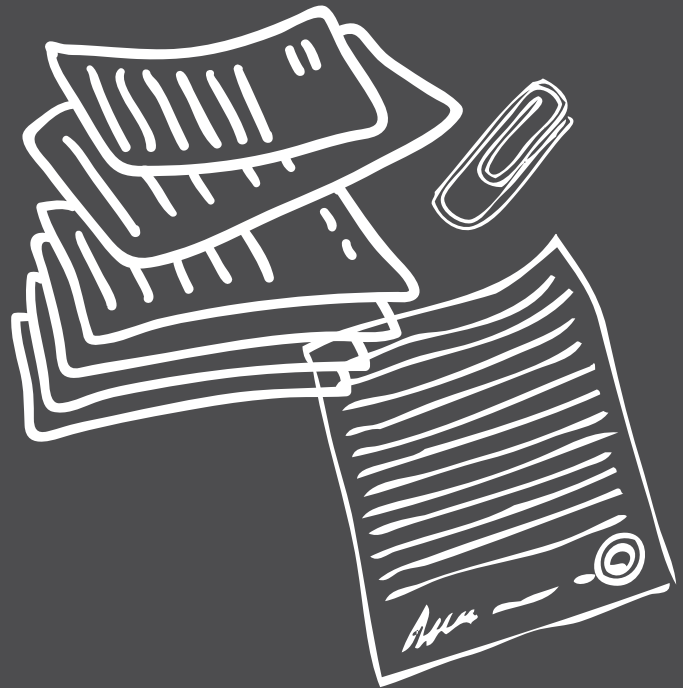
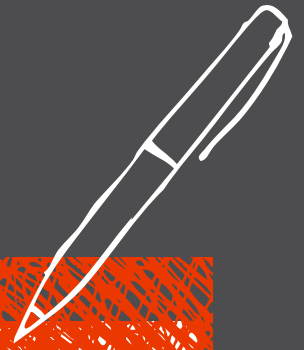


THE TOP

10 *Mistakes*

TO AVOID WHEN
NEGOTIATING
WITH
MICROSOFT®



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introduction

In our many years of work at Microsoft, we were amazed at how often Microsoft customers would enter into license negotiations unprepared or unaware of the options available to them. Today, when we consult with our enterprise clients before, during and after their Microsoft negotiation processes, we help them avoid these very mistakes.

The negotiation process with Microsoft® is full of potential pitfalls, and if you can properly avoid them, you may be able to save millions of dollars in licensing fees, avoid future costs, and ensure that your license agreement is properly aligned with your company's business needs.

You can also approach your negotiation with the confidence that you are in the driver's seat, having thoroughly prepared for every possibility.

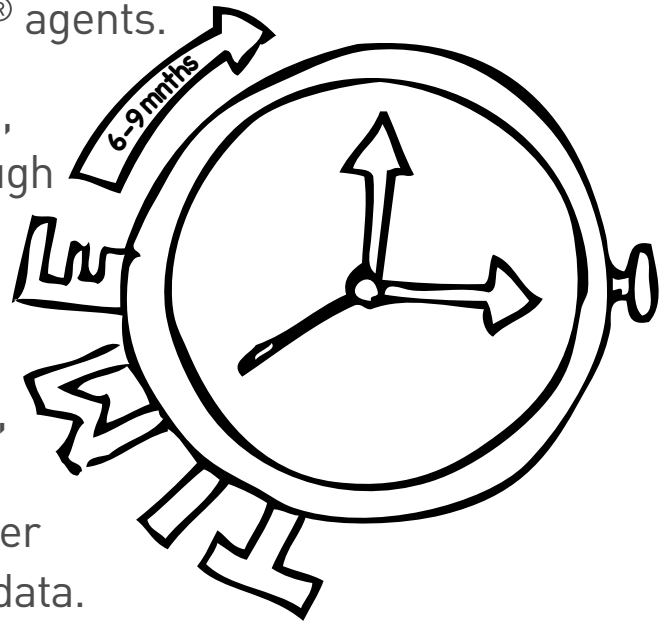


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Getting a Late Start

Ideally you should begin preparing for your Microsoft negotiation six to nine months prior to the official renewal date. One of the most basic mistakes you can make when negotiating is showing up to the negotiations without preparing adequately, and this takes time. The efforts you make prior to beginning the negotiation process are just as important and play as significant a role in achieving a successful outcome as the actual time you are meeting and discussing terms with Microsoft's® agents.

