



**Matt Pease**  
**Microsoft Corp.**  
**Vice President of Small and Medium Solutions and Partners**  
**Microsoft Executive Leadership Forum**  
**San Francisco, CA**  
**February 24, 2005**

**SPEAKER INTRODUCTION:**

Good morning, and welcome. Thank you for joining us for our first Executive Leadership Forum here on the West Coast. We hope you walk away from today's sessions feeling energized and encouraged by what you've heard.

Those of you looking for ways to effectively manage the growth of your business will learn about Data Management practices and Regulatory Compliance. For those of you attending today's technology session, you will hear how the Voice Technology industry can help you reduce costs and increase productivity. And those of you attending our sales and marketing sessions this morning will leave here with a better insight into operation and market data and metrics – and ultimately, how you can use those tools to help increase revenue.

There's a lot on the agenda this morning. So let's get right to our first speaker.

Matt Pease is Vice President of the Small and Medium Solutions and Partners group at Microsoft, here in the Western Region. Matt works closely with Microsoft's partner channel – which he will tell you more about. Together, they are working side by side with small and medium sized businesses like yours to understand the challenges you face and deliver the solutions you need to overcome them and run your business.

A bit of background on Matt: Matt is a graduate of San Francisco State University, where he serves on the Faculty Advisory Board for the School of Business. Matt's been with Microsoft since 1999, and before that was a regional Vice President for Sequent Computer Systems. He also spent time at AT&T and Burroughs – which is the forerunner of the company we know today as Unisys.

Please welcome, Microsoft Vice President of Small and Medium Solutions and Partners,  
Matt Pease.

**[INTRO/SET-UP]**

Good morning. Thank you for that warm welcome, and thank you, Cheryl, for that gracious introduction.

Please allow me to also welcome you to the Microsoft Executive Leadership Forum.

We're all delighted that you could be here and really appreciate that you took the time to join us. I couldn't be happier about the opportunity to be here with all of you this morning, for a number of reasons.

First, it's always exciting and energizing for me to be able to spend time with people who personify the spirit of entrepreneurship and business leadership, like all of you do. Your talent, vision, and achievements are what fuel the U.S. economy and drive innovation. All of us at Microsoft admire and respect you greatly.

Second, I get to talk with you about Microsoft and your business. On this subject, I know Microsoft shares at least one thing in common with every single one of you: we both want you to fulfill your business aspirations and achieve your goals, whatever they may be. You can be sure that Microsoft is eager to work with you to make those aspirations realities.

Third, we all get to spend time here in beautiful San Francisco, and what could be better than that? As Cheryl just told you, I've spent some quality time here in San Francisco and

have great affection for this wonderful city and all it has to offer. Herb Caen, the late, great columnist for the San Francisco Chronicle, a man who was an institution in this city for decades, may have put it best when he said he was sure that when he died, if he got to heaven, he would look around and say, “It ain’t bad, but it ain’t San Francisco.”

I suppose Herb Caen’s message is that he would have preferred to spend eternity in San Francisco. However, I’m guessing most, if not all, of you are hoping that my little talk here this morning won’t *seem* like eternity in San Francisco.

**[PAUSE]**

And I promise to do my best to keep it moving, but I do have a lot I want to share with you, and I know it’s a pretty full agenda. So let’s get started!

My talk this morning will focus squarely on how you can build your business with Microsoft. Specifically, I want to tell you what Microsoft can do, and is doing, to meet the business needs and empower the growth of companies just like yours.

I’ll touch briefly on the current market environment, just to provide some context, and tell you a little about our strategy for companies similar in size and scale to yours.

Microsoft spends a lot of time thinking about you and your business and what we can do to help you grow. So I’ll also share with you some real-world examples of how

Microsoft's strategy and technology are helping companies solve problems and drive their businesses to better performance.

I can sum up the Microsoft philosophy relating to how we try to help your business in two words: Integrated Innovation. I want you to remember those two words –Integrated Innovation – because I'll be coming back to them shortly and will talk in detail about what Integrated Innovation is and what it means to your business.

By the time we're done here in a little while, I hope you will see Microsoft as more than just a software provider. I hope you will see that Microsoft offers a suite of products, technologies, training, and partner relationships that can be put to use for your business success. In other words, Integrated Innovation.

