Joining the elite ranks of Microsoft's suppliers can be highly lucrative, but you've got to play by Redmond's rules. Here's how.

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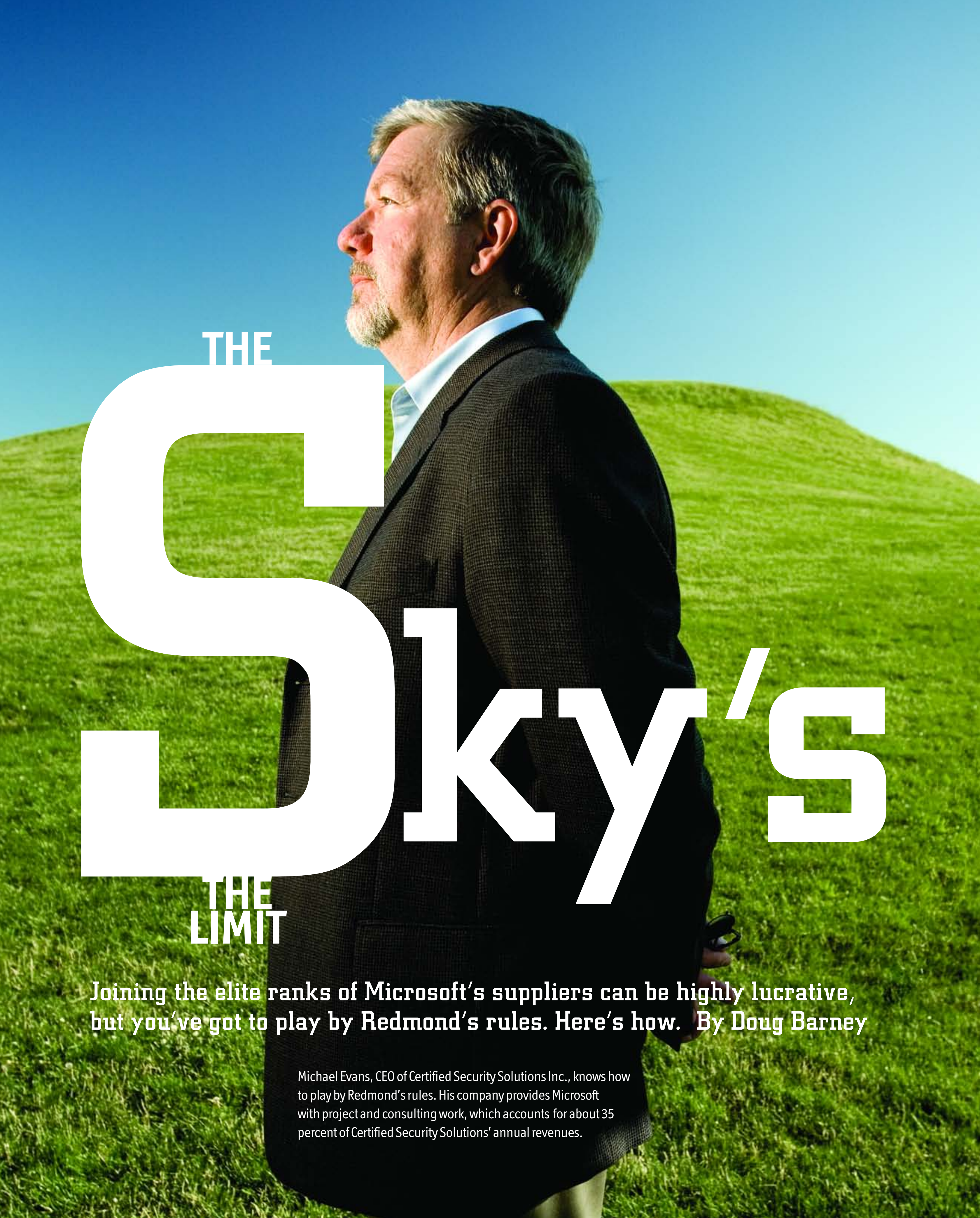

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Joining the elite ranks of Microsoft's suppliers can be highly lucrative, but you've got to play by Redmond's rules. Here's how. By Doug Barney

Michael Evans, CEO of Certified Security Solutions Inc., knows how to play by Redmond's rules. His company provides Microsoft with project and consulting work, which accounts for about 35 percent of Certified Security Solutions' annual revenues.