To ensure a successful negotiation, make sure your team spends enough time on gathering the required internal data, analyzing that data, determining what needs to be negotiated, looking at future plans, business goals and roadmaps, understanding the goals of the other side, and considering benchmark data.

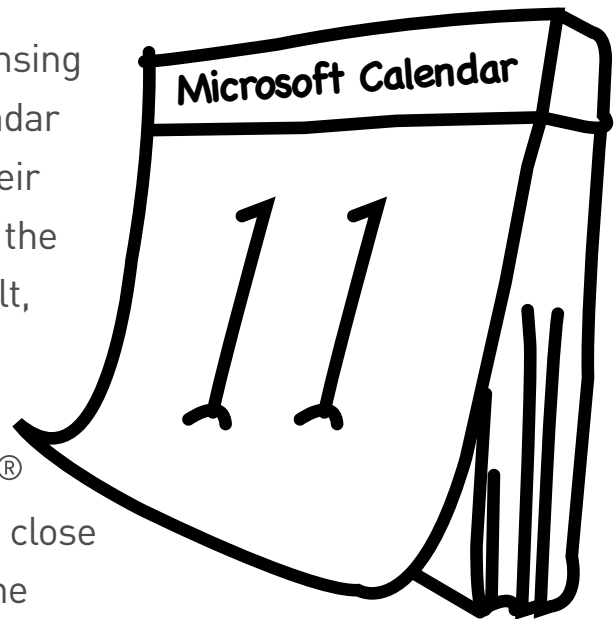


Even if you get a late start, don't despair. It is possible to catch up, but expect a very busy pre-negotiation period!

Poor Timing vis a vis Microsoft

It's important to keep Microsoft's calendar in mind when you are planning your negotiation process.

While some companies renew licensing agreements at the end of the calendar year because they want to close their procurement plans, at Microsoft®, the fiscal year ends June 30. As a result, Microsoft® sometimes runs a set of promotions around April or May to increase sales. If your Microsoft® Account Manager pressures you to close the negotiation cycle as the deadline



draws near, remember to find out from your reseller if a given promotion is available in your geographic location. Sometimes promotions only apply to certain countries. Also keep in mind that discounts currently defined in your licensing agreement will not be honored beyond the agreement renewal date.

If you wait until Microsoft® approaches you, you could lose the opportunity to choose when to negotiate. And the closer you get to the renewal date, the less time you have to prepare and the more pressure you will experience from Microsoft®, as well as from within your organization.

Also keep in mind that Microsoft® no longer allows for an additional 30-day agreement grace period. This take-it-or-leave-it business philosophy means there is no leeway with renewal dates.

Inaccurate or Incomplete Information about Current Assets

Heading to negotiations with the right information is a key factor in the success of any negotiation. Having current licenses, hardware, and software information gathered in advance, and having it organized in an accessible way is a critical step.

If your organization does not adequately collect and analyze information from previous agreements, you could fail to capitalize on pre-negotiated terms and conditions to set aggressive renewal goals.

Not being adequately prepared might even result in renewal terms that are less favorable than the current agreement!

When you show up to the negotiation table, having this information meticulously organized in advance helps you know where you want to go with future technology and licensing, and puts you in the leadership role vis a vis Microsoft®. If the Microsoft® representatives sense that you didn't prepare properly, they may challenge you on your claims and demands, putting you at a disadvantage and possibly costing you valuable negotiation leverage.