But more about that later. Let's start now with a look at the market environment.

### **[MARKET ENVIRONMENT]**

As we sit here today, in the early stages of 2005, the business environment is, in a word, encouraging. There's no need to dwell on a micro-economic analysis, but a couple of big-picture trends are worth noting because they frame the picture of business conditions today:

- U.S. GDP grew 4.4 percent in 2004, and 3.1 percent in the fourth quarter alone, the thirteenth consecutive quarter of positive growth;
- In 2004, the economy added 2.2 million non-farm payroll jobs, with more than 600,000 in the fourth quarter;
- Real personal consumption expenditures, private fixed investment, and exports all were up in the fourth quarter of 2004 from the year before;
- Industrial production rose 4.3 percent over the year;
- American consumers were more optimistic; and
- The December survey by the National Federation of Independent Business showed that 28 percent more small businesses were planning to expand, rather than contract, within the next three months, and 17 percent were planning to hire new employees.

What does that mean to you? I believe it provides the basis for optimism in 2005 because those numbers and trends really speak to what the people in this room have experienced, have accomplished, and are planning.

The fact of the matter is that mid-sized companies and small businesses pretty much are the American economy. They:

- Make up more than 99 percent of all employers;
- Employ more than half of all private sector employees;
- Pay more than 44 percent of total U.S. private payroll;

- Generate 60 to 80 percent of net new jobs annually over the last decade;
- Create more than 50 percent of non-farm private GDP; and
- Employ four out of every ten (39 percent) high tech workers such as scientists, engineers, and computer workers.

*[Source: U.S. Small Business Administration ]*

There are currently 333,000 middle market companies in the U.S., those with 50 – 1000 employees. Those companies –you and your competitors – spent nearly \$50 billion on IT in 2004.

And there are more of you every day. The number of mid-market companies is expected to grow by two to four percent annually. That tells us smaller companies are succeeding because they're growing and getting larger. As a result, IT spending by middle market companies in the U.S. is projected to experience an annual compounded growth rate of 12 percent.

*[Source: AMI-Partners 2004]*

For those wondering what the people sitting next to you will be spending all that money on, research shows a couple of clearly defined IT priorities for mid-sized companies and small businesses in 2005:

- **Servers & Storage** – 46 percent will purchase new servers and storage capacity;



- *PCs* – small and mid-sized businesses will upgrade 24 percent of their PCs;
- *Wireless networking* – more than half, 51 percent, have some type of wireless pilot program underway, and 70 percent are looking to buy added Internet connectivity and bandwidth.
- *Security* – 75 percent expect to make new security investments.

In fact, research shows nearly 80 percent of midsize companies are looking to standardize on the Microsoft platform.

*[Source: Forrester – November 2004]*

But like everything else in business, it's not a question of how much you spend. What's much more important is that you spend your precious resources wisely, in ways that generate a positive return on your investment and help you meet your goals and grow your business.

At Microsoft, we understand that. We've done extensive research across multiple geographies to determine how midmarket organizations view themselves. We understand your priorities and challenges because you've told us what they are:

- You want to increase worker productivity.
- You want to lower your total cost of ownership of technology.

- You want a robust financial and accounting system with analytics and business intelligence capabilities to help you make faster, better-informed decisions.
- And of course, you want it all to work together seamlessly, reliably, and securely.

Based on our research and regular customer site visits, we've developed a strategy that has one overriding objective: getting you innovative, affordable solutions, tools and services that enable you to focus on your priorities, meet your challenges, and help meet your business objectives.

How can we do that? It starts with those two words: Integrated Innovation.

### **[INTEGRATED INNOVATION]**

As a leader in software innovation, Microsoft takes a holistic approach to building our products and solutions that ensures they are designed to work together and interact as seamlessly as possible with other data and applications across your IT environment.

Since our inception, Microsoft has been committed to supporting growing companies just like yours with innovative technology and resources to help drive your success. We *never* assume our customers will have a large IT staff and extensive budget. Rather, we *always* strive to create products that have compelling economics, deliver a lower total cost of ownership than alternatives, and can be customized to meet your specific business

challenges. This allows us to provide you with an end-to-end solution that solves your business needs.