As a partner, you are likely used to supporting and often selling Microsoft products. What if you could turn the tables and make a pretty penny selling your goods and services back to Redmond? Think that's a long shot? Think again. Microsoft now spends some $14.5 billion a year, with some $8 billion of that in the U.S., and both numbers are steadily growing.

When it comes to snagging this Microsoft business, partners have a distinct advantage. "Some of our biggest vendors are also our biggest partners, such as Accenture, InfoSys, Wipro, Avanade—the list goes on," says Tim McBride, Microsoft's manager of vendor programs.

In fact, for some Microsoft partners, Microsoft itself rates as a top customer. Certified Security Solutions Inc., a Microsoft Gold Certified Partner based in Kirkland, Wash., receives about 35 percent of its annual revenues from Microsoft project and consulting work, says CEO Michael Evans. Add in revenues from indirect cases—that is, instances where Microsoft introduced CSS to another company that subsequently became a CSS client—"and it's greater than 50 percent," Evans says.

In many cases, you must be a partner to even have a shot at joining Microsoft's vendor ranks. "If you're selling us a technology kind of solution, you have to be a partner. You wouldn't even get in the door unless you have certified credentials that say you can do the work that we need done," McBride explains.

But not all suppliers need to be official Microsoft partners, which makes for stiff competition. For instance, "if you are providing cafeteria services, we don't require you to be a Certified Partner," McBride says. In those kinds of cases, all suppliers compete on equal footing. McBride uses the example of two companies—only one a Certified Partner—competing to provide Microsoft with logistics services. "In that case, we are evaluating the business based on the criteria and requirements of the job to be done," he says. "It doesn't necessarily help you any to be a Certified Partner. We have to evaluate evenly in all those cases and make sure we are playing fair." (For examples of what Microsoft's buying these days, see "What Microsoft Wants That You May—or May Not—Have," p. 7).

And for pure partner bids, all parties have the same initial shot at the business. "If we are looking for you to write us a white paper on the next version of Exchange, you are going to get access to early code and early release info. It pays to be a partner when you are doing that [kind of] work," McBride explains. "We need to be able to trust you. We need to make sure you are technically qualified and have the training and the certified professionals on staff. What we typically see is that four or five Certified Partners are all vying for the same business and in that case they are all treated equally."

There are a few key supply areas where Microsoft partners have a distinct edge. For one, For one, Microsoft leans heavily on its partners for training. The company also taps partners for marketing, especially on launches where partners develop training or put together white papers supporting a rollout.

And a significant number of Microsoft partners—including CSS—act as subcontractors for Microsoft Consulting Services (MCS), which offers a different relationship with a different set of rules than suppliers are ordinarily forced to follow. For instance, if MCS signs an agreement with a customer in many major cities, the organization will subcontract a portion of that work to local Microsoft partners. "Those folks have a different kind of deal with us from the standard arrangement. They wouldn't be subject to our standard payment terms and they get paid differently," he says. "They interact with us very differently because their point of interaction is through their MCS partner relationship."

Pointers for Profitable Partnering

Before becoming Microsoft suppliers, partners must first learn what it takes to work with Microsoft. The software giant has rigorous standards for itself and equally high expectations for its partners. No question about it: Microsoft does extensive research and sophisticated cost modeling to make sure that it's getting the best deal and the best contract terms possible on everything it buys.

Top-tier suppliers, classified as either "Premier" or "Preferred," are selected by Microsoft procurement managers or category managers. These managers judge suppliers' quality and performance

PHOTOGRAPHS BY BRIAN SMALE

"Really understand at the local level what Microsoft management is trying to accomplish. Look at how your product and service map to their goals."

— Michael Evans, CEO, Certified Security Solutions Inc.

and research how well they can handle the company's future needs in their areas of expertise. The key to becoming a top-level supplier? "Really understand at the local level what Microsoft management is trying to accomplish," advises Evans, of CSS. "Look at how your product and service map to their goals."

Once approved, each supplier must undergo an annual review, receiving ratings of 1 to 5 for delivery, innovation, organizational health, quality, service supply-chain management and value. These ratings help guide Microsoft buyers' decisions; the company also uses them to measure costs and decide which suppliers get more business, which get less—and which get none.

