



## **Windows® 7 in the Enterprise**

***Delivering Enterprise Solutions with Windows 7,  
MDOP and Server 2008 R2***

***The Microsoft Value Proposition for System  
Integrators***

**White Paper**

April 2009

### **What's Inside**

This guide describes how Microsoft Systems Integration (SI) partners can use the launch of the Windows® 7 desktop operating system, the continuing focus on the Microsoft Desktop Optimization Pack and the upcoming release of Windows Server® 2008 R2 to help partners build profitable revenue-generation solutions and services that will help accelerate the deployment of Windows 7 into the enterprise marketplace. This white paper was developed in response to requests for more partner-relevant value propositions related to Windows 7.

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## Executive Summary

Systems integrators (SIs) generally make money by selling hours of staff time, organized and delivered as projects. They do not often invest ahead of demonstrated demand for those hours, especially if their resources are already busy or if the market environment is especially challenging or uncertain. They are, however always looking for ways to add value for their customers. Other revenues, from outsourcing contracts, managed services and value-added reseller (VAR) sales, are an increasing source of value-added, non-project-based business that can help smooth revenue when projects are scarce and clients are more focused on efficiency and cost savings than on growth. As the demand for project work declines with adverse global and regional market conditions or becomes commoditized over time, margins erode even if revenues can be maintained. In response, SIs must squeeze more productivity from their resources and move on to new solution areas where margins, which strongly correlate with the perceived complexity of solutions, are still attractive.

To attract SIs to invest in delivering solutions based on the Optimized Desktop with Windows 7 and associated solution enablers such as the Microsoft Desktop Optimization Pack (MDOP) and the capabilities of Windows Server 2008 R2, Microsoft must be able to demonstrate how Windows 7 can help uncover the new and attractive opportunities that customers will demand and SIs can exploit profitably.

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The history of business computing is one of constant evolution. Established businesses often struggle to keep up with new possibilities, even as emerging competitors embrace them. Business decision makers depend on their technology managers and external partners to help understand what's now possible and when to discard old investments and move on. Microsoft introduced the people-ready business campaign<sup>1</sup> to help business decision makers understand that technology-enabled competitiveness will move beyond simple task automation and instead focus on giving *all* of the people in a business the tools and information to accelerate their contribution to business success. The people-ready idea is especially important today, when market conditions are unfavorable, growth is hard to come by and resources are constrained.

Windows 7 is a key element in the continuing evolution of business technology. SIs have a significant opportunity with the impending launch of Windows 7—but this opportunity will only be realized if the technical capabilities that Windows 7 brings and the solutions that these capabilities make possible are matched to the SI's marketplace position, technical readiness, business model, and key strategic drivers.

The current business computing environment, while likely to be challenging for the foreseeable future, does indeed offer attractive opportunities. Business decision makers increasingly understand that most if not all of their business computing investments, including the desktop and mobile PCs, are now "business critical" and are demanding that technology managers create infrastructure that has the necessary reliability, security, performance and availability, while also providing business users the tools to increase productivity as much as possible. Enterprise technology must now support an increasingly mobile and dispersed workforce that expects to be able to work effectively wherever and whenever needed.

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<sup>1</sup> <http://www.microsoft.com/business/peopleready>

Preparing the personal computing infrastructure for Windows 7 can help accelerate and simplify the effort required to meet these demands, particularly when using Microsoft's infrastructure optimization models<sup>2</sup> and infrastructure maturity thought leadership investments.<sup>3</sup>

Windows 7 offers improved performance and security over previous versions of Windows. For customers who are actively engaged in infrastructure optimization programs, Windows 7 can be a critical tool in accelerating infrastructure maturity and thereby helping achieve improved business results.<sup>4</sup> In the client infrastructure optimization model, the rich set of features in the Microsoft Desktop Optimization Pack (MDOP)<sup>5</sup> can be used to simplify the creation, deployment and management of standardized desktop software stacks. Distributed and mobile access to centralized application configurations move a customer from the Standardized to the Rationalized level and use of the System Center suite of capabilities extend the maturity to the Dynamic level with respect to the management of user security policies, endpoint configuration and patch management.

| Summary of the six MDOP Tools               |
|---|
| Application Virtualization                  |
| Advanced Group Policy Management            |
| Asset Inventory Service                     |
| Diagnostic & Recovery Toolset               |
| System Center Desktop Error Monitoring      |
| Microsoft Enterprise Desktop Virtualization |

SIs can offer their customers significant operational cost advantages using Windows 7 and MDOP to achieve a managed desktop infrastructure and by deploying best practices for services and support<sup>6</sup>. A large proportion of enterprise accounts now have MDOP available as a part of their EA and SA agreements, but deployment is still limited in many businesses<sup>7</sup> – representing a major opportunity for SIs to accelerate the delivery of desktop computing cost savings.

