



Redefining Software Contracts & Negotiations
Practices

EMEA 2008

MAKING SENSE OF OPPORTUNITY AND RISK:
THE JOURNEY TO CONTRACTING EXCELLENCE

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The current dynamic

- Supplier's need to protect IP
- Intransigence: standard Ts & Cs
- Complexity
- Long & expensive bid process
- Supplier resource constraints
- Onerous legal discourse

So, why is it so complex?

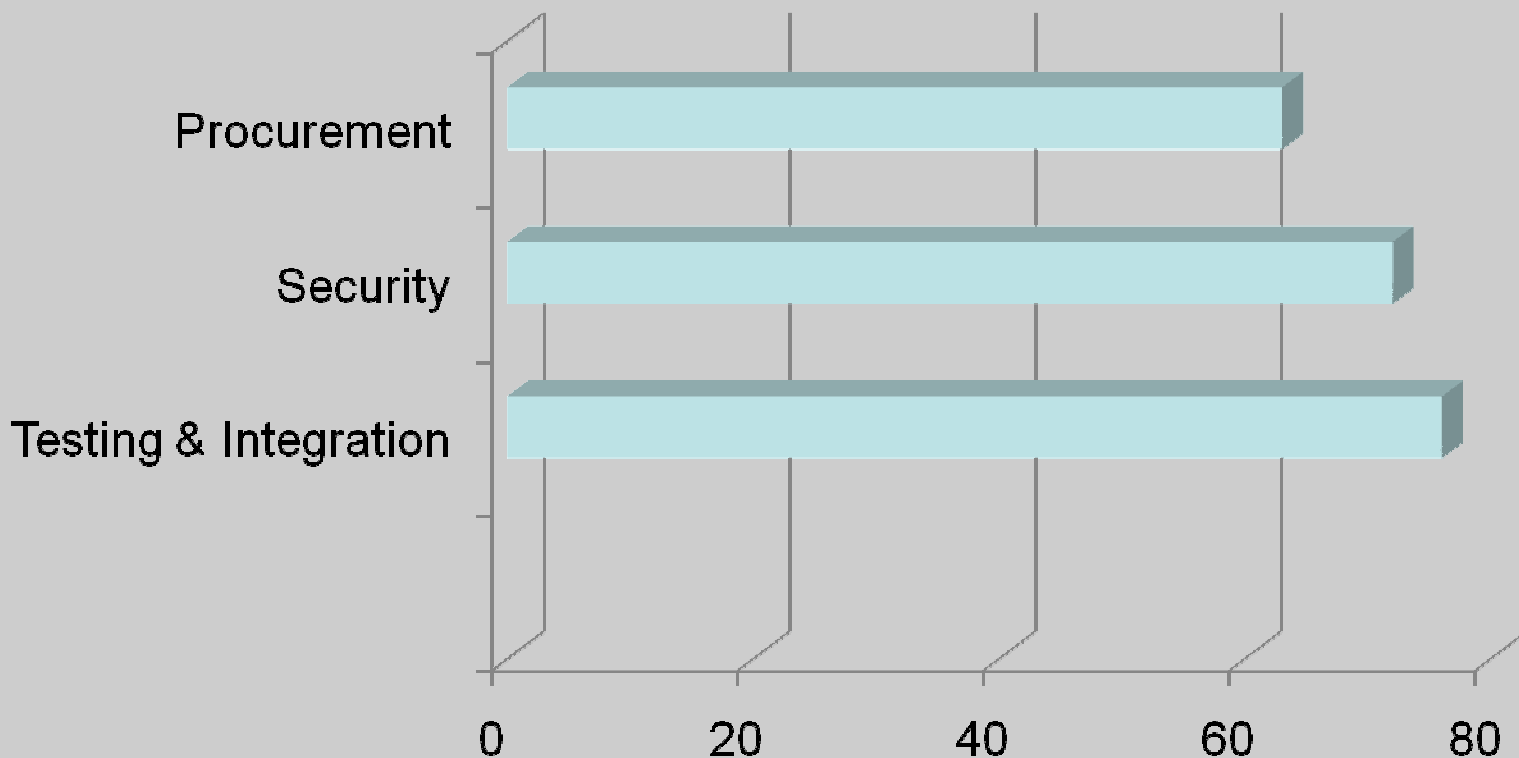
- Supplier seeking to protect assets continually being revised & enhanced
- Managing risk in an international business environment
- Facilitating flexibility in a regulated environment
- Adapting legal and commercial responses to technological innovation

