Winning In Government
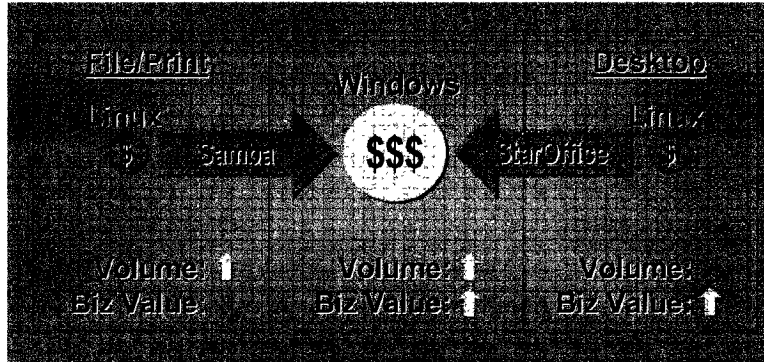## Four Challenges and Four
Solutions You Can Use Today

realizing **potential**
MGB 2002

Agenda

- Selling Against Linux – Implementing on the Basics
- Piecing Together the Government Puzzle – What Make Governments Different?
- Competitive Response Roadmap for Government
- Action Items
- Discussion

Defending the Key Beachheads

- [ ] **The core of the Windows value proposition is Business Value + Volume**

Research and academic includes HPC and Grid computing

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The Windows Business Case

1. Comparable server total cost of ownership; lower desktop TCO
2. Delivers greater business advantage
3. Easier to use & richer experience
4. Much larger partner & ISV ecosystem
5. Better accountability to customers

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The Microsoft Innovation Case

Need slide that calls out why our solution set is much more compelling and ultimately more interesting

Slide should call out need to have deep understanding of the customer requirement and subsequent development of a vision / scope document to help the customer solve problems or take advantage of opportunities (see the Holland vision scope work)

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Field Competitive Strategy

- ☐ Focus on the business decision maker
  - ■ Avoid 'religious' discussions at all costs
- ☐ Identify & upgrade Windows NT 4.0 servers
- ☐ <u>Refuse to lose</u> in the key beachheads
  - ■ <u>File Servers: Samba</u>
    - ➤ $1.2B in annual revenue
    - ➤ Windows NT Server 4.0 still 64% of installed base
  - ■ <u>Desktop: Linux + StarOffice</u>
    - ➤ 65% of MS revenue from Office + Windows
- ☐ Samba & StarOffice = entry points to the high volume, high business value segment!
- ☐ Escalate to CompHot alias

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Piecing Together the Government Puzzle

Today the Four Troubling Things We Hear or See in Government:

Complaints about Licensing 6.0

Complaints that they are "locked in and don't have a choice"

Lack of trust in our technology and its security/privacy

Growing interest around Linux and Free Software

Taken Together, Gov't Wants A Company That Allows Them To:

Be fiscally responsible

Exert control & oversight for IT and its impact

Protect national security

Grow a local IT industry and a base of skilled workers

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Reasons Government Elites Support OSS and Linux
(IGES Qualitative Results, n=670)

	Global	Australia	Brazil	EU	Germany	Italy	Japan	Korea	Spain	Sweden	Taiwan	UK
Lower TCO	1	1	2	2	3	1	2	4	1	1	1	1
Commercial Software Alternative	2	2	2	1	1	2	4	3	2	2	3	3
Build Local IT Industry	3	3	1	5	5	3	3	1	3	5	2	4
Simple License	4	4	4	3	6	5	1	5	7	6	7	5
High Quality	4	5	4	4	2	5	5	6	5	3	4	1
Strong Security	6	7	6	8	4	4	7	8	7	4	4	6
Better Standards	7	6	6	6	6	7	5	6	5	7	7	7
MS Alternative (vol)	8	8	8	7	8	8	8	2	4	8	4	7

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Piecing Together the Government Puzzle

- [ ] We have the technology products that government needs but this isn't enough
- [ ] Government have different needs than enterprise customers
- [ ] Government decisions are driven by technology as well as politics
- [ ] Winning will require a unique toolkit of programs and offerings

Competitive Response Roadmap

	FY03 H1	FY03 H2
Fiscal Responsibility	Global TCO Study EDGI	Country REJ Study
National Security	Gov't Security Program	Crypto Module
Industry Growth + IT Skills	Growth and Opportunity Suites	Project Marshall
Government Control	Community Leaders Outreach	Local Advisory Boards

Govt. Engagemment Program (GEP) is more than this, it is about building world class infrastructure ..