The large numbers of customers who have delayed upgrading or refreshing their desktop and mobile computing platforms<sup>8</sup> represent another clear opportunity – to jump straight to the forefront of productivity and competitiveness with the deployment of Windows 7, MDOP, and Windows Server 2008 R2.

<sup>2</sup> Core infrastructure, business productivity infrastructure, and application platform optimization models (<http://www.microsoft.com/io>)

<sup>3</sup> <http://www.microsoft.com/business/peopleready>

<sup>4</sup> Research by Keystone Strategy and the Harvard Business School, sponsored by Microsoft, demonstrated in 2006 that businesses with a superior technology infrastructure delivered superior business performance (<http://www.microsoft.com/business/enterprise/itdrivesgrowth.mspx>).

<sup>5</sup> Use of MDOP requires an in force Software Assurance (SA) agreement and per-user licensing

<sup>6</sup> See "The Enterprise PC Lifecycle: Seeing the Big Picture for PC Fleet Management" from Microsoft, published in 2008 and available at [http://download.microsoft.com/download/1/A/7/1A765767-7CC2-4604-8F18-C8954D548F09/Enterprise%20PC%20Lifecycle%20\(Desktop%20Opt\)%20-%20whitepaper.pdf](http://download.microsoft.com/download/1/A/7/1A765767-7CC2-4604-8F18-C8954D548F09/Enterprise%20PC%20Lifecycle%20(Desktop%20Opt)%20-%20whitepaper.pdf) and "The Road to Desktop Optimization" available at <http://download.microsoft.com/download/b/2/a/b2a25a0a-2c82-444e-b60e-87f239131c5f/Optimization%20White%20Paper%202009%20FINAL.pdf>

<sup>7</sup> Anecdotal evidence. Actual take up rates are not currently available.

<sup>8</sup> Market data indicates that as many as 75% of enterprise customers have not yet started or have yet to complete the migration from Windows XP.

## 1: Opportunities for SIs

Today, it's critical for a successful partnership that technology vendors recognize that SIs operate in a marketplace in which:

- Growth is harder to come by as the rate of technology spending slows to match overall economic activity more closely.
- Margins are under constant pressure from shrinking demand, improved automation, smaller project commitments from clients, global sourcing, and increasing competition.
- Clients demand a higher degree of risk sharing from their services partners without comparably improved gain share.

To continue to be successful, enterprise SIs must find and adopt strategies that directly address these challenges, even as the marketplace continues to evolve.

The table below provides a brief summary of the top Windows 7 features and enhancements for enterprise users. More details are also available online.

| Windows 7 Key Feature or Enhancement <sup>9</sup> | Benefit  |
|---|--|
| DirectAccess™*                                    | A simpler way to provide seamless access to corporate information without the requirements for a VPN based on Internet and security standards  |
| BranchCache™ *                                    | Improves performance for users in branch offices by caching information locally  |
| BitLocker & BitLocker to Go                       | Data protection for business information in transit or at rest, either on hard drives or removable storage devices   |
| AppLocker   | Restrict what can be installed or run on a machine to protect against malicious or badly behaved software  |
| Image Management                                  | Improved productivity and speed when building and deploying Windows 7 images, both physical and virtual.   |
| User State Migration Tool                         | Faster and simpler transfer of a user's environment when upgrading to Windows 7  |
| Windows Troubleshooting Platform                  | Comprehensive and extensible troubleshooting engine to automatically resolve issues for end users, avoiding calls to the help desk.  |
| Search Federation                                 | Providing a single, multi-target search platform for enterprise information and public data sources directly through Windows Explorer.   |
| Enhanced UI capabilities                          | Improved Aero interface. Simplified navigation and increased touch interface with multi-touch creates the potential for new usage models and interactions.                             |
| Internet Explorer® 8                              | Added security, greater ease of use and an improved user interface design in an increasingly critical business information tool.   |
| HomeGroup and Location Aware Printing             | Enable end users to easily access resources like media and printers on their home network from their corporate laptop when at home, while protecting the corporate data on the laptop. |