From Partner to Supplier

Want a piece of that $14.5 billion in annual Microsoft spending? Well, go after it like any other Microsoft supplier! Partner pitches are handled in much the same way as any other vendor processing,

The Whys, Hows, Bits and Bytes of Buying

Microsoft may be a cash cow, but as a public company it has a responsibility to shareholders to make as much profit as possible. That need drives Microsoft's efficient procurement strategy, a move mandated by company CEO Steve Ballmer in 2001.

Since the Ballmer directive, Microsoft has more than doubled its procurement staff and standardized nearly every aspect of the buying process. Just a year after Ballmer laid down the procurement law, Microsoft had its buying processes pretty much down pat. What it needed was a way to make sure it got the best prices, the best terms and the best quality on all its purchases.

One problem was having too many vendors. Equally vexing were the problems of too many bids going out to too many groups at Microsoft and too many ways of presenting proposals. For Microsoft, automation came to the rescue, letting buyers focus on a smaller group of key suppliers and buying goods more efficiently. These days, nearly every leading-edge supply chain uses public areas of its Web site to make initial connections with potential suppliers and provide fundamental guidelines for becoming a vendor. Microsoft is no exception. Its extranet, SupplierGATEWAY (whose underpinnings are provided by a Microsoft vendor), supports the Microsoft Vendor Program (MSVP), which is the fundamental way that suppliers sell their goods to Microsoft. This Web site also helps fulfill the goal of efficient, inexpensive procurement.

Other Microsoft purchasing tools include:

MS Market: Microsoft itself built this application, originally focused on accounts payables, to let employees electronically order goods. As MS Market evolved, it has taken over the process by which companies apply to be Microsoft suppliers for specific categories, which they do by filling out detailed questionnaires. Microsoft employees can use MS Market to search for suppliers and the system will help guide them to the best choice. Microsoft procurement professionals can remove underperforming suppliers from the system, or decide how much can be spent with each supplier for each type of good, and make sure that employees only buy the goods the supplier has expertise in. MS Market also tracks purchase orders.

MS Invoice: This online application is how suppliers bill Microsoft. Direct purchases, such as those from Microsoft's largest and most critical suppliers, go straight into Microsoft's main ERP application, the almost ubiquitous (among Fortune 500 companies, at least) SAP R/3. Vendors can use MS Invoice to track invoices.

MS Inquire: This application lets suppliers check on the status of orders.

With the help of this sophisticated procurement system, Microsoft can push the buying responsibility out the business units and to individuals. In fact, all Microsoft employees (nearly 70,000) are able to use MS Market to buy. And this procurement process has been paperless since 1997.

While it may seem chaotic to have all employees as potential buyers, Microsoft buying is tightly disciplined. This rigor allows Microsoft to choose the best suppliers, control and measure spending and keep close tabs on its suppliers. "It's a wonderful thing," says Tim McBride, Microsoft's manager of vendor programs. "And for categories of spend that we really care about, we use the MSVP brand as our shorthand way of telling the employees who are the preferred suppliers with preferred rates with good contract terms that we really prefer that they use." *— D.B.*

McBride says: "With corporate procurement, we have category managers. They are the ones that build and create a stable of suppliers for that good or service. Every couple of years, we'll go through a sourcing exercise. We'll look at all the people that we are buying a particular good or service from and go out to market and do a RFP," or request for proposal. At that point, procurement managers turn to SupplierGATEWAY, the vendor extranet. "We'll look at who's in there, who registered interest and the extent that the skills that they list in their profiles match our needs," he says. "We send out [a request for information, RFI] initially and then an RFP and so on—so it's a standard procurement process."

If you're proposing a new deal or changes to an existing one, you'll need to follow certain rules and procedures. Besides providing all the right names and ID numbers, you must explain the objective of your proposal, the specific benefits your product, service or project will provide, what you will deliver and when, how much it will all cost, how the reporting will work and what metrics will be tracked.

No question about it: Microsoft does extensive research and sophisticated cost modeling to make sure that it's getting the best deal and the best contract terms possible on everything it buys.

That's the nuts and bolts. The heavy-duty machinery is in your product or service. "Have really great services, have really good ideas about where we can advance our product—those tend to get the most attention," McBride advises. "Come to us with that great idea."