Laying out right people

INvotong right people

Broader engage for infrastructure

Fiscal Responsibility
Global TCO Study

☐ Overview: IDC interviewed 100 customers, modeled data, and found that Windows and Linux have roughly comparable TCO:
  - Web serving: Windows is 6% higher TCO over 5 years
  - File serving: Windows 13% lower TCO over 5 years
  - Print serving: Print 19% lower TCO over 5 years
  - Networking: 11% lower TCO over 5 years
  - Security servers: 34% lower TCO over 5 years

☐ What it does: Removes myth of lower TCO as an argument to purchase Linux

☐ Where to learn more: http://linux , TCO

☐ Subsidiary action: learn to use TCO metrics credibly. Then turn conversation to benefits of Win2K Server.

I would recommend that TCO be presented in the following manner:

1. Teach rep not to lead with TCO but to use it to counter assertions that Linux is free, or at least cheaper than Microsoft. The best thing for a rep to say is that we have "roughly comparable TCO." Then to turn the conversation to the techological advantages of Windows over Linux, plus the organizational advantages.

2. For sales rep to be able to describe our TCO metrics effectively, here's a **short summary**.

> To delve into the true story behind so called "free software," Microsoft commissioned market research vendor IDC to conduct a TCO analysis to quantify the hidden costs of using Linux in the 'real-world ' The TCO analysis focused on major server workloads where Linux has made inroads in market share:

  - Web
  - File-print
  - Networking - WINS/DHCP/DNS, RAS, Directory, Cache, Other (router/hub/switch)
  - Security - Proxy/Firewall/VPN, Authentication/Access/DRM/Certificates

> **Where did IDC get the data?** IDC interviewed 100 customers over the phone who consider themselves late adopters (i.e.

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Fiscal Responsibility

Education & Government Incentive Program (EDGI)

- ☐ **Overview: Revenue adjustment program for new OEM PCs**
- ☐ **What it does: Allows us to compete with naked PCs and Linux PCs on cost**
  - ■ **Can offset cost of Windows through services, training and/or direct rebates**
  - ■ **Use only with approval and for select large education and government deals**
- ☐ **Where to learn more: email: edgihq**

Add best practice example of where similar approach worked

What EDGI Is. A tool that supports the MS strategy for winning against low-cost/no-cost competitors in the government and government-driven education space. EDGI is a framework for responding to large deals involving a designated regional team to support the subsidiary using a consistent process. This effort will be integrated into the overall sales process and utilize the same tools and processes. EDGI is focused on the sale of OEM PC's. Geographically, EDGI is intended for developed and developing subs through there will be a special emphasis on developing subs.

EDGI is not a tool to help win commercial deals. It is only a piece of our competitive strategy and is not applicable for small opportunities. EDGI funding is limited

With EDGI we will increase our win percentage against the competition, especially in developing economies. We'll protect our product price points by removing discounts below empowerment guidelines. EDGI allows us to pursue incentives in a predictable and controllable way to ensure maximum use of resources. We'll track the use of resources centrally to we understand the tradeoffs we're making

EDGI Background

In light of recent pressures from Linux and the open source movement in education in Malaysia, Taiwan, Brazil and many others, the Education Solutions Group [EdSG] and windows client group have been developing a plan to give you an additional tool to ensure that we can always match and thereby never lose to Linux in this space. The Education and Government Incentives [EDGI] plan will provide funding in the form of revenue adjustment so that we can invest in deals that involve customers purchasing OEM PC's This will enable us to compete with naked PC's / Linux PC's by meeting competition and matching prices if necessary. While this process is being developed and implemented, we need to ensure that we don't hold-up or lose deals while waiting for this to become available. You are empowered to make commitments to return a maximum of the cost of Windows on OEM PC's to the customer in the form of services, training, and/or direct rebates if necessary to match a lower competing price in order to win a large education and government deal when necessary. Until we get this formalized, account teams should email edgihq and their GM to ensure visibility to any deals that you intend to use this program for The team in Redmond (David Driftmier and Pat Fox) will ensure you get the support you need to execute on this. As soon as we get the details finalized we will update you with all the specifics.

