



Microsoft's Gates: Say Goodbye to VoIP As You Know It

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Microsoft Tuesday stepped onto the VoIP stage with the rollout of its unified communications portfolio. In a keynote address at the San Francisco event, Chairman Bill Gates touted the benefits of software-based computing and the power of integrating presence and click-to-talk features into business applications.

Later, in a conversation with CMP Channel Assistant News Editor Jennifer Hagendorf Follett, Gates said Microsoft channel is evolving to meet the new opportunity, but noted that channel capacity could be the biggest challenge the Redmond, Wash.-based vendor faces as it moves into the unified communications market against foes like Cisco Systems. He also downplayed the likelihood of Google and open-source VoIP staking a claim in the enterprise space, and revealed how his own work life has changed as a result of the technology.

Edited excerpts of the conversation follow.

Why does Microsoft need to be in the VoIP market, and when did you first determine that was the direction you needed to go in?

Gates: We're all about the magic of software and improving the kind of experiences and productivity people can have by providing software. So we've got, of course, Windows PC, we've got Office Server, we've got Exchange and SharePoint, on the mobile phone we have Windows Mobile, and as we looked at a scenario that we could improve dramatically, the telephone just kept coming up. It was actually a little over five years ago that I had some of the top engineers move over to work for Jeff Raikes [president of Microsoft's Business Division], and he created this new business area. People like Gurdeep Singh Pall, who's the head of engineering, moved over from the Windows networking team. So we built a team, there were a few acquisitions, very small but that was an element of it ... but now is the first time we've got a solid product line, so it's the opportunity to bring telephony into this world so that you only have one directory and have all this flexibility that whenever you see someone's name, getting their presence, being able to get in touch with them, not having to worry about phone numbers.



In some sense you could say it's interesting how long people have wanted to stay with their traditional PBX because it even though it wasn't well integrated but it kind of worked. Now we're showing people an evolutionary way to get these benefits when they choose. They can actually drop the PBX all together and just have software running on the Windows server.

You mentioned that earlier from the stage, and I'm wondering, what does that mean for your partners like Mitel or Nortel who have those IP-PBXes in their portfolio?

Gates: Well Nortel is a good example as is Mitel ... Their skill sets include working with people in different industries, so they're willing to take their software and put it up on top of our horizontal platform. Now that's a big restructuring for them; it's a big leap to organize themselves for this

new, more horizontal, software-focused structure, but they're taking that leap. They see that as a good opportunity, so their assets carry over into this world. Sometimes when you get an industry structure change like this like we did in computing with the personal computer, now 30 years ago, the traditional vendors have a tough time making the transition. Sometimes you have changes like this and people realize what they have that's unique that they should double down on.

NEXT: Can Microsoft get VoIP right the first time? With this move, Microsoft will be setting itself up to face some new foes, say Cisco for example. Is your channel ready to take on these new rivals?

Gates: I sure hope so. Our channel has done a fantastic job with not just Office but also with SharePoint and Exchange, and the skill sets you build up helping customers install SharePoint and Exchange in terms of the directory and the investment that needs to be made there to get that right, the network itself to make sure that you have a high-quality network and the right management tools to measure how well your network is working. People expect, basically, perfection in e-mail systems. Your work for productivity depends on it. And their SharePoint Web sites, people expect those to work every time.

So our channel has gotten a lot more sophisticated at these high-demand, managed applications. In fact, they've become a great source of feedback for us in terms of how we prioritize our R&D work. There're some new skills here, but this is not a paradigm change. Our channel has been doing key, high-performance well-managed business infrastructure for some time. This is bringing them into the real-time piece, the telephony piece in a big way. Now some of them have been doing telephony with other products and some of them we'll be bringing into the telephony space for the first time. Both of those are great with us.

Some of your detractors might say that Microsoft isn't necessarily known for getting their software right the first time, but particularly when you talk about VoIP, quality and reliability are essential. What's your response to those detractors?