Vendor Program Levels

There are two top levels of suppliers to compete for, Premier and Preferred. Premier suppliers sell at least $5 million in goods to Microsoft every year and, in the company's opinion, would be difficult to replace. Earn the Premier label and you'll find yourself given top positioning in Microsoft's e-procurement system. Of Microsoft's 13,000 U.S. suppliers, about 1,000 belong to the Microsoft Vendor Program (MSVP) for the company's most-preferred suppliers. "You can think of it as an analog to our partner program, but specifically for those who are doing services with us," McBride says. "Premier is the top level for the biggest suppliers. They have a much bigger relationship with us and we treat them differently." The next level is Preferred, which includes a broader set of vendors.

Even if you can't make it to Microsoft's top supplier level, you can still do business with the company at the "provisional" level, which McBride sums up this way: "We're doing business with you, but you're not one of our preferred suppliers." The bulk of Microsoft's suppliers fall into this lowest category. "They tend to be companies like an event venue, where we might only do business with them once or twice," McBride explains. "Or there are consultants that we'll hire because they have a specific expertise on one topic; we'll use them once and probably not go back to them again."

And then, there's the crème de la crème—a select group of super high-end Microsoft partners who supply the company with large amounts of goods and services. "That is a group that has a global relationship with us on the partner side—they are Gold [Certified] and beyond, in some cases," McBride says. Microsoft manages that group very carefully, he adds: "We have a 360-degree business-review process that we do that includes the partner managers on the partner side and the vendors on the vendor's side."

Microsoft Supplier Facts and Figures

- Selling to Microsoft requires being pre-approved, with a signed agreement and a purchase order in hand.
- Approved suppliers have fixed terms and a single point of contact at Microsoft; they also receive brand training.
- Sixty-nine percent of suppliers sell less than $100,000 a year to Microsoft.
- Microsoft suppliers can choose two options for payment: Get paid in full within sixty days or get all the money in 10 days, minus 2 percent.
- Suppliers must submit invoices through MS Invoice, an online invoicing system; they will be paid via direct deposit.
- Suppliers are eligible for software discounts. For example, Premier-level suppliers save a grand on software worth $6,000 or more.

— D.B.

A Two-Time Winner

From a partner perspective, Tom Kemp is especially well positioned to share insights about becoming a Microsoft supplier. He's sold software to Microsoft from two different companies, both Microsoft Gold Certified Partners.

As a co-founder of NetIQ Corp., a San Jose, Calif.-based provider of system- and security-management solutions, Kemp was part of a team that sold NetIQ AppManager to the Microsoft IT department. In his current job as president and CEO of Centrify Corp., a Windows/Linux integration and security firm in Mountain View, Calif., Kemp managed to sell his DirectControl software into Redmond's massive Windows/Linux/Unix interoperability testing lab.

In sharing the approach he used in both cases, Kemp emphasizes that, if you want the Microsoft business, you must start by making sure that you've got a genuinely Windows- and Microsoft-centric product. Besides running on Windows, obviously, make sure it supports the full Microsoft stack, .NET, Active Directory. And if it requires a database, it had better be SQL Server. Requiring Oracle will have you seeing the door so fast your head will spin.

Once you're sure you've got the right product, don't just run up to the front door with a briefcase full of demos and a contract. Lay the groundwork first. "You need to raise awareness not just with the product team, but field personnel and customers. You need to create a buzz," Kemp advises. It's also important to get the media and analysts talking.

Finding the real buyer can take some sleuthing. "Make sure there's buzz in the field, that you have a dialogue with the product team. Then start playing Columbo with your contacts," he recommends, referring to the famous 1970s TV detective. "Ask around: 'Who would be interested in this type of product, who in IT would buy this?' You shouldn't just sic a sales rep after them. Use your current contacts."

You should send your best people when it's time to meet with Microsoft, Kemp says: "Bring your A-team. Send your CTO or vice president of development. Treat [Microsoft] as a marquee account." He notes that, while dealing with Microsoft at Centrify, he served as the main sales rep, while his company's CTO was the main technology rep.

The Microsoft relationship can lead to other business—if you play your cards right. "It's huge to have them as a customer," Kemp notes. "It validates your solution and technology. Microsoft has very high standards."

But prospective customers won't know how great your company is unless you can actually tell them about Microsoft. Kemp recommends obtaining an agreement before the deal is closed to do publicity work, such as case studies.

Once you're an approved vendor, all the nearly 70,000 Microsoft employees become potential customers.