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Fiscal Responsibility
Proactive REJ Studies

- ☐ Overview: Localized Rapid Economic Justification studies for 40 subsidiaries in FY03
- ☐ What it does: Allows us to go into a govt agency before there is a Linux TCO study
  - ■ MS shapes cost/value definition
  - ■ Proactively identifies where we are not competitive
  - ■ Regional teams of experts conduct the studies
- ☐ Status: In progress – approval pending
- ☐ Subsidiary action: GM input requested

Add best practice example of where this worked

Best practice: Belgian Ministry of Finance – see attachment mailed to David for details.

What it does. Allows us to go into a govt agency before there is a Linux TCO study

MS shapes cost/value definition

Proactively identifies where we are not competitive

Regional teams of experts conduct the studies

National Security
Government Security Program

- ☐ Overview: New government offering includes:
  - ■ Windows source access via secure website for sponsoring agency and contractors
  - ■ Redmond residency program to audit build process
  - ■ MCS/PSS efforts to support projects
- ☐ What it does: Increases trust and transparency, removes significant OSS differentiator
- ☐ Where to learn more: email <u>Davidco</u>
- ☐ Action: ID technical & business owners for your sub

The government security team in June visited government customers in Korea, PRC, Singapore, Russia, France, and Brazil. Met with deputy-minister level people from Defense, Intelligence, and E-Government agencies as well as their key Academic advisors and contractors

Add best practice example of where this worked (Saudi)?
OVERVIEW:
Government Security Program consisting of the following elements
  Source Code access, sponsoring other government agencies and contractors
    Access through MSDN Code Center Premium
    Sponsoring agency manages a smart card billet system for maximum 25
    Specific projects with 3rd party contractors or consultants mutually agreed and authorized by Microsoft
  Redmond visit to audit build process and discuss their critical projects
    10 day visit includes interaction with product group, visit to build lab, build own CD project, pursuit and support of specific objectives outlined in their proposal and product group and senior management de-brief to share ideas and capture customer feedback
    Separate build lab infrastructure and support provided (building 25?)
    Government submits proposal outlining specific goals and objectives in coming to Redmond prior to arrival
  MCS/PSS support where required to support their projects
    Create forcing function in agreement that leads governments and subs to allocate necessary resources in order to be successful with related projects
  Feedback on security-related issues and development kits
    Provide clear process for logging and following up on security bugs reported as a result of source code review
    Create process to capture feedback to be used to identify development kit improvements
  Additional security-related documentation as below
    Improve PAG, planning and operations guides, document security-related deltas from version to version releases
    Communicate technical reasons for the things we do
    Answer why we do the things we do from a bigger picture policy and architectural perspective
  Develop a business policy for how we engage foreign governments in security related technical discussions and collaboration. Agencies visited want to engage technically; if we do so we can get mindshare & funding that is or will be applied to Linux
  Staff 2 hub-spokes systems (Redmond – subsidiary/region) for government-centric security efforts (i) business approach & engagement/market development, (ii) technology/product design & collaboration. Est ~15 heads worldwide (including MCS). some staff already in subsidiaries. Must do efforts include

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National Security

Government Security Program Training

- ❑ What:
  - Policy, strategy, tactics, technology, tools
- ❑ When:
  - Sept 9-10, Bldg 33/Baker, Redmond
- ❑ Who:
  - Govt BizDev exec (or LCA) from subsidiary
  - MCS/TS/TAM with infrastructure security knowledge/responsibility from sub or region
- ❑ How:
  - mailto:rebstern (Becky Sternberg) to register

National Security
Pluggable Cryptographic Modules

☐ Overview: Technology solution that allows substitution of MS standard crypto module with module built by government or other third party entity.