Microsoft spends more than any other company on R&D efforts focusing specifically on the needs of middle market companies and small businesses – more than any other company. And as the legendary baseball Hall of Fame pitcher Dizzy Dean used to say, “It ain’t braggin’ if you can back it up.”

Here’s how we back it up. The products Microsoft offers you are specifically designed and built for mid-sized businesses like yours. We don’t “scale down” enterprise applications, as we’ve seen others do, and we don’t “scale up” small business applications to meet your needs.

Microsoft Business Solutions, or MBS, is one example. MBS provides business management software that can help your organization increase productivity, improve customer service, streamline supply chain management, and make more profitable decisions.

Mid-sized companies often have to do more with less. You always look for ways to work smarter and more productively and get the best possible return on your investments.

That’s especially true of your IT investment. Even though mid-sized companies may have smaller IT budgets and a less sophisticated IT environment than their enterprise counterparts, they have the same essential needs. You rely on your IT capability and

expect it to be an asset, not a liability. You expect it to enhance productivity and contribute to the bottom line, not suck up valuable resources. MBS was built from the ground up for medium-sized businesses.

Would your business benefit from financial management applications? Maybe you could use a customer relationship management (CRM) package. Need to better manage your supply chain? And maybe lately you've been thinking that some kind of analytics tool might give you a competitive edge and help you make better decisions. Well, MBS can do all that and more, and might just be a good fit for your particular business situation.

At Microsoft, we believe our technology can change the way mid-sized companies conduct their business. Once you experience all MBS is capable of doing for your business, we think you'll believe, too.

Microsoft strives continually to improve the way people and companies are able to work together with cross-system communication, information visibility, and virtual meeting capability. The Microsoft Office System is another example of how our commitment translates into practical solutions and measurable improvements for business.

Some of you may remember back when Microsoft offered Word, Excel, PowerPoint and Outlook as individual desktop products. Today, Microsoft Office System is an integrated suite of applications designed to improve how businesses collect, share and use information and help them remain agile, flexible, and responsive.

Some of you already use Microsoft Office. If you do, you know just how powerful it is and what it can do. It simplifies managing your customer and prospect information, which gives you more time to sell and service those customers more efficiently and convert those prospects into sales.

It allows you to create impressive sales and marketing materials in-house, saving you the expense, time, and hassle of dealing with a printing or graphics contractor. Office handles your e-mail securely and efficiently, allowing you to respond to customers needs and inquiries immediately, send invoices and estimates, and save on paper, printing, and postage.

The Office suite also includes web-based solutions that allow you to create virtual meeting rooms where you can share and store documents and presentations and communicate online instantly. The LiveMeeting feature enables you to have web conferences and meetings while you're sitting right at your desk. That saves you the considerable expense, time, and stress of business travel. Instead of having to weigh the pros and cons of whether to incur the cost of travel for you and your top people to attend an important business meeting, you can all just gather around a PC and participate. That, in turn, enhances your productivity because you can meet online with customers, colleagues and suppliers from around the corner or around the world, without leaving your office, and once the meeting is over, you and your employees can move

immediately onto any action items or go right back to doing what you need to do to manage your business.

With products and technologies such as Windows and the Windows Server System , Microsoft can help simplify your operating environment. That means your IT function will operate more efficiently and be able to support end-to-end solutions for whatever your business needs.

Our wealth of integrated –and innovative – business software will help you lower the costs of ongoing operations by creating savings and improving productivity. They can give you a more secure and reliable IT infrastructure with valuable new capabilities that can help drive the growth of your business. Each of our products is designed to provide immediate value out of the box. But by leveraging their integration capabilities, you can experience for yourself how the value of the whole is greater than the sum of its parts.

Most of you here today are business decision-makers and perhaps not necessarily as focused on the details of technology, except as a means to achieve your business goals. So rather than continue to run through our product catalogue, let me switch gears and give you some real-world examples of how Microsoft solutions are working for mid-sized businesses and helping to solve the problems that keep business people awake at night.

## [CUSTOMER CASE STUDIES]

*Customer challenge – Lower cost of ownership, improved productivity*

Our first example is a local one. WineBid.com, which is based just up the road from here, in Napa, is the largest wine auction site on the Internet. WineBid.com handles more than 30,000 registered users worldwide who bid on weekly auctions involving more than 12,000 bottles of wine. The company's warehouse in Napa stores up to four months worth of inventory, which means at any given time WineBid.com may have more than 120,00 bottles of wine on hand.