Gates: Well, with enterprise software, we do a very careful rollout, even as part of the beta process. So at Microsoft, you have thousands of people that this is what they use every day. We have a huge number of customers that have been working with us, giving us feedback, some great channel partners who of course are themselves users of the technology and have it out in some of their customers, and so I think people should simply talk to people who have done similar installations of the software and hear about their experience. The kind of testing we've done here, the kind of logging infrastructure that it has, it's ready for prime time telephony usage.

How significant are the security risks around VoIP and do you see those as real threats right now?

Gates: Well, the Internet itself has become a piece of critical infrastructure, so whether it's voice or not, if someone has succeeded in flooding the Internet or being able to take software flaws in the router and make packets go somewhere other than where they're meant to go, given the kinds of transactions and the things taking place on the Internet, that would be a huge problem. So it's an industry-wide problem to make sure that the robustness of the Internet itself and all of those standards continue to improve as the world -- whether its medical organizations or the government or business -- relies more and more on the Internet. I'd say that putting voice on the Internet doesn't add to that in some big way. That is, you've got to be able to have the Internet be reliable and secure, whether or you're running your voice conversations over the PSTN or not.

NEXT: Google not a player Many of the channel partners right now are seeing IT talent shortages, particularly around VoIP. Is there anything underway that Microsoft is doing to help partners find the talent they're going to need to be successful here?

Gates: I'd expect there are some things in that area, and we have seen partners see more opportunity with what we offer because of the flexibility and because of the openness. We have partners like Gold Systems who was a top Avaya reseller a couple of years ago now doing more business already even before this release on the Microsoft platform. Because it's a software-driven platform, your ability to connect in your own software extensions or very industry-specific software extensions you find from other people, it's just a lot more flexible. You can pick what kind of handset makes sense because we're open at that level, you can pick the applications software because we're open at that level. It really is the PC approach where it's open at all the different layers, and for the channel, that makes a huge difference because they're the ones that pick how the pieces go together. The more flexibility they get, the more customer-focused they can be.

Do you expect to see Google as a competitor in this voice market because they're already working with some of the IM pieces and there's talk of them doing something around the phone soon, so do you expect to see them moving more in this direction as well?

Gates: They entered the space ... You should do an article on the market share and popularity of Google Talk. I mean, they're here. They haven't been noticed recently. The most excitement is before they release something, generally. Before Google Talk was released it was clearly going to cure cancer, and you can judge, look at the usage numbers, and see how it's going.

Do you expect to see them pushing more into the IP-PBX features as well?

Gates: I'm not aware of that, but Google can do anything, whatever they choose. When it comes to the types of policy management, security, things that businesses want in this space, it certainly doesn't connect to any of their hiring or the experience that they have.

What about your own software-as-a-service plans? How does this UC launch fit into that, and do you expect over time to be looking at an IP Centrex-type hosted service?

Gates: Yes, we see that in the roadmap because we have this general view that anything you can run on a server, you'll also have the choice to be able to run it as a service. Now to do that, where the administrative model of what the customer does vs. what the hoster does and the extensibility, how that fits in and exactly what the quality guarantees are [is complicated]. That whole hosting area had high expectations four to five years ago, and then people become more realistic. We still absolutely believe in it, but it takes a lot of maturity in the software stacks ... We're moving to have symmetry so you can do it on your servers if you want, you can do it hosted if you want, but actually getting all of the pieces to have that perfect symmetry will take a lot of years.

NEXT: Open source not an option What do you think is the biggest challenge Microsoft will face as it enters this market

Gates: Well, customers all have different requirements, and I think that channel capacity to really assess those customer requirements and match not just our software piece but also the applications and the hardware to what that customer needs, I think that will probably be one of the limiting factors in how quickly this rolls out. I think it's going to roll out very quickly, but I think that will be one of the governing factors. I completely agree that the channel capacity in the U.S. is limited because it's an explosive area, so of course there weren't a bunch of people sitting around who were VoIP experts ... I'm not personally an expert, but we may have to get creative about the training opportunities and learning opportunities that there are.

There's a growing open-source community around VoIP right now. Do you expect that open-source will take on as big a role in voice as it has in some of the other technology areas you're playing in?