☐ What it does: Increases trust and transparency. Removes significant OSS differentiator.

☐ Status: in progress – approval pending

☐ Subsidiary action: ?

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Industry Growth + IT Skills
Growth & Opportunity Suite

☐ Overview: Suite of information including:
- IDC study looking at IT economies in 29 countries
- Overview of Microsoft partner model
- Government best practices for building local industry

☐ What it does: Basis for beginning discussion with government about building strong local IT industry

☐ Where to learn more: email <u>davidkae</u> or go to <u>http://lcaweb/WSG/CLO/Tools/Opportunities</u>

☐ Subsidiary action: Identify sub champion for this subject and engage with government leaders

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Industry Growth + IT Skills
Project Marshall

☐ Overview: Negotiate and implement MOU with government, academia and local industry outlining MS local commitment

  ■ IT Economy Blueprint (McKenzie Study + Working Group)

  ■ IT Sector Opportunities (hardware, software & service commitments, co-marketing, source access, tech co-development, VC funding)

  ■ IT Skills (teacher training, free certification, curriculum development)

  ■ Academic & Research Cooperation (source access, MSR partnerships, research outsourcing)

☐ What it does: Convinces government, academic and industry elite that Microsoft is investing locally and committed to country's success

☐ Status: in progress – approval pending

☐ Subsidiary action: Provide feedback to initiative working group on feasibility, benefit, resource needs

Introduce by using China as best practice example

MOU is something each subsidiary should work towards creating. The MOU is a structured process that allows us to develop a meaningful local partnership with industry, government and academia The process of negotiating and leveraging the MOU is as important as the substance.

MOU can contain
- Building and implementing an IT economy blueprint
  - McKenzie style economic study
  - Formation of MS, industry and government working group
- Education and training
  - Target both developer and knowledge worker environment
  - Money and resources for curriculum development
  - Money and resources for teacher training
  - Subsidized certification on MS products
- Academic and research cooperation
  - Source code access and community
- Product localization
- Commitment to expand opportunities for local firms
  - Hardware manufacturing outsourcing
  - Software outsourcing
  - Service partnerships
  - Financial commitment for VC opportunities
  - Co-marketing financial commitment
  - Source access for local industry
  - Technology co-development

Government Control
Community Leaders Outreach

- ☐ Overview: Government targeted image building initiative
  - Key theme is realizing potential. Corp delivers tools around digital decade, responsible leader and trustworthy computing
  - Infrastructure encourages GM involvement
  - Coalition focus on Initiative for Software Choice (www.softwarechoice.org)
- ☐ What it does: Allows Microsoft to engage proactively in public policy discussions about IT and its impact on local society and industry.
- ☐ Where to learn more: http://lcaweb/wsg/clo
- ☐ Subsidiary action: Form CLO team and follow RVP budgeting guidelines. Send CLO team to regional workshops in late fall. Support Initiative for Software Choice.

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Government Control
Local Advisory Boards

☐ Overview: Group of current or former government officials that provide advice and guidance that is used as feedback loop for product design and business decisions

- Boards include senior Microsoft executives at regional level and from Redmond
- Five largest subsidiaries have country advisory boards
- Three+ regional advisory boards

☐ What it does: Demonstrates Microsoft's commitment to listen to government input and use that input to shape product and business decisions.

☐ Status: in progress – approval pending

☐ Subsidiary action: GM feedback requested on the likely value of the idea and guidance on possible roadblocks

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Crisis Management
Escalation Programs

❑ Overview: There are three main escalation paths in Redmond

- Product: comphot alias
- Legislative & Regulatory: Davidkae

❑ Crisis tools:

- Peter – anything to point to on http://linux?
- Q&A With GM's faced with legislative challenges

❑ Subsidiary Action: Ensure one person on team is member of 'gosdft' and '____' aliases

Summary of Recommended Actions

- ☐ X
- ☐ X
- ☐ X
- ☐ X
- ☐ X
- ☐ X

Discussion Time

realizing
potential
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