Unfortunately, we don't have those bottles of wine to share with you now.

You can imagine the challenges here: customer and supplier records, including shipping and payment details, inventory control, auction systems, financial and accounting operations, security, and so on.

As WineBid.com's auctions became more popular, the company's IT systems were not up to the task and were, in fact, an impediment to growth. WineBid.com struggled with three old isolated, unsupported, and expensive IT systems:

- There was one system for accounting;

- Another database system that was based on very old technology; and
- A third system that served as the auction engine.

Aside from being old, the only thing these systems had in common was that they had *nothing* in common. That means they couldn't talk to one another or share important business data. Not only were they cumbersome, slow, and essentially unmanageable, they were also productivity killers.

For example, the old database required one person to spend hour after hour assembling manually compiled lists of the suppliers who had consigned the lots of wine to be auctioned into one master file. When that was done, the list was fed into the auction engine just before an auction opened.

That type of long, labor-intensive process inhibits growth. So even though WineBid.com had more users signing up to bid and more suppliers who wanted to auction wine on their site, the company could not reach its potential with those systems in place.

So WineBid.com replaced its IT infrastructure with a Microsoft Business Solution. The company created two customized Web portals, one for employees and one for auctions. WineBid.com also used a Microsoft solution to integrate a new wine database and auction engine.



Now, WineBid.com employees use their portal to collaborate and access and share data. That's saving the company 100 hours a month, and allowing them to provide better customer service and make better business decisions.

The new auction engine's search capability encourages customers to buy more wine, and that has helped raise revenue by 10 percent. In addition, WineBid.com was able to uncork saving of \$6,300 month costs related to its old IT system and reduce accounting staff by 43 percent.

Finally, with its new systems in place, beginning in January 2005 WineBid.com moved to weekly auctions from bi-weekly auctions, which means twice as many opportunities to sell and increase revenue and grow.

I'd say that's a proposition we all can raise a glass to and toast!

*Customer challenge – Reliability, cost savings*

Any golfers in the room?

**[PAUSE, SCAN AUDIENCE]**

I thought there might be. But even if you don't know a nine-iron from a tire iron, I think you'll all understand what I'm talking about here.

PING, for you non-golfers, is a market leader in high-performance, high-end golf equipment. Its golf clubs are used by professional golfers and those who only dream about being professional golfers. Each set of PINGs is made to order, custom designed and built based on each golfer's measurements and playing style. The company's based in Phoenix and has 800 employees.

Here again, the company had an old IT structure in place that just wasn't up to the task of supporting PING's business needs. In this case, PING relied on its IT infrastructure to support its manufacturing database, custom golf club design applications, and call center and customer support functions.

Among the problems PING was experiencing were that poorly designed applications were disrupting the computing environment. Important business processes would just terminate suddenly.

Complicating matters was the fact that because it was an old environment, many undocumented programming scripts had been written and hacks into the systems made to correct other problems. Basically, PING had practically no idea what had been done by whom and at what times to correct previous problems. You can imagine how difficult it was to understand and correct any problems that arose – and they arose frequently.

It got to the point where nightly reboots to “start fresh” every morning became par for the course, so to speak; and four administrator hours each day were spent tracking and troubleshooting recurring issues.

Obviously, “restart-the-system-and-hope-for-the-best” is not the IT philosophy a company such as PING wanted for its business. They wanted a system that was reliable, that would reduce the amount of administrative work required to maintain it and would eliminate the need for a nightly reboot.

The answer? PING deployed Microsoft Windows Server 2003 and Terminal Services. With its robust and industrial-strength tools, IT management tasks were cut to one hour a day or less. Restoring and rebuilding corrupted user profiles went from five times per week down to only once. Talk about shaving strokes off your game! And of course, the nightly reboot immediately became a thing of the past.

PING was able to cut the direct costs relating to administrator time, which freed them up to work on other IT projects and build new systems in support of key business initiatives.

PING has estimated that it now also saves more than 50 percent on licensing costs, compared with the previous configuration.

The lesson here, if I might use some final golf imagery, is that Microsoft Windows Server 2003, configured for your business needs, can get your IT environment out of the rough and help you reach the green.

