to Bill about how he accelerated inflection points both in technology, at Microsoft, and in philanthropy, at the Bill & Melinda Gates Foundation – which has become one of the largest and most impactful private philanthropies in the world.

The thing that intrigued me the most about this interview was discovering which of Bill's learnings from Microsoft worked in non-profits, and which fell flat. So in this episode, we'll hear Bill describe the lessons that truly allowed Microsoft to scale. And later this season, in part two, we'll hear how he applied those lessons to global challenges at the foundation – and also, how they compare.

But first, let's dig into Microsoft, which remains among the most fascinating – and often misunderstood – accomplishments in business history.

Bill founded Microsoft with Paul Allen 44 years ago, when Silicon Valley was still only the Santa Clara Valley, and tech geeks were more about ham radios than home computers. Bill and Paul both loved computers and they continually sparked each other's interest.

And this is one of the first things I want to call out in Bill's story. He didn't do it alone. I asked him how he reflects on the co-founder he had in Paul Allen.

> **HOFFMAN:** One of the things in venture capital we've noticed is that companies that actually have two or three co-founders generally do better than one. So let's start with actually Paul Allen. What was the way the co-founding was better than one plus one equals two?
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> **GATES:** Well Paul was totally critical to there being a Microsoft at all. Paul read about hardware. I didn't like hardware. He drew me into that. What was going on with chips, he got me to read about that. Paul is two years older than I – and you'd say I was kind of hyper, energetic, and Paul wanted me to think about the microprocessor. Even when I go to Harvard, he takes a job back in Boston, he'd back there telling me all the time, "We've got to get going."

HOFFMAN: Notice how in the early days Paul was the one keeping tabs on the newest developments and stoking Bill's interest. But Bill's insights shaped the direction they took.

> **GATES:** Now he wanted us to actually build a personal computer. I said, "No, no. We're just going to do software."

HOFFMAN: This interplay between Bill and Paul is a fine example of why having a co-founder is powerful. To successfully accelerate an inflection point on a global scale even Bill Gates had a co-founder. Two people can always see farther and clearer than one. And Bill and Paul could clearly see an inflection point on the horizon and the role they'd play in accelerating it.

> **GATES:** "We're going to do platforms – a computer on every desk."

HOFFMAN: Bill is a famously fast-talker. Let's rewind and hear that again.

> **GATES: "**We're going to do platforms – a computer on every desk."

HOFFMAN: Today, when there's a computer in every pocket, that prediction seems a bit quaint. But back then it was the stuff of futuristic fantasy. Bill might as well have been imagining a robot butler for every home.

But notice: Bill wasn't simply predicting that there would be a computer on every desk. He was thinking about how people would interact with them, and what role he might play. In that one thought, Bill identified the precise opportunity that would let his company scale.

> **GATES:** Well the key thing was that we saw the importance of software when coupled with the miracle of the microprocessor and that there would be platforms initially – although it seems quite limited in today's view.

HOFFMAN: The "platforms" that Bill is talking about are the programming languages and the operating systems that let people make use of the raw technology. If Bill and Paul did it right, Microsoft's platform would be indispensable not just to users and computer makers, but other software developers as well.

A handful of you might remember that Microsoft's very first platform wasn't its operating system, Windows, or even DOS. Its earliest platform was BASIC, the computer language that early PCs used to run software. There were almost as many BASICs as there were computers. Bill still remembers them well, including the rival BASIC created by Apple co-founder Steve Wozniak.

> **GATES:** There were other BASICs, like Woz did an integer BASIC, but he never did floating point. There was a thing called 4k BASIC on the TRS-80, but it wasn't any good. So we did, you know, Commodore PET, TRS-80 – nobody knows these things anymore. Apple II. We did BASICs for everything and we knew from the beginning we weren't the BASIC company. We were going to be a software company.

HOFFMAN: Notice: In that one sentence lies the insight that would allow Microsoft to scale.

> **GATES:** We knew from the beginning we weren't the BASIC company. We were going to be a software company.

HOFFMAN: Bill saw if they could make a BASIC that was common across multiple machines, then Microsoft would be the common denominator across the entire emerging and fractured world of home computing. It was an inflection point that Bill spotted before most others. Computers were on the way to becoming an everyday tool. And Microsoft could provide the means for using these tools.

> **GATES:** If our BASIC was on every machine – a library of BASIC programs – various applications, games to business applications, would be written in our BASIC, which had unique and proprietary aspects to it. Then anybody doing a new computer would want Microsoft BASIC.