Table 1: Top Windows 7 features and enhancements

<sup>9</sup> Features marked with an \* require Windows Server 2008 R2 to be deployed

Not all workers use their desktops and mobile PCs in exactly the same way or for the same tasks. And there is a growing expectation that people will be able to work from anywhere and have access to their data at any time. While this increases productivity, it also introduces additional management and security burdens for an organization's IT department. Although it is important to deliver flexible configurations, provide offline access to data and applications, and enable people to customize their PC environment, IT departments are also required to manage which applications users should have access to, ensure data is being backed up, and provide an option to centrally execute applications which use sensitive data or require high data transfer bandwidth.

The features listed above (and the many other enhancements available from Windows 7) enabling SIs to reduce customer costs and enable them become more agile in delivering applications and data services that are compliant with their data security and regulatory requirements. By using some or all of these technologies together, SIs can provide very flexible solutions to support many user scenarios.

Although technology vendors are continually introducing new products and product features, SIs are by nature conservative businesses when it comes to investments in new services and solutions. The majority of their work originates with customers who are not early adopters of new technologies and products. The SIs' challenge is to time the market demand so that they are ready with the requisite skills and capacity as a platform evolution becomes adopted by the mainstream.

The combination of Windows 7, MDOP and Windows Server 2008 R2 creates or extends the following service and solution opportunities for SIs:

| Opportunity                                 |  |
|---|--|
| 1: Reshape the Desktop                      | Plan for and then undertake an update of the enterprise desktop platform working with an in house desktop support team, or by providing a managed services solution. Synchronize with an office 2007 or potentially an Office 14 upgrade   |
| 2: Application compatibility and mitigation | Review current workloads for Windows 7 compatibility and potentially use remediation efforts to redevelop applications to accommodate mobility, detached working and asynchronous synchronization or to deploy application virtualization  |
| 3: Reduce desktop and mobile PC TCO         | Reduce the total cost of ownership for the enterprise desktop and mobile client fleet. Simplify deployment, administration, support, management. Take advantage of the coming refresh cycle to offer an improved ROI on the desktop with Windows 7 and MDOP solutions such as application virtualization |
| 4: Improve Security                         | Improve security for desktop, notebook and laptop computers  |
| 5: Branch Office Optimization               | Design and deploy a new architecture for branch offices using Windows 7 and Windows Server 2008 R2.  |
| 6: Training                                 | Provide training and support to IT managers who must upgrade their technology and staff to work with Windows 7   |
| 7: Develop new custom workloads             | Build or enhance a new generation of industry-specific rich client workloads that use the richer user experience available with 64 bit computing, larger memory footprints and Windows 7 to improve workforce productivity   |

| Opportunity                  |  |
|------------------------------|--|
| 8: Green IT                  | Offer services that focus on improved energy efficiency and the deployment of "Green IT".  |
| 9: Volume licensing          | Software Assurance offers new advantages and thus deserves a new evaluation with Windows 7 Enterprise edition and MDOP   |
| 10: Cross sell opportunities | Extend and accelerate enterprise deployments of SharePoint® with better desktop integration and federated search. Offer other software update options: Office 2007 or 14; Windows Server 2008 R2; Microsoft or third party ERP solutions |

Table 2 Windows 7 Opportunities for SIs

### ***Opportunity 1: Reshape the Desktop***

SIs can work with internal support teams or via a managed desktop services arrangement to plan the migration to Windows 7 and deployment of MDOP. Windows 7 is built on the Windows Vista platform, and should therefore be able to run on a significant proportion of existing enterprise hardware, potentially decoupling the OS upgrade from the hardware refresh cycle or offering the opportunity to substitute lower-cost hardware (such as net books and virtual desktops) during a planned refresh.

This process can also leverage the significantly improved deployment capabilities that are available with Windows Server 2008 R2, such as using the multicast feature in Windows Deployment Services (WDS) to build and deploy large numbers of images quickly and automatically.