Gates: Well it hasn't taken on a big role in most areas. Take a look at virtual machines or [databases](#) or things like that. Go back and look at the prognostication about the role they would play. The value of support and having the relationship and the way that packaged software certainly from us and some others is sold in a very high-volume, low-priced way. There's always an interest in open-source. Open-source will always be there. I'm not saying it's going away, but in terms of what's actually used in many of these categories, it's actually proven to be very, very small.

And you're expecting to see the same in VoIP?

Gates: Well in consumer voice, Messenger is free, Skype is free, so at the consumer level, it doesn't have to be open-source but you've got a lot of free options. But as you move up and you want the encryption, manageability, connection to the directory and just that incredible relationship ... I think this would be a category that's particularly difficult for open-source software to have an impact on. You never know.

You also have the ResponsePoint line, which is aimed at smaller business. How is that going to be brought together with what you're talking about here today?

Gates: We'll definitely bring it together, but ResponsePoint is about a super simple to buy and install offering where you're not bringing in a bunch of third-party software that's unique to your type of business. It doesn't have a gigantic check list of features. It works super well. It's the easiest thing to set up there's ever been; it's the easiest thing to use there's ever been. There are common technologies between ResponsePoint and Office Communicator. We see some good cross-fertilization there, but that is on-premise, simple, it does exactly what it says it does. It's not a platform-type play. It's pretty clear which customers should look at ResponsePoint vs. which should look at Office Communicator. Over time as we grow Office Communicator down and we grow ResponsePoint up, you get three to four years out and they'll become a single product line. But today it's kind of bi-polar in terms of who they address.

How would you say using unified communications has impacted your own business life?

Gates: For me, say I want to get a hold of Steve Ballmer, if he's busy, then I can just look at his calendar, and because of my connection where he's declared a relationship, I can see free time and schedule time. His presence is available to me. I tend to work odd hours, on the weekends. Sometimes I don't want to be interrupted, sometimes I'm just sitting doing e-mails and if someone needs to call me, I can offer that. And presence is the tool that makes that very straightforward for me.

I'm a very heavy e-mail user. I send and receive a lot of e-mails. I use SharePoint a lot. You might be surprised internal to Microsoft that phone calls, although they're important and they're done, they play less of a role than they would in most companies ... Seeing the RoundTable [videoconferencing unit] come in has been great. We do our board meetings using Live Meeting because we have board members who sometimes can participate but not be in the same location, particularly our interim meetings.

Has Microsoft actually cut its own travel budget as a result of rolling out unified communications?

Gates: Yes. There are a ton of trips we can identify that even going back over the last couple of years with Live Meeting, it's just something we take for granted, that we've been able to reduce. Also because we have development centers all over the globe, there's a lot of communication taking place at fairly unusual hours. So if I'm in a hotel room and I've got Office Communicator and have connected up my PC, I can make and receive phone calls and I'm just going over the Internet. I'm not paying extensive roaming charges like if I picked up my cell phone. So for those who are collaborating internationally, this software has been a huge benefit for them.

What would your advice be then to channel partners that are following you into this market?

Gates: They should assess how they can get customers to think about the productivity benefits or the cost-savings here. This change allows both productivity benefits and cost-savings. If you leave the PBX in place and put the software on the side, then you're driving the productivity benefits. You could get some savings by having more calls be over the Internet and get some savings by connecting up to mobile phones. There are some plans where over time the desktop phone is modernized and others where the desktop phone basically disappears because between your mobile phone and the big screen on your Windows PC, if you're doing collaboration or customers interfacing you want the big screen. If you want the mobility, then obviously your mobile phone comes in. So they have to assess for their customer base, are they seeing these opportunities? The reason things are exploding now is that there's this phenomenon that when some customers start to do it and talk to other customers, then the willingness just jumps up dramatically. To be frank, the reliability of VoIP phone calls has been very high for some time, but the richness of the software in terms of the release we're doing now, and the sense that boy, everybody's moving to do this wasn't there. Now, it's pretty clear and this way you can evolve into it.

Partners will always be driven by the customers that they know, the industries, the area. For some partners this will be a chance to go out and get new customers because the number of people who really understand how to help customers do these things will be quite small for the next couple of years relative to the opportunity.