HOFFMAN: Mastering an inflection point is different from launching a single great product. It's like the difference between lobbing a stone into a lake and watching it sink without a trace

versus twisting your wrist and angling your throw, so the stone skips multiple times across the clear blue water. BASIC was the first splash of Bill's skipping stone.

> **GATES:** Then it became DOS, then it became Windows – but the economic model was the same.

HOFFMAN: That economic model, starting with BASIC, was to partner with computer makers, and offer them a key component: better and cheaper software than they could make on their own. Bill and Paul started weaving Microsoft into the history of home computing. Their BASIC became the thread that held together the patchwork quilt of competing hardware manufacturers.

This helped the industry move more rapidly toward that hallowed inflection point of having a computer on every desk. The lesson here: You have to make yourself an integral part of the brave new future that's about to dawn. Don't just sit there waiting for inflection points to happen. Spot the unique role that you can play, and accelerate the inflection.

In 1975, with their first BASIC deal made, Bill and Paul founded Microsoft. They didn't lose sight of a new inflection point on the horizon: The 16-bit computer. We don't need to get into the technical details about this leap in technology. All we need to know is that the writing was on the wall for the older 8-bit machines that Bill and Paul had been working with. And they saw it immediately.

> **GATES:** All of the machines – the 8-bit machines, the Radio Shack, the Commodore PET, the Apple II – we did the BASIC interpreter software for. But there was going to be a next generation that was disc based, where the breadth of software – including things that businesses would use – would just be light years ahead of that first wave of personal computing.

HOFFMAN: Microsoft needed to find a way to forge ahead of this upcoming inflection point. They needed to become the platform for the new 16-bit machines. But to do that? They'd need a partner with the leverage to drive this new inflection point forward.

What kind of partner could Microsoft find that would accelerate the inflection point of the 16-bit era? I'll give you a hint. They're big and they're blue. And we'll hear all about it, right after the break.

[AD BREAK]

HOFFMAN: Before the break, Bill Gates and his partner Paul Allen, could see the 16-bit era at their doorstep. They knew they needed a partner to truly accelerate this inflection point. How important was it?

GATES: Well it's hard to say what the history books of personal computing would look like if IBM hadn't come in.

HOFFMAN: IBM. At this point in 1980, IBM had been around for seven decades. Although it was better known for its mainframe computers, IBM wanted Microsoft to provide the operating system for their new 16-bit home computer, the IBM PC. I asked Bill how he reflects on that critical partnership now.

HOFFMAN: So one of the early major strategic decisions with Microsoft was how do you work with IBM? And it was obviously kind of a bet-the-company kind of decision. What went into that decision? What parts of it were strategy? What parts of it were luck? How did that decision play out?

GATES: Well, when IBM first comes to us, it's actually a small group at IBM at their Boca Raton laboratory. They had kind of spare capacity and the Board had asked them to do something sort of quickly, in a lean sort of way. And it was just kind of viewed as this experiment.

HOFFMAN: For IBM, the Microsoft partnership wasn't essential to their business plan. But for Microsoft, it was another inflection point.

GATES: So we jumped on that opportunity. We saw it as a chance to get from 8-bit computers to 16-bit computers. We put so much energy into this thing. Then they introduced the PC. It becomes kind of the model and other people, like Compaq, build compatible machines.

HOFFMAN: So IBM's new computer becomes the model for the industry, a new inflection point begins. What I want you to notice from this critical step in Bill's story is the power of a partner. It's hard to underestimate the importance of this point: Even when you're Bill Gates, you don't go it alone.

The IBM partnership gave Microsoft the leverage it needed to accelerate this inflection point. But it also gave them something else: the skills they'd need to traverse the multiple inflection points ahead.

GATES: As the industry moved up to that next generation, because of our partnership with IBM, we were there. And we learned a lot of IBM. IBM was really good at sales. They had multiple labs in multiple locations, which I thought, "My God, am I going to have to do that someday?"

And they were really good at quality, particularly IBM Japan was so picky about quality. At first we were like, "Who are these guys? They're crazy." But then we realized, "Actually, they're not that crazy. They're just disciplined and oh God, we're going to have

to learn how to do that." So having IBM Japan as a customer was incredibly helpful for us.

HOFFMAN: Helpful, but not easy.

GATES: We spent two years just in total pain, where the Japanese guys were flying in and they would sit there all day and night, even though they didn't even know how to fix the thing, but they were going to show that "we must fix this thing." That was great to see all that.