Having Redmond put your company through the wringer may be painful—but, ultimately, it can improve your product, Kemp concludes: "Microsoft is great about providing feedback. [The company] wants you to be successful." *— D.B.*

"You need to raise awareness not just with the product team, but field personnel and customers. You need to create a buzz." — Tom Kemp, CEO, Centrify Corp.

What Microsoft Wants

That You May—or May Not—Have

Microsoft buys the following items in large quantities:

Employee services: This includes office equipment and electronic software reference material.

Trade shows and events: This includes event-related data services, software coding and patching, systems analysis, database work and wireless networking.

Hardware: Microsoft buys more than 100 types of hardware, ranging from notebooks and PCs to audio equipment.

Peripherals: This includes storage, memory, network switches and more.

IT and computer services: Many of Redmond's IT needs revolve around programming, but the company also seeks database, disaster recovery and data center services.

Manufacturing: Microsoft works with makers of items that include everything from plastic shells and batteries to Ferrites and Schottky diodes.

Professional services: Microsoft is particularly interested in services from suppliers with vertical expertise in areas such as supply chains, ERP and EDI. More general needs include training, LAN design, EDI and client/server programming.

Software: You name the software and Microsoft needs it—everything from accounting to backup to screen-savers.

Telecommunications: Microsoft's telecom needs include voice, WAN gear and services, and call-center technology.

— D.B.

After the Deal

Once in Microsoft's good graces, you have to play ball to stay there. You must adhere to Microsoft supplier guidelines, use Microsoft supply tools such as the online invoicing system called MS Invoice, accept direct deposit and agree to Microsoft payment terms, either 60 days or ten days less 2 percent (See "The Whys, Hows, Bits and Bytes of Buying," p. 4, and "Microsoft Supplier Facts and Figures," p. 5).

Want a piece of that $14.5 billion in annual Microsoft spending? Well, go after it like any other Microsoft supplier!

"We treat Microsoft as a client and client satisfaction is very important," says Evans, of CSS. "Invest the time, especially out in the field with their people that are actually working with the end client, and do your best to make sure that those projects are successful."

For its part, Microsoft keeps suppliers loyal by offering free or discounted software and training on supporting the Microsoft brand. The company also tends to pay attention to its key suppliers, listening to their problems and heeding their advice on how Microsoft can improve things on its end.

Suppliers from Action Events to Zomax Inc., selling everything from employee services to telecommunications, all get a single point of Microsoft contact, which is a pretty big deal when you are doing business with a $40 billion company with nearly 70,000 employees.

Top suppliers also get exposure through SupplierGATEWAY, the vendor extranet, which touts the benefits of being an approved supplier. The biggest advantage is getting the business itself: Non-approved vendors can only sell to Microsoft in rare and special cases where MSVP members can't meet the needs. Once approved, suppliers are on the list that Microsoft employees use to buy goods. They can also use SupplierGATEWAY to help support B2B electronic commerce.

Moving on Up

So what does it take to move up and become a Preferred or Premier supplier? "The real difference is that you've gone through the sourcing exercise where a category manager specifically goes through a relatively rigorous process of RFP/RFI," McBride explains. "Then we broadly agree to a rate card that will be provided to all Microsoft employees who want to hire you and agree to the contract terms that are part of the MSVP agreement—which is basically our standard work agreement, and one of the requirements of the preferred program. When those things happen, then you move up."

Being an MSVP member is like belonging to a private club with lots of perks and insider deals. "We encourage our suppliers

Selling Your Company to Microsoft

William H. Venema wrote the book on selling your software company – literally. A lawyer who holds an MBA, Venema recently penned "The Strategic Guide to Selling Your Software Company: Essential Advice from a Veteran Deal Warrior" (Lulu Press, 2006). Venema spoke with *Redmond Channel Partner* Editorial Director Doug Barney about considerations for selling your own company to Microsoft.

How do potential sellers know whether Microsoft is a good potential buyer?
Companies like Microsoft are strategic buyers that are looking for acquisitions that create synergies with other aspects of their businesses. They might want to buy a company to complement an existing product line, to add new customers to their customer lists or new territories in which to offer their products, or to obtain exclusive rights to certain software or the exclusive use of a particular product development team.

Because of Microsoft's power and scope, it is unlikely to purchase a company simply to gain synergies for its business or new customers or new distribution channels. Microsoft would be more interested in an acquisition that involves a product that complements its existing portfolio of products, and a team of individuals who can help Microsoft integrate that new product into the Microsoft organization, on both a technical level and, to a lesser extent, on a business level.