### ***Opportunity 2: Application Compatibility and Mitigation***

Although the migration to Windows 7 will not require much of a change from Windows Vista at the device and hardware level, application compatibility will still need to be reviewed and it is probable that some applications will need to be modified to run effectively on Windows 7. Windows Vista, with the upcoming availability of SP2, is already in much better shape from a compatibility viewpoint than at its introduction. However, it will also be a common scenario for the majority of enterprises to who have not yet deployed Windows Vista to have some application compatibility challenges and to require compatibility audits and mitigation prior to Windows 7 deployment. Application compatibility with Windows Vista is a design goal of Windows 7; therefore, most applications which run on Windows Vista should run on Windows 7 as well.

Using Microsoft's Application Compatibility Toolkit (ACT) 5.5 SIs can work with in-house development teams to test third party products and custom desktop application code and can work with ISVs to ensure that third party applications are able to run successfully with Windows 7<sup>10</sup>. SIs can leverage many of the skills and

<sup>10</sup> Microsoft maintain a list of certified and logo compliant applications that can be downloaded in Microsoft excel format from:  
<http://www.microsoft.com/downloads/details.aspx?FamilyID=9df23606-7276-4ce2-8993-143e101ddbcd&displaylang=en>

processes already developed for the Windows Vista migration cycle to speed up and automate this compatibility testing and remediation for Windows 7.

As applications are reviewed for compatibility and assessed for remediation effort, SIs can introduce their customers to desktop virtualization technologies as either a TCO management tool or a transitional support and application sunseting strategy. MDOP adds new tools (Microsoft Application Virtualization -- App-V -- and Microsoft Enterprise Desktop Virtualization -- MED-V) and capabilities for the virtualization of desktop applications and SIs can help customers plan for and deploy a virtualized environment. Applications that do not require remediation to run in native form under Windows 7 can often be supported with virtualization until retirement or replacement.

### ***Opportunity 3: Reduce Desktop and Mobile PC TCO***

When application remediation is complete and deployment is over, the challenge evolves to management, administration and support of the deployed fleet of desktop and mobile PCs. This is necessarily a dynamic activity – not all users need the same level of support – and is the most challenging aspect of the overall attack on TCO. Issues arise, and it is imperative to either have them resolved quickly by the user (avoiding help desk calls) or by the help desk (reducing the length and cost of those calls).

This is an area that enterprise technology managers would generally prefer to spend less time and resources on. It's hard to do well and can be expensive, even if economies of scale are attained. It's particularly challenging where there are few concentrations of users – where most workers are mobile or dispersed.

These challenges offer an SI the opportunity to propose a managed service for desktop management and support – and to use the tools in Windows 7, MDOP and Windows Server 2008 R2 to run the service profitably yet at a cost that is attractive to customers.

Windows 7 and MDOP can help by creating stable, standardized images that can be managed with technologies such as AppLocker and then deployed with the tools available from Windows Server 2008 R2 or System Center. With the new Windows Troubleshooting Platform with powerful remote diagnostic capabilities, when trouble does occur a Managed Service provider has the tools available to avoid a desk-side visit or truck roll. Support via a managed service can improve TCO for the customer and profitability for the SI.

Deploying DirectAccess and replacing Virtual Private Networks offers remote users a simpler process for connecting to corporate systems and can help reduce support costs. Windows 7 also includes improved support for wireless networking, with integrated network detection for both 802.11 and wireless broadband networks, easy connection management and improved security. SIs can offer support for rapid evolution to an "un-tethered" network environment that is both easy to use and secure.

### ***Opportunity 4: Improve Security***

Enterprise technology managers must constantly concern themselves with information security. Vulnerabilities must be addressed and new threats identified and responded to on a continuous basis. In the past, it's been hard to maintain the

desired level of security without imposing an unacceptable burden on the workforce. Security has to be present, but if it's too hard to use, it will be ignored or circumvented in the name of "getting work done." Security tools must be reliable and easy enough that their routine use will quickly become a habit.