Forgetting About Future Business Goals

Microsoft licensing affects every aspect of a business, and if you do not adequately understand future business goals, you could risk buying product versions that are not required: for example, Project Professional instead of Project Standard or SQL Server® Enterprise Edition instead of Standard.



It is crucial to have a clear vision for the next three to five years, including your technological vision, upgrade plans, new project launches, software features, and software licensing needs. You also need to take into consideration the business direction of the company. Is a merger or acquisition in the offing? You need to have favorable terms in your licensing agreement to cover that. Could your business downsize in the next few years? This is also extremely important to consider as you do not want to continue paying for licenses that you do not need.

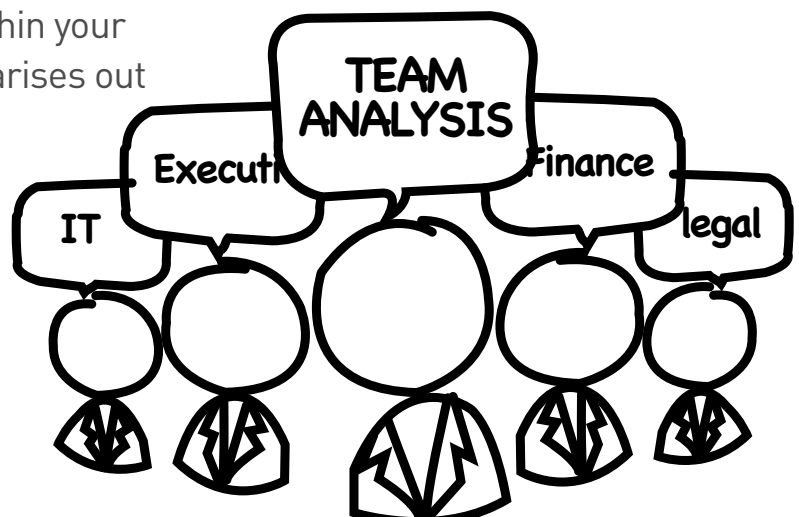
After you outline your business goals and roadmap, you can then effectively analyze all the various alternatives that Microsoft® offers.

Leaving Out Key Internal Stakeholders

It is important to understand the influences within your own company and build consensus where possible.

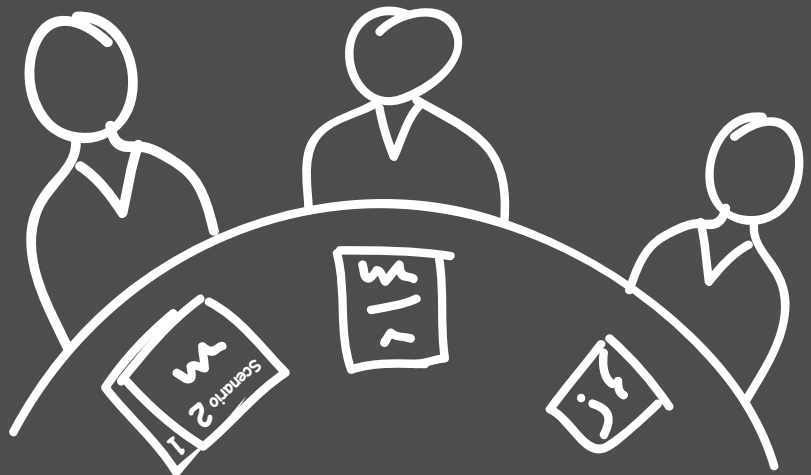
When preparing for negotiations, make sure to understand the different priorities at work within your business and make sure they are represented on your negotiation team. Because these differences can affect both the strengths and weaknesses of a team, it is imperative to build a diverse team that represents various departments of the company. Doing so strengthens the team's knowledge and negotiating power. These differences can bring added perspectives that will result in better negotiation.