Software-company owners can conduct reconnaissance by surfing the Internet, participating in trade associations and conferences and keeping in touch with other business owners in the software industry. In addition, publicly traded buyers like Microsoft, must make various filings with the U.S. Securities and Exchange Commission. These filings are available on the SEC Web site and can provide a wealth of information and detail about publicly traded buyers and their purchases. The goal is to learn as much as possible about the transaction activity of strategic buyers prior to contacting them.

How should potential sellers make contact with Microsoft?
Owners should proceed with caution. If an owner makes inquiries about selling his company, he might soon discover that his customers and competitors are being called [by Microsoft] to check out the reputation of his company. Such activity can cause rumors to start that could seriously damage the company's business.

Making contact with a potential buyer usually proceeds from an existing relationship.

If an owner currently does business with Microsoft, then he has a relationship with the individuals in the Microsoft organization with whom his company interfaces. Those individuals might be able to provide an introduction to the appropriate persons in the Microsoft organization, with whom the owner could discuss a transaction involving the sale of the company.

If an owner does not do business with Microsoft, and lacks an appropriate contact within the Microsoft organization, then the owner might consider using an intermediary to make the contact.

Owners should carefully select the intermediaries with whom they deal. There are business brokers and other intermediaries who relentlessly call on business owners to lure them into negotiations. Owners should beware of anyone who comes on too strong and uses too much flattery.

If an owner decides to talk to a broker, he should be aware that even if the broker claims to be representing a particular buyer, the actual relationship with the buyer might not be what the owner would assume. Potential buyers often engage a number of brokers on a contingent basis, which means that the broker only gets paid if he finds a deal for the buyer that actually closes.

One way for owners to check out a broker is to say that they would like to receive some details about what the broker is proposing, because, although they are not currently interested in selling, they might be one day.

Any intermediary an owner selects should execute a confidentiality agreement with the company that requires the intermediary to obtain the owner's consent prior to discussing the owner's intentions concerning a sale with anyone.

How should owners promote their companies' value?
They should try to think like buyers. From an owner's perspective, the business is his 'baby.' To a potential buyer, however, the business is simply a collection of assets that produce cash and might have the potential for equity appreciation. Consequently, if the company has policies and procedures that might be confusing or even incomprehensible to an outsider, it's a bad idea to say, 'Well, that's the way we do so and so ....' Persisting with idiosyncratic policies or behavior will usually hurt the valuation of the company.

You need to get your company 'inspection-ready.' That means that the owners should do what is necessary to ensure that the business will project the right first impression to the potential buyer. It is very difficult to overcome a bad first impression.

For example, the representatives of public companies, like Microsoft, are accustomed to certain standards. They expect to see first-class financial statements, budgets, business plans, and a management team that is not overly dependent on any one person.

How should owners price their companies?
Sometimes, owners are preoccupied with the purchase price and fail to consider other extremely important aspects of the deal. Owners should keep the purchase price in perspective. There could be other aspects of the transaction, such as consulting agreements, employment agreements and non-competition agreements that are important from both the standpoint of what the owners receive in the transaction and the extent to which their activities are restricted following the closing.

The second thing that owners should remember is that the purchase price is not the same thing as value. In the final analysis, the purchase price for a company is the amount that a buyer is willing to pay for it, regardless of what others might consider to be its true value. There are, however, several different valuation methods that owners should explore, because buyers will be using the same sorts of analysis. Owners should be ready to discuss, and possibly critique, the valuation method employed by the buyer.

In the final analysis, valuation is more of an art than a science, because all of the valuation methods require the person conducting the valuation to make assumptions concerning various issues, the chief one of which is the level of the company's future sales.

How can company owners protect their intellectual property during sales negotiations?
Participants in the due-diligence process are often admonished by lawyers to obtain a non-disclosure agreement [NDA] at the beginning of the process. The problem is that many buyers will not want to sign an NDA in connection with a transaction that may not close. Get one if you can, but be prepared to proceed without one.

Until an NDA is signed, however, the company should not disclose any proprietary information to any third party, including a potential buyer. As a rule of thumb, a company should reveal only information that it would be comfortable printing in the newspaper.

Nevertheless, the absence of an NDA doesn't mean the parties can't engage in a productive dialogue. There are many important issues to be discussed that don't involve confidential information.

