

Consumer Electronics

PC Innovation

By Bruce Upbin, Electronically reprinted from January 10, 2007

Las Vegas - I had a rare opportunity to sit down and talk about the health of innovation in the PC business with a couple of titans: Hisatsugu Nonaka, CEO of **Toshiba's** worldwide computer business, and **Microsoft** President Jeff Raikes.

They wanted to counter the perception that PCs are a "me too" business, where most of the new ideas come from either the operating system guys like Microsoft (nasdaq: MSFT - news - people) or **Apple** (nasdaq: AAPL - news - people) or from the chipmakers like **Intel** (nasdaq: INTC - news - people) and **Advanced Micro Devices** (nyse: AMD - news - people).

Their example of a different approach is Toshiba's (other-otc: TOSBF.PK - news - people) new Portégé R400 tablet PC, due out in late January. It's an impressive notebook the two worked on together very closely for two years. They claim it has two technology firsts. One is a wireless dock: You just set your laptop near the dock within a five-foot range, and it syncs the laptop to a printer, speakers, a monitor or a router. When you have to dash off to a meeting, you just go, without worrying about pulling out cords. It's perfect for corridor warriors. (The demo worked well. It streamed high-definition video to a monitor four feet away. We'll see

how it plays when it comes out in the early spring.) The other first was this thing called Active Notification, which pushes alerts of new e-mails or calendar changes to a bright little screen on the edge of the laptop. It's a way to stay current without having to open the notebook.

The two execs held up the Portégé as an example of the good things that can happen when PC makers let themselves spend money on R&D, something that **Dell** (nasdaq: DELL - news - people) has taught the industry not to do, for fear of cutting into margins.

Here are some excerpts from what the two said:

Forbes: How is Microsoft's relationship with Toshiba different from that of other PC makers?

Nonaka: Two years ago, [Toshiba CEO Atsutoshi] Nishida wanted a new collaboration with Microsoft. We all talked and agreed we had to do something.

Raikes: It's too strong to say we were two ships passing in the night, but we weren't working together that strongly. The idea we hit upon was to make the ultimate mobile computing form factor and bring that out with the Vista launch.

What kind of message does this send to other Windows PC makers?

Raikes: To them, my point is, "Hey, go invest in R&D the way

Toshiba does." My hope is that other players will be envious, and they go off and innovate more. Toshiba is willing to do it.

Nonaka: We have our own notebook development group. We own our own factory and do all our own quality testing. Most of the notebooks you see on the market--which brands I'm not going to say--are bought from original design manufacturers like Compal or Quanta.

Where is R&D going to go next in the PC business?

Raikes: I think Bill [Gates] laid out the opportunities in his CES keynote, how computing and software can deliver connected experiences. He calls this the digital decade, where you'll see lots of work breaking down the seams between devices. When I stepped back into my current role in 2000, people said to me, "Office was done." But we showed there's lots of innovation possible, allowing virtual teams to share work across the world. [Holds up the Portégé] This could be my PBX phone; the notification bar could tell me I have an incoming call.

Nonaka: The commodity PC is more popular than before. That makes things harder. The opportunity is in converged devices. Only innovative technology companies can deliver that kind of convergence.