A Balance of Aspiration & Realism

- The commercial dynamic in the negotiation
- Standard/commoditized products vs. bespoke solutions
- A level of complexity we can eliminate and a re-balancing of risk we can achieve

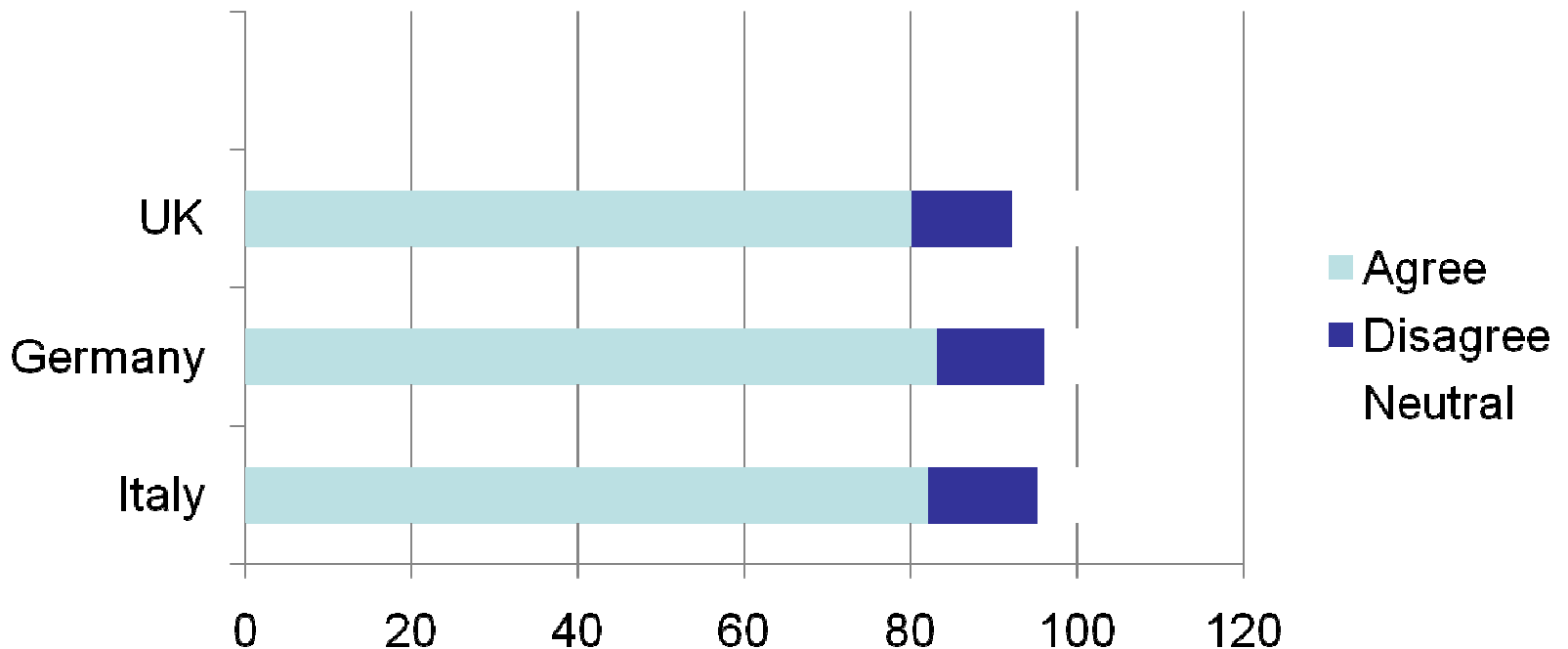
Identify the top three areas where your dealings with suppliers have become increasingly complicated