Windows 7, with features such as the ability to encrypt removable storage devices on PCs and to control the installation or execution of non-approved executables offers a rich security platform for an SI who wants to provide a solution for desktop security challenges for customers. Information on hard drives can be encrypted with BitLocker and, where removable media are allowed, with BitLocker To Go. With Internet Explorer 8, the default browser with Windows 7, Microsoft has introduced a speedy browser with enterprise level security and manageability Security will never be something to take for granted, but with Windows 7, Internet Explorer 8 and Windows Server 2008 R2 an SI will have better tools to help customers become and stay secure.

### **Opportunity 5: Branch Office Optimization**

According to research<sup>11</sup>, 2.2m US businesses maintain branch offices, and there are roughly 6M branch offices in the US<sup>12</sup>, accommodating ~30m workers. Servers and local area networks are installed in approximately 45% of these branches and on average, each such branch office has 2 servers (file and print, email, web access) plus two to six desktops and two printers. Windows Server 2003 makes up approximately 75% of the servers installed in branch offices.

About 55% of the workforces of medium and large enterprises are employed at their branches, making desktop support a significant issue for these companies. As a consequence, managing branch office technology costs almost one third of all enterprise IT budgets, with over \$25B spent in 2006 alone, just to establish and maintain corporate wide area networks.

| <b>US Branch Office Profile by Company Size (IDC 2006)</b> |                  |                                 |                                      |                                |
|--|------------------|---------------------------------|--------------------------------------|--------------------------------|
|  | <b>Total</b>     | <b>SMB<br/>( &lt;100 staff)</b> | <b>Medium<br/>( 100 – 999 staff)</b> | <b>Large<br/>(1000+ staff)</b> |
| <b>Total Companies</b>                                     | <b>8,197,600</b> | <b>8,081,000</b>                | <b>107,600</b>                       | <b>9,000</b>                   |
| Share with branches  | 27.0%            | 26.2%                           | 84.2%                                | 96.7%                          |
| Companies with branches                                    | 2,217,260        | 2,118,000                       | 90,560                               | 8,700                          |
| Average number of branches                                 | 2.7              | 2.2                             | 8.7                                  | 65.2                           |
| <b>Total branches</b>                                      | <b>6,041,686</b> | <b>4,686,200</b>                | <b>787,872</b>                       | <b>567,614</b>                 |

Business have been steadily working to reduce their branch office infrastructure costs, either through centralization of servers or consolidation and virtualization within the branches themselves, using the server roles feature of Windows Server 2008 and the Hyper-V virtualization platform. Both strategies can reduce costs, but both also create new application performance and network management challenges.

Along with Windows 7, Windows Server 2008 R2 offers capabilities (specifically BranchCache) that create a simplified and higher performance platform for the productivity of branch offices. Deploying BranchCache, where commonly used content is cached locally even while the content is managed centrally, directly

<sup>11</sup> IDC Report: "Addressing Operational Efficiencies in Branch Offices"; May 2006.

<sup>12</sup> IDC Report: "Addressing Operational Efficiencies in Branch Offices"; May 2006. Globally there are more than 9m companies with branch offices and a total of over 23m branch offices accommodating over 50m workers.

attacks the performance challenge. These are new technologies that will require some time for enterprise technologists to understand and deploy. SIs can accelerate the realization of value for corporate customers by designing and deploying standard branch office infrastructure architecture.

### ***Opportunity 6: Training***

Enterprise technology groups will be running pretty lean in 2009 and probably into 2010. They won't have a lot of spare capacity for even strategic efforts, such as a desktop refresh cycle. They are going to want help – cost effective, convenient and efficient help that can make a potentially disruptive event less of a disturbance in business as usual at a challenging time.

SIs can help. Either by augmenting in-house technology teams with appropriate project resources or by offering a managed service alternative to internal support, an SI can help customers get over the periodic hump of a major refresh cycle and let them focus on what matters to the business. Because an SI who is willing to invest in building a set of sustainable application compatibility testing, desktop image building, user migration and deployment and post-implementation skills can achieve significant efficiencies, managed services of migration projects can be cost effective for the customer and profitable for the SI.