*Customer challenge – Need for a robust financial and accounting system with analytics and business intelligence capabilities to help make faster, better-informed decisions*

Hendricks Motorsports (HMS) is a company that, perhaps more than most others, requires speed and precision. That's because HMS operates five racing teams that compete on the NASCAR Winston Cup Busch Grand National circuits. From its beginning nine years ago, HMS has grown to become one of the largest and most successful racing operations in its business.

NASCAR, which races throughout the West Coast, and here in San Francisco at the Sears Raceway, has 400 employees, and builds 700 engines a year designed to operate at speeds exceeding 170 miles-per-hour. HMS is continually pushing motorsports technology and innovation to the next level, because for them, the goal is the winner's circle – literally.

For those of you who may not know, professional auto racing is a year-round business. The off-season, such as it is, lasts only six weeks, and during those six-week the HMS must plan, budget, manage, and develop its business heading into the next season.

Timely, accurate budget reporting and forecasting are critical to HMS in formulating its complete business strategy.

HMS struggled for years with a six-week budgeting process that was awkward and disjointed, yet all-important. Data had to be collected from 21 departments. The HMS accounting team used spreadsheets to capture budgeting information from department managers and crew chiefs, and then manually compiled the data into one complete document. As you might imagine, the process was filled with errors and inaccuracies, and budgets rarely matched project forecasts. All of which had a negative impact on implementation of the overall business strategy.

Clearly, the yellow caution flag was out and HMS knew it was time for a pit stop to overhaul its financial, accounting, budget planning, reporting, and forecasting processes and solutions.

HMS deployed Microsoft Business Solutions–FRx<sup>®</sup>, and soon the company's financial accounting and reporting capabilities were hitting on all cylinders and humming along just like the high-performance engines that are HMS's trademark.

The FRx Software application helped HMS quickly create, distribute and analyze its financial reporting information. FRx Software also gave HMS the flexibility to create comprehensive companywide projections or individual project budgets within a few

hours. That helps HMS to budget more accurately and allocate resources to the projects and products that contribute to the success of its business, which is to win races

Following the success of FRx, HMS implemented Microsoft Business Solutions—Forecaster to help break up the traffic jam in the budget planning process.

Forecaster helped crew chiefs, department managers and the accounting staff quickly and easily compile data and develop intelligent budget projections. Forecaster's security, consolidation and roll-up features helped ensure accuracy as well as the speed needed to meet tight deadlines.

With effective financial accounting and forecasting tools, HMS stays ahead of the budget curve. FRx and Forecaster have enabled HMS to create the reports it needs, analyze trends, quickly calculate budget forecasts, and make more intelligent decisions.

The bottom line: with FRx and Forecaster, HMS cut its budgeting and planning time in half, and left its old processes in the dust.

*Customer challenge – Inventory management, order tracking, financial and accounting systems; tying it all together.*

In the previous examples we've discussed, we've seen how those three companies were able to use Microsoft solutions to help solve their particular business challenge, whether

it was lowering their ownership cost of IT systems, improving productivity, increasing reliability or enhancing their financial, accounting, and analytics capabilities.

Now, for our final example, I'd like to tell you about a company that did all of those things and more.

The company is Gaiam Inc. Gaiam sells a broad array of lifestyle products, including yoga equipment, books and CDs, personal care products, and solar energy systems. Its customers are consumers who are committed to alternative healthcare, personal development, environmental protection, and sustainable economic development.

Gaiam reaches those customers around the world through a growing direct sales effort that utilizes Internet and catalog sales. It also sells through a mix of retail outlets that include yoga studios and health food stores and major players such as Target, Dillard's, Sam's Club, Costco, Barnes & Noble and Marshall Fields.

Gaiam was founded in 1988 and its business grew steadily through increasing sales and strategic acquisitions. By the year 2000, its growth and business needs had outpaced the capacity of its old IT system to support them. Gaiam's financials, order entry, and tracking were, for the most part, being done manually. The company was heavily dependent on outside contractors for inventory management and order fulfillment. Of growing concern for Gaiam's management was the increasingly strict compliance

standards being imposed by the company's large retail outlets, resulting in frequent and expensive charge backs due to the inadequacy of Gaiam's IT capabilities.