To clearly understand the influences within your company, consult with the IT Team, procurement team, C-level executives, finance representative, legal representative, and an outside consultant, as necessary. Once you fully understand all influences within your company, build a consensus that arises out of a good-faith effort to meet all stakeholder interests. To do so successfully, you should create a definition of success that all departments agree to before entering negotiations.



Preparing for a Single Scenario

When negotiating with Microsoft[®], it is recommended to prepare at least two or three alternate scenarios to your planned outcome. The best practice is to engage in a financial analysis, outlining the various licensing options available and the ramifications of each option over the next three to six years. This analysis should factor into your planned technology deployment and Microsoft's new product release roadmap.



You should determine the point at which you are prepared to leave the negotiation table, or when you will accept terms that are better than your original goal. These are not necessarily the goals you set out to achieve in the negotiation process, but the potential alternatives to consider.

Benchmarking Against the Wrong Scenarios

While it's important to understand what you need, it's equally important to understand the environment in which you are working. This calls for some counterintelligence activity to understand what is considered acceptable for companies in your industry, size and geographic area.

A detailed benchmark analysis will also give you a good idea of what you can realistically expect from Microsoft®. Two common mistakes that many companies make is to either not perform this benchmark analysis at all or to get benchmark information from a reseller or a peer at a different company. While you may find that Microsoft® offered them a specific discount, without a more in-depth analysis of the discounted offering, the information could be very misleading.

When benchmarking, make sure to gather vertical market-specific information from organizations of the same size and in the same region. Also take into consideration the type of agreement and product mix to ensure an apples-to-apples comparison.

Going it Alone

Preparing for an Enterprise Agreement with Microsoft® is a team sport. If the team works together and keeps everyone informed, the corporation is more likely to close the most optimal agreement. For example, procurement and IT should work together to reach an agreement rather than either department approaching Microsoft® without the other.

If IT goes it alone, expecting the procurement team to offer a “rubber stamp” to the agreement they organized, the company may miss out on package offerings. IT’s focus may be on a specific product and they may not be aware that the product is offered both separately (their interest) and as part of a bundle package (a better offering). And what if the Procurement team attempts to negotiate a package without the in-depth understanding that the IT team has of the corporate software needs and requirements, now and in the near future? In this case, an optimal agreement is also nearly impossible.

The most effective negotiating team typically includes a Core Team that will negotiate directly with Microsoft (typically representatives from IT and procurement), a Support Team (legal, R&D, IT and finance) and decision makers, which are C-level executives who are not involved in the nitty gritty of the negotiations but will sign-off on the final agreement.

Each element of the negotiation team plays a crucial part in the negotiation process and brings critical information to the team. By working together, the team can successfully leverage the training, knowledge, and maneuverings necessary for successful negotiations.

Winging It Based on Notes and Memory

To protect the integrity of your negotiation team and keep it from being circumvented by Microsoft or delegitimized, ensure that all internal team members within your organization know the goals of the negotiation, the progress to date, and how you plan to approach and deal with Microsoft. To do so effectively, the industry best practice is to create a “Readiness and Strategy” document that dynamically explains the expected negotiation strategy of the corporation, as well as the strategy and tactics that you expect Microsoft® to take during the negotiations.

The document should include an outline of the different stages of the negotiation, strategy and tactics to be used by the negotiation teams, the goals and budget criteria, a list of the recommended participants in the negotiation team and fallback alternatives, details of Microsoft’s expected objectives and strategy, the expected timeline that will be given to Microsoft and the expectations for each round.

This internal document helps the entire negotiating team understand the phases of negotiation and remain aligned throughout the process.



Disregarding Microsoft's Goals During Negotiations

After determining your own goals, reservation points, and potential alternate outcomes, do the same for Microsoft®; by understanding Microsoft's® interests and goals, you can better understand potential obstacles at the negotiation table. Such information can be found from a variety of sources, including unofficial discussions with your Microsoft® Account Manager.