### ***Opportunity 7: Develop new custom workloads***

Windows 7 represents a significant expansion of enterprise technology capabilities on the desktop. Beyond the desktop OS, however, there are additional and significant opportunities. Additional benefits from Windows 7 as a foundation for a new generation of productivity-focused applications will be realized when the client feature set is integrated with and used to leverage server-side capabilities such as Search Federation and to link with other server-based technologies. Closer integration with Microsoft Office SharePoint Services offers the opportunity for SIs to propose new, flexible and powerful applications that combine improved Windows 7's usability and interface features with secure, reliable access to enterprise information and applications.

### ***Opportunity 8: "Green IT"***

Windows 7 includes the ability to take advantage of process throttling and disk spin-down technologies that balance energy use and performance requirements for desktops and mobile PCs. The most immediate benefit from these features is the potential for longer battery life for mobile PCs, and SIs can help customers develop energy-efficient desktop and mobile computing fleets that contribute to reduced cost of operations.

### ***Opportunity 9: Volume Licensing***

In the past, businesses may have decided that Software Assurance did not offer them enough benefit and resisted making the commitment. SA now offers a separate edition of Windows which Microsoft continues to enhance with critical enterprise features to manage an optimized desktop. Besides that, SA also provides access to the Microsoft Desktop Optimized Pack suite with many useful components (see p.6),

and thus deserves a new evaluation. SIs can help customers undertake this evaluation and unlock new savings opportunities.

### ***Opportunity 10: Cross Sell Opportunities***

With enterprise deployments of SharePoint accelerating, SIs have an opportunity to leverage a growing market with new capabilities that are available in Windows 7. By adding a richer UI and extended search capabilities that allow users to locate and work with a wide range of enterprise information sources directly from Windows Explorer, Windows 7 enables SIs to help their customers build powerful yet easy to use collaborative tools and content management solutions.

### ***Bringing the Skills Together***

Just as today's desktop and mobile computing, storage, and communications technologies exist in silos, so do the skills that are needed to make them work together and then manage them efficiently in a unified fashion. This is fertile ground for SIs, which are uniquely positioned to assemble and coordinate the required skills. Building integration, deployment support, and sustaining engineering teams will be very challenging for almost all enterprise IT organizations, and they will look to their SI and managed services partners to help make the transformation smooth and successful.

## **2: What's in it for me? Understanding the Windows 7 Value Chain**

The enterprise business case for Windows 7 (as with many elements of platform infrastructure) may well rest on the potential for increased productivity, security, and reliability through improved manageability, and for reduced total cost of ownership through desktop optimization and more powerful support tools. For SIs, the combination of these elements—and the consequent demand that they will generate from customers for related services and solutions—presents an attractive opportunity for business growth.

SIs (together with their VAR and independent software vendor [ISV] partners) have a broad-based range of opportunities to participate in the Windows 7 wave. Although traditional margins for hardware and software licenses may not seem attractive to many SIs,<sup>13</sup> the absolute numbers associated with a major desktop platform refresh wave (Microsoft estimates that there will be ~60m business PCs to upgrade in the US and ~250m worldwide<sup>14</sup>) represent significant marginal revenues for an SI that is willing to develop a comprehensive Windows 7-based managed desktop services practice and portfolio of solutions. Adding to the attractiveness of the Windows 7 refresh wave is the probable decoupling of the OS update from a required hardware

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<sup>13</sup> Although global SIs often provide customers with “bundled” solutions that include hardware and software licenses, their margins on these elements, especially in North America, have typically been small, and few historically considered this a source of profitable revenue, ceding the market to Enterprise VARs or the direct sales channel. There is evidence that this approach is changing, especially as the provision of managed services, when done well, can offer stable, predictable revenues at reasonable margins. Smaller SIs have always valued hardware and software revenues, which represent a larger proportion of total project costs for them. In the Europe, Middle East, and Africa (EMEA) and Asia-Pacific (APAC) market segments, SIs have been and remain active in the hardware and software supply channels.

<sup>14</sup> Medium and large business only, assuming 90% of installed machines run Windows.

platform refresh. Windows 7 can run adequately to very well on the platforms that run Windows XP and Windows Vista today.

To take advantage of these opportunities, SIs will need to develop or enhance their desktop infrastructure services offerings. Customers will expect their services partners to be ready when Windows 7 is released to the market – which means getting started now. Early feedback from the Windows 7 beta indicates that customers who have seen Windows 7 plan to deploy quickly, without waiting for the first service pack release that typically defines the adoption point for a new desktop OS version in the enterprise. This is in part a reflection of the quality of the Windows 7 beta, but also indicative of a widespread desire to get access to new features not available from Windows XP and Windows Vista. Whatever is driving this rapid adoption process, it represents significant opportunities for SIs.