Management realized it needed an integrated IT environment that would be able to handle its growing sales volume, streamline its financial and accounting functions, provide real-time data, manage inventory, and process orders more efficiently and accurately.

Gaiam selected Microsoft Business Solutions. Implementation and training took just three months for the core applications, including financials, order entry, purchasing and inventory management. The system was later enhanced by value-added applications from six different vendors.

The results were dramatic and almost immediate. In the first year with the new Microsoft system online, Gaiam's labor requirements were reduced by nearly 40,000 worker-hours, even as the company's sales volume in the business-to-business sector doubled.

How's this for productivity and getting the best ROI from your IT assets? Gaiam, a company with more than \$120 million in sales and more than 200 employees, has only eight people who manage all of its accounting, HR and payroll. One other person manages the entire enterprise system.



Gaiam was able to bring its inventory management and order fulfillment functions in-house, which meant no more outside contractors and greater control for management. As a result, compliance with its major retailers' standards improved and costly charge-backs were reduced by 50 percent.

In terms of productivity improvements, Gaiam has maintained level staffing while increasing sales from an average of 1,000 orders per month prior to deployment of Microsoft Business Solutions to 5,000 orders a month three years later.

Think about it:

- Labor reduction of nearly 40,000 worker-hours per year,
- Double the sales volume, with the same number of people,
- Charge-backs from large customers cut in half,
- Greater control over inventory management and order fulfillment, and
- Enhanced financial and accounting processes.

If you're looking for those kinds of results for your company, maybe Microsoft Business Solutions ought to be your mantra as well.

## **[PARTNER STRATEGY]**

You can see from the examples I just cited how Microsoft solutions worked for mid-sized companies to help ease their challenges, deliver a positive ROI on their IT investment, improve essential business processes, and grow their business. We've focused on solutions and tools, and the all-important Integrated Innovation, which makes it all possible.

But there's more to Integrated Innovation beyond what Microsoft builds into our solutions and tools, and that's our partner network.

The Microsoft partner network is one more way Microsoft is trying to help you grow your business. We've invested in and built a network that now includes more than 300,000 partners in the U.S. alone. They are local IT consultants who provide a rock-solid foundation for delivering solutions to mid-sized companies and small businesses. No matter what industry you're in, no matter what size you are, no matter where you are located, our partner network is available to support you.

That's because our partner network is at the core of our business model. We believe these highly qualified technology providers add significant value to Microsoft offerings for mid-sized businesses by supporting your hardware, software, services, and even custom software application needs.

Microsoft understands that mid-sized businesses need to manage their time and allocate their resources strategically. Our partner network allows you to do both. You can engage with a local consultant, on an as-needed basis, who will:

- Help you optimize your business systems,
- Maximize your technology investment,
- Recommend technology improvements that can add value to your business,
- Deploy new tools based on your company's specific needs, and
- Provide ongoing IT counsel and support.

That frees you and your employees to do what you do best: drive your core business.

The Microsoft Partner Program is structured in three levels, so that our partners are designated as Registered, Certified or Gold. At each level, our partners must demonstrate competence in their specific area of competence by passing certifications. Our partners offer a world of expertise and deep industry specialization. They offer additional services and vertical expertise, and we believe they add to the Microsoft our platform. You can be comfortable that when you choose a consultant from the Microsoft Partner Network, you'll be dealing with a highly qualified professional.

Microsoft is dedicated to working with all of our partners to ensure they receive the training, educational programs, technical tools and support they need to help them meet your needs. In fact, each of the companies I told you about a moment ago –WineBid.com,

PING, Hendricks Motorsports, and Gaiam – worked with a Microsoft partner to improve their IT capabilities and achieve the results I discussed.

If you'd like more immediate information about our partners, you're in luck. Several of our local partners are here this morning, and I invite all of you to seek them out, network with them at lunch, and talk to them personally to get a sense of what our partners can do to help support your business.

Another easy option is to email us at [westinfo.com](mailto:westinfo.com) and we'll pair you up with a partner directly.

### **[TRUSTWORTHY COMPUTING]**

Near the start of my talk this morning, I asked you to keep Integrated Innovation in mind because it is at the heart of Microsoft's philosophy, strategy and vision for mid-sized businesses. I've told you about the innovative and integrated business solutions Microsoft offers that work together and interact as seamlessly as possible with other data and applications across your IT environment, and the extensive Microsoft partner network that's ready to help you.