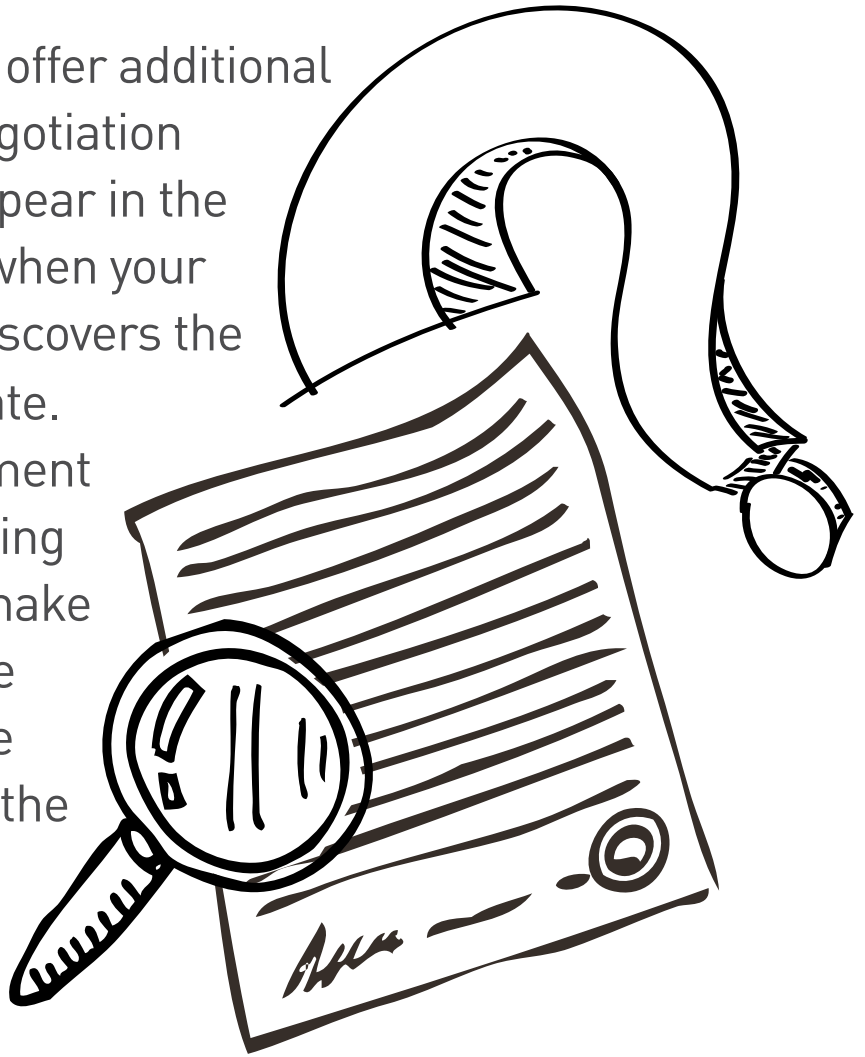
Because Microsoft® sets very high goals for Account Managers — typically, they are expected to increase the licensing revenue from your previous or current agreement by between 15-20% — part of your preparation should include making a list of the decision makers on the Microsoft® side. Microsoft® has a structured approach to negotiating agreements so you must find out who has the ability to agree to concessions in its organization.

In this phase, it is important to understand that Microsoft requires its Account Managers to promote Enterprise Agreements and encourages them to push corporations in this direction. Account Managers get rewarded, or penalized, based on their performance.