HOFFMAN: Seeing all that from IBM Japan gave Bill an insight that he's fallen back on repeatedly. It's invaluable for anyone who wants to scale fast. But it's not for the faint of heart.

GATES: So if you can pick these toughest customers and meet their needs, then you can sit back and wait. You're going to be fine. And you have to pick the ones that are highly visible and tough and you can mess up either of those. If they're highly visible, but they don't ask you to do enough or they ask you to do stuff other people don't want, that's very hard.

HOFFMAN: Pick tough customers. Pick tough partners. By tough, Bill doesn't mean seek out partners who dislike you or who are wilfully difficult to work with. He means you need to pick partners whose standards are so high they'll push you beyond your current definition of your best work. You'll have only two options: get markedly better or fail. The IBM partnership was making Microsoft markedly better.

GATES: In the case of IBM, there were years where Steve Ballmer would take the red eye down to Boca, where he had to go through Atlanta at three in the morning, spend a day there, and fly back. That was the right thing to do to get things done. Partnerships really are so understated in terms of their key role.

HOFFMAN: Partnerships are typically understated, which is why I don't think I can overstate it here: If you want to accelerate an inflection point, you're going to need partners. This is something that Bill has applied to great effect at the Gates Foundation, which we'll hear about in part 2 of this episode, later this season. It's something Bill first learned at Microsoft, and something we can all learn from his experience.

Bill had powerful partners both in IBM and in his cofounders. Paul Allen was key to getting Microsoft started and Steve Ballmer was key to accelerating them. Steve was Microsoft's 30th hire, and he became CEO in the year 2000.

GATES: Because I'm innovation–engineering oriented, certainly with Steve, I needed a partner who thought about comm structure, organizational structure, go out and have lunch with 50 people.

> Yes, I needed to get better at that stuff, but I was always – just because of time allocation and lack of skill or whatever – going to be a little more daft about that stuff than I expected my partner to be.

HOFFMAN: Those frequent flights of Steve's helped the demanding relationship between IBM and Microsoft thrive. This meant Microsoft was ready for the next inflection point. And you always have to be ready for what's next. But Bill knew the IBM partnership wasn't a safe harbor. He always had his eye on the next leap he needed to make.

> **GATES:** As we're doing our quarterly retreats, which were always over weekends, the "What do we do when IBM divorces us?" was always a topic that people had to present on. So when it finally came, we had, by then, about six years of really good preparation.
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> And IBM wasn't thinking about us as much as we were thinking about them, believe me. They weren't doing weekend retreats and all these things.

HOFFMAN: Microsoft developed an operating system for IBM that would become MS-DOS. Microsoft licensed MS-DOS to other PC manufacturers. It soon became the dominant platform, the operating system that allowed people to use their computers, and developers to write software for them. By the time the '90s came around, MS-DOS was on virtually every home and office computer.

> **GATES:** It was the virtuous cycle: The cheaper the PC was, the more volume there was for PCs, the more software for our platform there was, the more people would want to buy those PCs.

HOFFMAN: Part of staying ahead is sensing the next inflection points. And Bill could see two inflection points coming. The first was the graphical user interface. MS-DOS was totally text-based. To run programs, users had to remember text commands and enter them with the keyboard. The graphical interfaces popularized by Apple were winning consumers' hearts and minds. In 1985, Microsoft and IBM began work on a graphical interface named OS/2.

But Bill could see another inflection point coming, one in which IBM was no longer the dominant player. So Microsoft developed another little project: a graphical interface they could license to other computer manufacturers, should they part ways with IBM. They called it Windows.

> **GATES:** We kept the Windows thing alive during all of that. Internally I was under a lot of pressure about "Why do you have good people working on OS/2 instead of Windows?" Then OS/2 people, "Why do you have people working on that Windows thing?" But it was viewed as a kind of necessarily strategy.

HOFFMAN: This is an example of the counter-intuitive moves you sometimes need to make to prepare for future inflection points. Normally, the mantra is focus, focus, focus. Developing two similar products in parallel means splitting your team and duplicating work. But Bill knew he had to hedge his bets, based on a future with or without IBM.

When IBM and Microsoft parted ways in 1990, Bill's strategy was proven out. Microsoft's aim to be THE platform was achieved with both DOS and WIndows. But Bill's ambition for Microsoft as a software company was expanding.

> **GATES:** I mean we faced, ironically in the DOS world, we were not the first-party productivity application leader.