ParkWood Advisors estimate that every dollar spent on desktop infrastructure optimization activities will generate an additional dollar of license revenue and between \$2 and \$10 of service revenues.<sup>15</sup> SIs who also offer managed desktop services, training, and post-deployment performance measurement will have access to a further \$2–10 of incremental revenue, and lifetime support services represent a further \$5–10 as the platform evolves and is enhanced over a full three to five year lifecycle.

Because these investments have the potential to translate rapidly into significant savings over current operating costs and can help corporate buyers achieve substantial productivity and effectiveness gains, we can anticipate that resistance to adoption will be low and that there is likely to be significant demand for SI capacity, which should maintain margins at attractive levels.

### **3: Considerations for Partners**

SIs evaluating the opportunity represented by Windows 7, MDOP and Windows Server 2008 R2 will need to factor several considerations into their investment decision:

- Do I have clients or prospects that are ready and able to spend money on the opportunities that a Windows 7 upgrade represents?
- Do I have customers or prospects that are ready for Windows 7—from the perspective of the maturity and capabilities of their current infrastructure?
- Is there readily available and objective evidence that the Windows 7 value proposition is credible and relevant to my customers and prospects?

It's difficult to generalize answers to these issues across all markets, but the following sections outline approaches to dealing with them. Much will, as always, depend on the nature and depth of the SI's relationship with their customer.

#### **3.1 Customer Budget Cycles**

Many enterprise IT budgets are calendar year oriented (and many that are not end in either March or September). With the scheduled release of Windows 7 in the fourth quarter of 2009 or early 2010, the new desktop operating environment is likely to have only a minimal impact on 2009 enterprise IT project spending unless the

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<sup>15</sup> ParkWood Advisors research and analysis, 2001–2009

acquisition costs are already covered by existing licensing agreements or built into already budgeted infrastructure activity. Unless an SI is aware that there are projects dependent on Windows 7 in a customer's 2009 and 2010 IT spending plans, it will be better to focus 2009 activities on planning and desktop optimization opportunities that prepare the ground for projects in the next budget cycle, in particular:

- Continuing standardization of the desktop software stack
- Moving or completing a move to Windows Vista, if this has not yet been done
- Application compatibility testing
- Security architecture reviews
- Desktop virtualization business case development

There will generally be enough opportunity in these areas to create a strong value proposition for deployment projects in 2010.

### ***3.2 Customer Maturity Cycles***

In parallel with the budget cycle issue is the issue of a customer's desktop infrastructure optimization (Core IO) maturity level. Organizations who are just completing deployments of current- or recent-generation technology will not be enthusiastic about immediately moving these projects to Windows 7 until deployment is complete, stabilization has occurred, and the claimed return on investment has been demonstrated. If this is the case, MDOP will be likely to offer better short term traction. A strategic approach will be for SIs to look at areas that are in need of an immediate or near-term infrastructure update (it may be possible to accelerate an asset replacement cycle), are nearing end of life, are out of support from the vendor, or have capacity or performance issues that will likely trigger a refresh of part of the current desktop or mobile infrastructure.

### ***3.3 Evidence-Based Selling Collateral***

As with all new technologies, evidence to support the value proposition represented by Windows 7 will grow as more enterprise-scale deployments are observed, although it can be expected to be strong. SIs will need to carefully assess where the available evidence can be used to support specific customer opportunities and what additional effort will be required to place the available evidence into a context that the customer will find relevant and credible. It is likely to be better to have a small amount of well-targeted, relevant evidence than a larger volume of more generally applicable assertions.

Note, however, that the best evidence will be generated when an SI can actually deliver an early adopter or rapid development program engagement with and for the client.

## **4: The Microsoft Advantage**

There are many established players and incumbent technology providers in the business technology platform marketplace. Why expect Microsoft to be able to make an impact? Why invest to build a practice and solution offerings alongside the Windows 7 vision?