Bonus Mistake

Assuming Everything Discussed Appears in Your Agreement

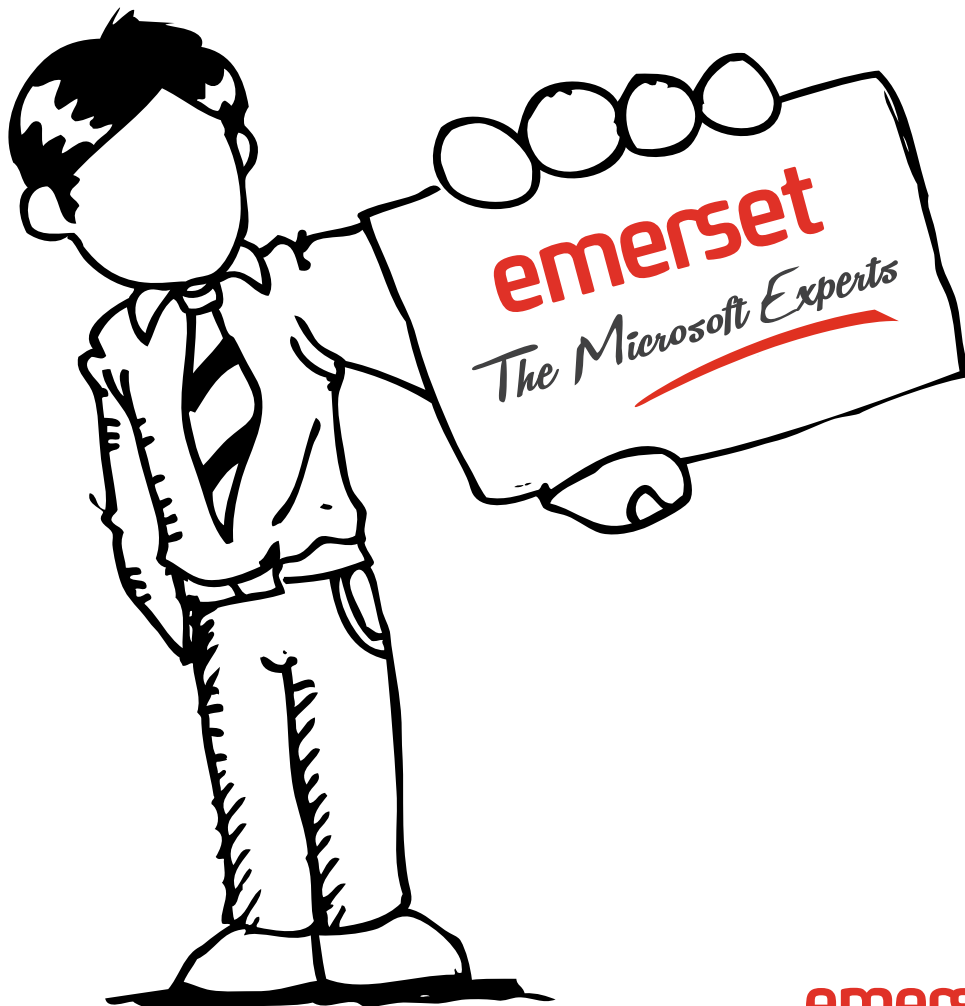
Often, negotiators will offer additional benefits during the negotiation process that do not appear in the final agreement, and when your company eventually discovers the discrepancy, it is too late. It's important to document all offerings made during the discussions, and make sure they appear in the final agreement before signing it. If it is not in the agreement, it may as well not exist.



So it is crucial to draft all agreements regarding concessions, special terms, and conditions into a formal Microsoft® document. Then make that document part of the overall set of official statements set out in the Enterprise Agreement or Enrollment. Do not accept local subsidiary letters, mailed notes, or verbal promises, as none of these has any legal status.

in conclusion

Emerset has nearly a decade of experience helping enterprises all over the globe contain costs in their Microsoft Enterprise Agreement renewals. We can help you avoid overspending, and align your software asset planning with your long term business strategy. With over 500 contracts negotiated and a new licensing deal closed each week by one of our clients, Emerset is uniquely positioned to guide your company through the licensing and renewal process. Our proven, hands-on approach, including our vast repository of benchmark data, saves our clients millions of dollars each year on Microsoft licenses, and can help you avoid future software licensing costs as your business evolves.



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