HOFFMAN: Even though they were the main platform, they weren't the main software developer. Third-party software, from companies like Lotus, dominated the business market. Microsoft was losing out on every front.

> **GATES:** WordPerfect and MultiMate dominated word processors. And there was also Seymour, which was WordStar. We were like number four with Word because we came in fairly late, and then Lotus did 1-2-3. So 1-2-3 dominated spreadsheets. One of the slogans I had inside Microsoft was, "There is no spreadsheet market, there's a 1-2-3 market." So we have to make a superior form of 1-2-3.

HOFFMAN: It turned out that controlling the operating system was not enough to give Microsoft the lead in software. Something was missing from the puzzle.

> **GATES:** We understood the notion that our file formats for users within our software would be valuable.

HOFFMAN: There were as many different file formats as there were software packages. If you wrote your recipe column for the church newsletter in WordStar but your pastor used WordPerfect, the congregation was going to have to wait to get your famous fruitcake recipe.

> **GATES:** We decided you had to do first-party applications. So that business model really gets its full proof in the late '90s as Windows 95 ships and we do Office software around it.

HOFFMAN: So they launch Microsoft Office 95 at the same time as they launch their new operating system, Windows 95. Their focus on separate, specialized applications – combined with the fact they controlled the platform – let them dominate the market.

> **GATES:** Excel leads 1-2-3 as Windows catches on; Word beats MultiMate, WordPerfect as Windows catches on. Microsoft Access beats Ashton-Tate, which *PC Week* had this

column that said, "It was announced by Microsoft today that Ashton-Tate never existed." That was one of my favorite things and it was just funny.

HOFFMAN: If you don't recognize the names of any of those competitors, well, that's the point. Many of them didn't see their own demise coming. This inflection point – of Microsoft's making – took them unawares.

> **GATES:** There was this great panel where Mitch Kapor disagreed with me. He ran Lotus, a very important company. And I was promoting graphics interface, and at the end of the panel he said, "Bill is wrong. But he works so hard, he probably will succeed even though he's wrong in this case." And I viewed that as quite a compliment, that my hardcore-ness could bend even the outcome of what was the right approach.

HOFFMAN: I love this quote from Mitch.

> **GATES:** "Bill is wrong. But he works so hard, he probably will succeed even though he's wrong in this case."

HOFFMAN: And I love it for two reasons. First, it makes clear a first principle about success. You need a great idea, and you need great timing. But you also need hard work. And if you have Bill Gates' work ethic, it can make up for a lot.

But I also love this quote because it captures a truth about inflection points. They can build on each other like that stone skipping across the water. You can take the momentum from one well-harnessed inflection point – in this case, the operating system – and use it to propel you to success when the next inflection point turns the world on its side. With hard work and grit, you can bend an inflection point your way.

At that time, Microsoft had a smaller team than a lot of its competitors. But what they had learned about efficiency and engineering from IBM meant they could outpace them. All of their software was designed to work together, creating an inflection point of its own.

> **GATES:** So we could do Word, and Excel, and Access, and a variety of products without slowing down. And because our strategy of building these Windows Office things that would integrate together required excellent execution.
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> And in the end, the fact that we've bet on graphics interface, and the fact that our Excel worked better with PowerPoint, worked better with Word, which is this Office concept, the traditional competitors – Lotus, Ashton-Tate, WordPerfect – completely failed to achieve that kind of product.

HOFFMAN: Bill does not hold back when talking about the importance of Office.

GATES: And to this day that achievement of Office, which has now switched to online – that is Microsoft's greatest asset.

HOFFMAN: And that brings us to the biggest inflection point in the history of technology: the internet. It was a tidal wave that threatened to wipe out Microsoft's platform advantages. Bill had seen the writing on the wall as 16-bit computing overtook 8-bit machines. But he misread the signs when it came to the internet.

GATES: The thing that the internet fulfilled in terms of information at your fingertips was in the vision of the company. But the particular protocols and the particular representation – so HTML, TCP/IP – most people, including us or me, had expected to stay in a niche. And there were a whole other set of protocols and representations, including some that were ours, that we expected to be mainstream.

HOFFMAN: Microsoft tried to promote its own internet standards. But the inflection point had already passed. Open standards like HTML, HTTP, TCP/IP, had caught on. The new wave of internet startups were running with them.

One of these startups was Netscape, which created the most popular version of a new kind of software: the web browser. We won't follow all the twists of the Netscape story here. The important thing to note is that you're not always going to see inflection points ahead of your competitors. In the new web era, Windows was starting to look obsolete.