There's one more piece to Integrated Innovation. And that's Trustworthy Computing. Unfortunately, in today's world, security is, by necessity, a top-of mind concern for all. In the world of computing technology, security is just as much of a concern. Viruses,

worms, hacks, stolen data and identities, and privacy invaded. We've all heard about these troubling incidents more times than we'd care to, and except for the perpetrators of these crimes, all agree something needs to be done.

Microsoft is working diligently to improve the safety and reliability of your computing environments. Trustworthy Computing is something everyone at Microsoft, starting with Bill Gates, takes seriously and personally.

In fact, Mr. Gates himself started the Trustworthy Computing Initiative at Microsoft in January 2002. We are committed to fundamentally changing Microsoft's computing technology, policies and practices to improve security, privacy, reliability and business integrity. We want computing to become as constant and effective as using the telephone and other essential services.

We understand that this is a long-term, collaborative, global initiative. We're now only into our third year, but we've already made substantial progress, including:

- New security and privacy enhancements in Windows XP Service Pack 2 to help better safeguard computers from hackers, viruses and other online safety risks;
- Increased security and reliability improvements through engineering excellence in Windows Server 2003; and
- Improvements in security update tools and processes, including monthly security updates.

We're incorporating security best practices into everything we do with events such as Security Summits and monthly security webcasts, and tools such as the Microsoft Security Guidance Kit.

Trustworthy Computing rests on four pillars: Security, Privacy, Reliability, and Business Integrity, and I'd just like to take a moment to explain what they mean to us.

- **Security:** The security of our customers' computers and networks is a top priority for Microsoft, and we remain dedicated to building software and services that will help keep you better protected. We know how especially important this is to you. As I said earlier, our research tells us that 75 percent of mid-sized businesses are planning to invest in IT security this year.
- **Privacy:** To fully realize the potential of computing technology and interconnected Web services, we believe people should have the right to be left alone from unwanted communications. People *must* be able to trust that their personal information is being used appropriately and in a way that provides specific value to them.
- **Reliability:** Microsoft is committed to improving the quality of the technologies, products and processes you need to ensure your computer systems will be reliable, perform as intended, and deliver the ROI you expect from your IT investment.
- **Business Integrity:** To ensure integrity and transparency in all of our business practices. Microsoft is a values-driven company; we strive to maintain the highest

standards in our business conduct, and to address society's ethical, legal and commercial expectations.

Again, Microsoft is fully committed to the long-term success of the Trustworthy Computing initiative. We're in it for the long-haul, and we know much work remains to be done. We have made, and will continue to make, significant investments of time and resources to:

- Partner with others in the IT industry, government and academia;
- Train our employees;
- Institute and monitor new processes; and
- Create innovative development tools to improve our software.

We will continue to focus on improving our software design, development and testing processes to deliver a more reliable, secure and quality-focused customer experience. And we encourage you to work with a partner to make your environment more secure.

### **[CONCLUSION]**

We've discussed a lot this morning, so before I wrap up I think it might be helpful for me to recap the main points I've tried to convey.

- First and foremost, Microsoft values your business and we want to help you overcome the challenges we've discussed.
- Microsoft, along with our partners, wants to work with you and help you get the maximum return on your IT investment so you'll be able to achieve your goals and grow your business.
- Microsoft knows your challenges, and we can help you meet them with an array of integrated and innovative technologies, training, and partners that will meet your exact needs.
- It's all about the Integrated Innovation, and everything it encompasses:
  - Microsoft products and technologies are designed to work together and interact as seamlessly as possible across applications across your environment.
  - The Microsoft Partner Network gives you access to 300,000 highly skilled local IT consultants who can add value in numerous ways. In case you forgot, our email again is: [westinfo.com](mailto:westinfo.com).
  - Microsoft is focused on Trustworthy Computing to ensure Security, Reliability, Privacy, and Business Integrity.

Finally, though we often may speak to you in terms of products, I hope today we convinced you of the business benefits of partnering with Microsoft.



Thank you for your kind attention and for your support of Microsoft. We look forward to working with you to help meet your needs, overcome your challenges, and grow your business for a long time to come.

Enjoy the rest of the program.

###