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# Recommended Principles for Selecting AI Suppliers

## Introduction

Let's get something out of the way. I work for Microsoft and have been in the ecosystem for over 25 years. It's a great company I believe in and like all large companies has its flaws. I work on Microsoft 365, Copilot for Microsoft 365 and am intimately involved in helping our customers get the most from their investment with. This article isn't about any of that. I'll ask you to trust that I was Karuana, the businesswoman before I was "*Karuana of Microsoft*" and am writing this article for this Leadership in the Era of AI series from that perspective.

## Assumptions and Real-World Experience about Suppliers in Technology

Over the course of my career, I have worked with many technology suppliers, both before I joined Microsoft and since. I reviewed their offerings and talent, made purchase decisions, studied, and configured their solutions, educated customers about them, and made an excellent living. One thing is universally true at a macro level. If you are the business leader making the purchase decision and signing a check for a supplier, they are not always thinking about **you**. The individual people are. You can form relationships based on trust and build true friendships with people you meet across a conference table. However, at the end of the day they do not work for you. They aren't walking in your shoes. Your shareholders and bosses won't be calling them. They'll be calling you if something goes wrong.

Suppliers are not compensated on your satisfaction. They are compensated on the size of your deal or the amount of your usage. I believe this is a failing in the technology industry. If people were compensated on well satisfied customers, not just those who signed a check our priorities as an industry would change. I'll save my thoughts on compensation models for another essay.

AI is not coming. It's here. All around us are suppliers who want to tell us that THEY are the solution. They are not. The solution to how you will successfully select and implement AI capabilities are already inside your company, inside you and your staff. Insights on industry transformation, scenario improvements, personal productivity and creativity are there to unlock in your organization.

To aid you in unlocking this potential it is important to have trusted partners and advisors. What follows is an initial set of principles that can aid you in making good choices. As always you can and should alter these for your organization size, industry, and culture. For instance, familiarity with regulated industries is a specialty area that is not relevant for all but required for AI suppliers in that segment. Explore the principles that follow to discover how to navigate this process as you inevitably make decisions about implementing a multi-supplier AI strategy in your company. These are NOT listed in priority order and should all be considered in accordance with the above factors:

## Scale

While it is enticing to work with start up organizations and likely will be a valid part of an overall AI strategy over the next 36 months it is important to keep an eye on the future. The size, scale and reliability of an organization will have a direct impact on your level of satisfaction with their solutions, service, and support. It is useful to view your AI supplier roster much like an investment portfolio. Diversification is a good thing, where a certain percentage of your investment can go into purchasing services from new players and a core set of your investment stays with larger players who have established portfolios and delivery mechanisms. However, this is dependent upon the risk tolerance in your environment. If you are willing to push boundaries an AI strategy can be crafted from all new players in the game, but you might need to absorb a loss to momentum if a startup does not continue operations, as sometimes happens in our business.

## Leadership

Vision, credibility, market experience and the ability to deliver an experience are key to leading a successful startup or a public organization. Make sure you understand the background and experience of the leaders of any supplier you select. This will help you analyze the culture they drive, their commitment to execution excellence and their ability to thrive long term. Be careful of biases that might exclude fresh ideas and emerging leaders you may not be familiar with.

## Agility

The era of AI is moving at a rapid pace. Are you working with organizations that are keeping up? Are they leading a portion of the charge? Trusted advisors from suppliers can serve to keep you in the know as it a part of their remit in their particular area to keep up to speed on the rapid changes. Leverage this for your own learning. Of course, you will do additional reading and learning from other sources however it is critical to ensure that your supplier team is able to respond to market and technology changes at speed.

## Competence

There is no replacement for technical competence, and in this era, I would say excellence. Large scale generative AI models are a complex business with ever changing capabilities. Your suppliers need to deliver a mix of technical, business, and human change experts to you as they support your overall AI strategy. While many are fond of saying (including me) that we are “on this journey together” at the end of the day you are paying for a service or solution rather than funding research. If research and shared learning is a part of your engagement that should be clearly spelled-out ahead of time. Ensure that suppliers are building their own skill sets on their time, not yours.

## Track Record

This is tricky in this context as only a very few organizations have a true track record at scale and speed with the current technology. As time goes on and the technology matures this will be more relevant. Now you should be looking at their leadership, industry expertise and segment knowledge to augment

the new AI capabilities the supplier is delivering. Strong industry expertise is essential to developing and deepening the trusted advisor relationship.

## Fit

Occasionally you will know from the first meeting that your organization and a particular supplier will not work well together. It is no one fault but usually due to differences in corporate culture, individual experiences, or other factors. Trust your intuition. So many projects challenges could have been avoided if those involved trusted that small voice telling them that something did not feel right. Be open and curious to understand why. It may be a bias on someone's part but at the end of the day if there is not a fit between the working teams, yours and the suppliers, your project is at risk.

## Insight

Does the supplier have a culture of data analysis and insights? Do they regularly collect feedback from their customer base, analyze it and take action based on the data? Are they, as an organization, curious and open to learning from their customers as much as they are trying to teach? If not be wary. This sort of growth mindset, action-oriented analysis, and empathy is critical to a successful relationship over time. They cannot assist you in building this muscle for your own organization as a part of your AI adoption journey if they are not doing this type of organization reflection for themselves.

## X-factor: Trust

At the end of the day, you must ask yourself, "Do I trust this supplier? Do I trust the people who I will be working with daily?" As a business leader, IT, or enablement professional its unavoidable that your reputation is entwined with the suppliers you select. You ARE going on a journey together through uncharted territory. Trust is a core productivity accelerator and fundamental to creating high performance teams of any kind. Once you have reviewed the elements above, and others you may add along the way, you must ask yourself this question before signing on the dotted line. If you have misgivings, are they valid? Have you gut-checked the risk/reward scales of balance? Remember you will likely have a multi-supplier portfolio of AI capabilities as you move forward. Only you can answer how much risk you are willing to take for a particular supplier. Whatever you decide, do so with open eyes and clear intent.

## Conclusion

People will ultimately determine the success of your foray into AI. Those inside and outside of your company who you enlist to support your success will guide it to the next horizon of business expansion or onto the rocks of indecision. Your journey will be determined by your ability to stay curious, assimilate facts, analyze data, and made decisions in an agile manner. Do not go it alone. Partner with other leaders in your area or through professional organizations broadly. Keep learning, experimenting, and moving forward. Meanwhile we will keep publishing articles that we believe will help you along the way!