- Vanson Bourne, March 2008



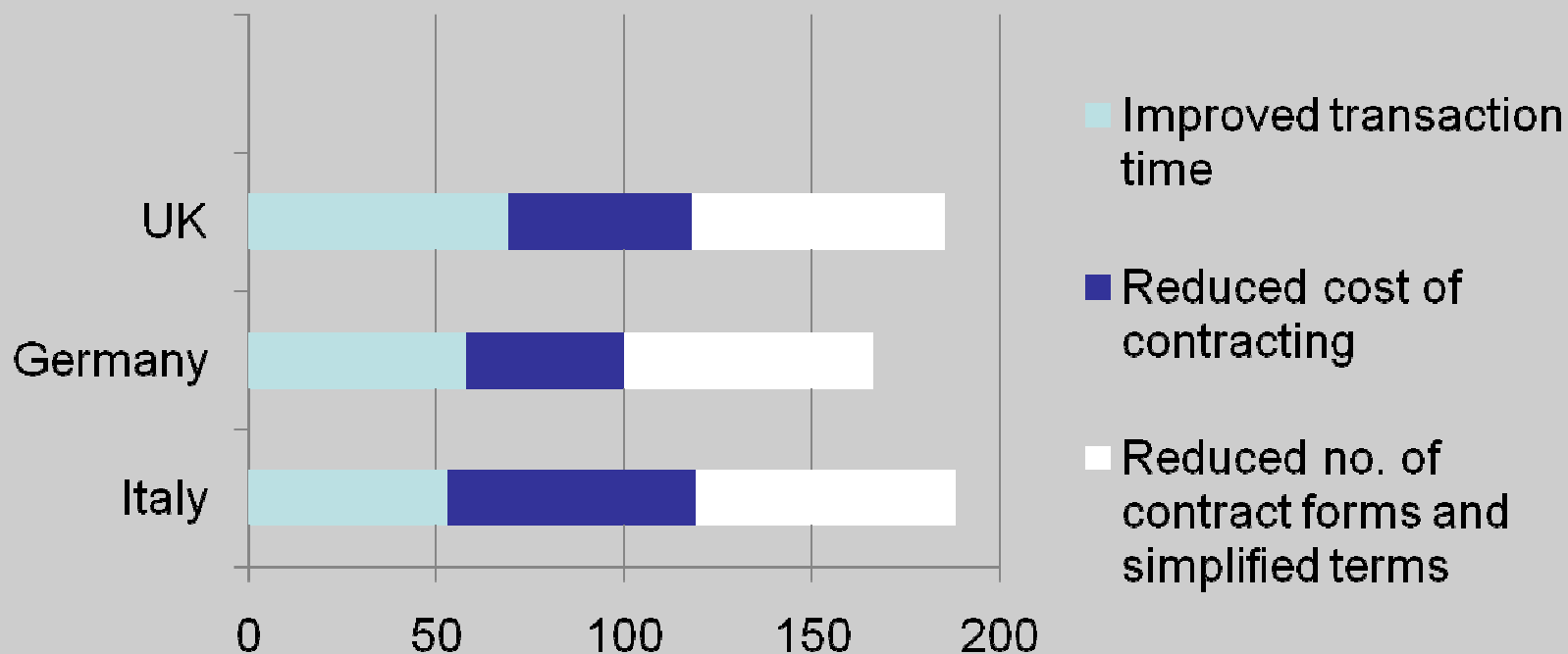
To what extent would you agree? “Inflexibility of software contracts can slow down the procurement process within my company particularly with finance and legal teams”

- Vanson Bourne ,March 2008



What do you believe would improve the perceived value of IT across your company?

- Vanson Bourne, March 2008



Why do something about it?