What are the advantages and disadvantages of selling to a large concern like Microsoft?
The biggest advantage is that financing the acquisition is usually not an issue. Most large companies purchase their targets for cash. If payment is delayed, it's because the buyer wants to hold back part of the purchase price as security for issues that might arise following the closing.

Smaller public companies often like to use their stock as the consideration for purchasing a company. Unfortunately, getting the stock of a small public company usually brings with it a host of problems, including valuation issues, restrictions on resale, assessing the future prospects of the buyer, etc.

The biggest disadvantage of dealing with a large public company is that the role of the owners following the closing either changes dramatically or is not important at all. Large public companies have the resources and staff to integrate the business of the acquired company into the purchaser's organization. Consequently, if the owners want to continue with the company following the closing, it is likely that, if they have a job at all, they will be operating in a dramatically different work environment.

What happens after the sale? What is the ideal post-sale relationship?
What happens following the sale is something that should be determined by the owners before they ever look for a potential buyer. The goals of the owners should determine the potential buyers that the owners consider, the structure of the transaction, and just about everything else.

If an owner's goal is to retire, then that goal should affect the potential buyers that the owner considers and how the transaction proceeds. Alternatively, if the owner wants to have access to the resources of the buyer following the closing, so that the owner can better commercialize a new product that his company has developed, then he might seek to have his company become a wholly owned subsidiary of the buyer, which would be a different transaction, with—in all likelihood—a different buyer.

What would a company like Microsoft be looking for? What would its executives value?
In the past, Microsoft has acquired a number of smaller companies, which have not attracted a lot of attention. If one examines these acquisitions, however, they usually involve the acquisition of a software product that Microsoft adds to its portfolio of products, such as Forethought [which became PowerPoint], or which Microsoft uses to add features to its existing products, such as Vicinity [which became a key part of MapPoint].

These acquisitions also involve the acquisition of a team of people. Microsoft likes to acquire talented engineering teams and experienced management teams that can assist with the integration of the new products or features into the existing Microsoft portfolio.

On rare occasions, Microsoft has used an acquisition to enter a whole new market, such as its acquisition of the business management and accounting software developed by Great Plains and the Web conferencing service developed by PlaceWare. *— D.B.*

and our MSVP vendors to advertise to our employees that they are MSVP [members]. We also have a vendor fair; we invite in only the preferred MSVP suppliers," McBride says. "One of the things we have in our contract for preferred suppliers is that they also use other MSVP vendors for any subcontracting they do on our behalf."

But exploiting your Microsoft relationship to sell to others ain't cool, he adds: "We discourage that."

Code of Conduct

Vendors must carefully abide by Microsoft and other ISV's software licenses, use Microsoft trademarks only where necessary, do publicity about their Microsoft-related work only with the company's permission and respect all non-disclosure agreements. Among other things, Microsoft expects its vendors to:

- Obey anti-trust laws
- Follow environmental rules
- Work honestly with government regulators
- Obey overseas anti-corruption laws
- Avoid unsanctioned boycotts
- Report financials accurately
- Follow Microsoft guidelines for protecting confidential data, and securing your systems
- Forego prepayments, which Microsoft doesn't allow

— D.B.

Don't Worry, Be Happy

Microsoft wants a good deal, but it also wants to keep its suppliers satisfied. After all, happy suppliers tend to be loyal, communicative and cooperative. "[A] primary goal of these measures is to ensure that suppliers to Microsoft have the most positive experience possible. No surprises. No hang-ups. No confusion. Because not only do we appreciate the opportunity to work with your company, we want you to enjoy and benefit from working with Microsoft," reads a note on the vendor section of Microsoft.com. "The Microsoft supply chain management philosophy is simple. We believe in working proactively with the most responsible, strongest and most productive suppliers available to deliver value to our customers, and we expect our suppliers to share our corporate values and operating philosophy."

Being a Microsoft Vender Program member is like belonging to a private club with lots of perks and insider deals.

Those sentiments may reflect Bill Gates' remarkable philanthropic efforts, or they may just reflect the maturing of a 30-year-old company. In any case, Microsoft's guidelines for suppliers are based upon good global citizenship (see "Code of Conduct," this page). For instance, vendors must tell Microsoft in detail what percentage of their companies' employees, owners or subcontractors are disabled veterans, women or minorities. Top suppliers must report how much money they spend on minority, disabled and women-owned businesses. ●

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