GATES: As our competition said, "You know, Windows had the risk of just becoming a set of poorly debugged device drivers." That's a direct quote, which is great, you know, when your competition motivates you so eloquently. And it was true. That was an actual risk.

HOFFMAN: Let's rewind a moment, to hear how Bill responds to this criticism

GATES: Which is great, you know, when your competition motivates you so eloquently.

HOFFMAN: There's a lot of wisdom in listening to where Bill draws his motivation. When his competitors throw shade, he finds a way to thrive in it. And what happens next proves you can recover from missing an inflection point, even one as big as the internet. But you'll need to take drastic action. Work out how to get on that boat you've missed – or overtake it with a bigger and better boat of your own making. This is exactly what Bill did.

GATES: Then I decided, okay, we have to pivot to these standards and build on these standards. So I wrote the "Internet Tidal Wave" memo that says, "Look, I want to overdo the internet. If anything new is happening now other than the internet, we're screwed because we are going to throw all our energy into the internet and if I'm missing some,

you know, AI thing that's happening in parallel, too bad for us. We are good just going to go do this thing."

HOFFMAN: Bill put a torch to all those in-house standards and concentrated on beating Netscape at its own game with a new project called Internet Explorer.

GATES: Netscape was still nascent enough that as soon as we got as many design wins as they did, and had some features they didn't and everything, we were golden.

HOFFMAN: The features in Internet Explorer helped it gain on Netscape. But there was one more piece of drastic action Bill took to make up for missing the internet inflection point. For Microsoft, it was a return to a strategy that had served it well in its early days with IBM: Find a tough partner who's a leader in its field. This company also had three initials: A.O.L.

This was 1996, the heyday of AOL as an internet service provider, so popular that its email notification message, "You've Got Mail," became a catchphrase and even the title of a movie, and its sign-up CD-ROMs clogged mailboxes across the land.

Netscape had just lined up a deal to be bundled as the browser of choice on those AOL CD-ROMs. But with some fast sweet-talking – and a $100 million contract – Microsoft convinced AOL to drop Netscape in favor of Internet Explorer. It was the beginning of the end for Netscape.

GATES: So Netscape, did they ever get bought by anyone?

HOFFMAN: AOL, I think.

GATES: That's one of the great ironies –

HOFFMAN: Yes.

GATES: – of all times.

HOFFMAN: Yes, exactly.

HOFFMAN: Microsoft beat Netscape in the first major battle of the long-running "Browser Wars." But Internet Explorer ultimately lost out to Chrome, which was built by Google. There have been many inflection points since – and many that Microsoft admittedly missed. Here's Bill wistfully recounting them.

GATES: The fact that Google got so far ahead in search, they were sort of born on search, but we didn't do the right things to catch up. The fact that we didn't get the phone or tablet stuff right.

> Economically, the phone one is the most egregious thing in the whole history of the company. The tablet one actually bothers me the most for a lot of reasons in terms of mistakes I shouldn't have made.
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> **HOFFMAN:** And for the tablet or the phone or both, if you were to be able to, again, call your younger self, what would you tell yourself to do differently in order to not have the frustrating result?
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> **GATES:** Well, don't spend three years being distracted by the DOJ lawsuit. That would be one thing. Because that was a key period and I just wasn't hands on enough and I allowed us to set our sights too low – which is not a typical mistake – but I absolutely made that mistake.

HOFFMAN: When Bill references the DOJ lawsuit, he's talking about the famous antitrust lawsuit that the US Department of Justice brought against Microsoft in 1998 and settled in 2001. The company was a victim of the success of its Windows operating system, and faced accusations that Windows gave it an unfair advantage over other software developers. It's a fascinating period that we'll speed through here.

The big takeaway the lawsuit distracted Bill from these key inflection points – search, mobile, tablets – that were coming faster than many companies could keep up with. Netscape, Nokia, AOL, Yahoo – the list of giants in their field that started to fall by the wayside at this time is long. But Microsoft is not among them.

Why? I'd argue it's thanks to the people and processes that Bill put in place, while accelerating inflection point after inflection point in the computing revolution. Around this same time, Bill started to shift his own attention toward the wider world beyond technology. He had become one of the world's richest individuals, and he wanted to put that personal fortune to bear against some of the world's greatest problems. He saw another inflection point and he set out to accelerate it. We'll pick up there in the coming weeks, in part two.

For now, I'm Reid Hoffman. Thank you for listening.