- Significant benefits to IT departments
- A happier customer is a good buyer!
- Supply side innovations that allow supplier to present a differentiated value proposition

Our Goal

- Deliver better terms through a focus on speed, lower transactional cost and balanced risk allocation
- Better align Microsoft's engagement resources to customer's agendas
- Reduce standard contracts from many unique forms to a rationalised few

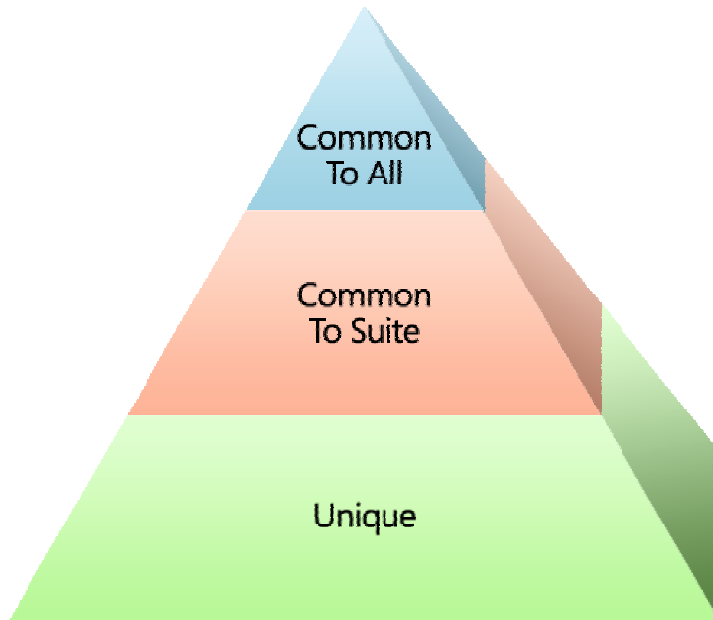
What are we doing?

- Challenge top friction causing terms: IP ownership & Indemnity, LOL, Residuals and Feedback provisions
- Reduction in number and size of contract forms
- Simplified language
- Easier contract navigation
- Reduction in no of product licensing models
- Reduction in volume licensing programs
- Microsoft Select Plus

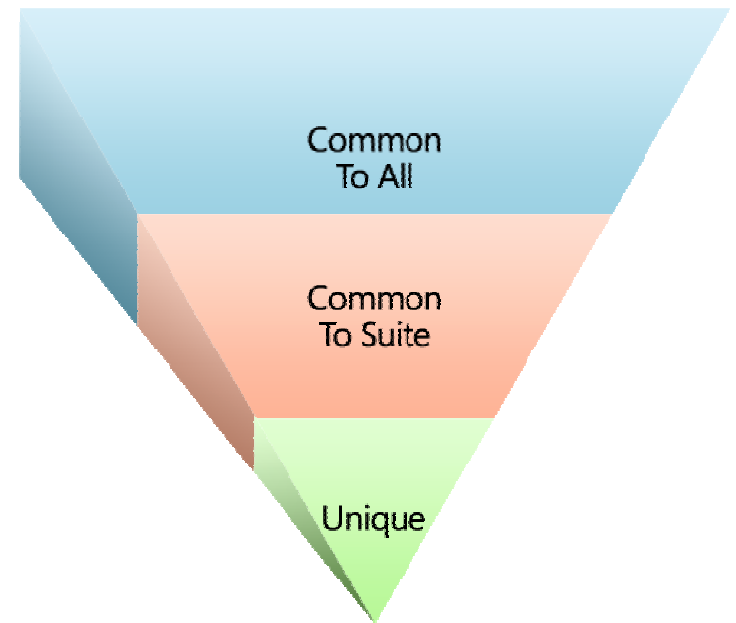
Reduction in the number of contract forms

Goal: Reduce contracts from 1400+ unique forms to a rationalized few

Today



Tomorrow



Better align Microsoft's engagement resources to customer's agendas

- Lawyers as hired guns vs. ambassadors
- Address disorganised and uncoordinated negotiations
- Focus on relationship a negotiator has with own organisation

Conclusion

- We acknowledge the need for improvement
- A long way to go: ***Listening, Learning and Improving***
- Requires a visionary element
- An industry issue: a catalyst for change
- Increase the value of Contracts, Sourcing and Legal's business contribution
- Far too important to be left to lawyers