To begin with, Microsoft has a comprehensive vision—and the capacity to deliver on it. Incumbent solution providers will typically seek to protect their existing franchises

and product margins rather than use the power of next-generation software architectures, capabilities such as desktop virtualization, and industry-standard hardware platforms to redefine the economics of enterprise computing and reshape the market for core business workloads. Microsoft has always been able to balance the interests of its existing customers in preserving past investments with the demands for new capabilities.

In addition, Microsoft's extensive experience with a wide range of enterprise productivity workloads gives it a unique view of both what's possible and what's necessary to deliver on the client-side requirements for a standards-based, managed, and optimized business automation platform. Microsoft can deliver an integrated stack that includes the operating system, essential utilities and deployment, management, and development tools. This will help partners deliver solutions that integrate into the overall client infrastructure.

To learn more, visit the Windows 7 home page at <http://www.microsoft.com/windows/windows-7/>

## **4.1 Existing Assets**

With a broad base of experience and installed technology, Microsoft is well positioned to redefine the enterprise desktop market with Windows 7, MDOP and Windows Server 2008 R2. With the combination of experience with a wide variety of devices and workloads and a significant investment in research and development (R&D), Microsoft has already developed many of the required elements for the next generation of desktop operating systems.

There are estimated to be around 1.1bn "personal computers"<sup>16</sup> in use in the world at the end of 2008<sup>17</sup>. IDC estimates that about 16% of this number (~176m) were purchased in 2008 as replacements for existing systems and roughly 100m new systems were added. Many of these PCs are deployed for consumer use at home. Because of the overlap between personal and small business use, it is difficult to estimate how large the "enterprise" installed base is worldwide, but available data<sup>18</sup> suggests that penetration in the developed world is very close to 100% in businesses with more than 50 employees. In developing countries, equivalent enterprise penetration is estimated to be closer to 60%. This gives an enterprise PC population of around 150m units with an annual replacement volume of approximately 35m – 40m, depending on where businesses are in the major refresh cycles that normally occur every 3 to 4 years. Around 90% of these systems (some 135m) run some version of the Windows Operating System.

This installed base has persisted despite a concerted migration campaign by Microsoft and its partners and represents an attractive entry point for SIs, because these installations are well positioned to benefit from an upgrade to an improved, secure, reliable, feature-rich desktop environment.

## **4.2 A Coherent Set of Roadmaps**

The Windows 7 evolution won't happen without a clear path to the future vision—not just for the enabling technologies on the desktop but for all of the stakeholder

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<sup>16</sup> Including both Windows/Intel-based systems, Apple Mac and Linux desktops

<sup>17</sup> Estimates primarily from Gartner Group

<sup>18</sup> Analysis of available data by ParkWood Advisors, LLC. A variety of sources give incomplete and not fully aligned numbers. Estimates in the text are averages across all sources.

communities who will be affected by, and benefit from, the adoption of Windows 7-based solutions.

At the very least, it will be necessary to have roadmaps for:

- **Business decision makers** in all sizes of businesses, who need to be sure that there will be a way to realize the potential operating cost reductions that the Windows 7 evolution and infrastructure optimization enables, as well as to help gain new productivity improvements and accelerate how quickly they can take products and services to market.
- **Technology decision makers** in all sizes of businesses, who need to be sure that they can incorporate Windows 7 capabilities into their support and management processes and that there will be the necessary training, support, and guidance available as they make the transition.
- **Service partners**, who must be sure that they can prepare for the new opportunities that Windows 7 will bring without compromising their ability to deliver high-quality current services and maintain or improve profitability.

That's one of Microsoft's great advantages. Because Microsoft has customers of all sizes and deals regularly with both business and technology decision makers, it understands the need for these separate but coordinated roadmaps and, working with its channel partners, has the insight and commitment to deliver them. Microsoft delivers a coherent set of roadmaps for products, integration partners, corporate IT, and end users.

### ***4.3 A Vibrant Ecosystem***

Finally, and by no means least in importance, Microsoft has a broad and vibrant ecosystem of service partners. Where many other technology platform providers seek to keep as much as possible of the value of transformational solutions for themselves, Microsoft has always used transformational opportunities to enrich and enlarge its partner model. The Windows 7 evolution is no different.

Microsoft will provide the desktop software platform, the existing installed base and the roadmaps that will create demand for Windows 7-based solutions and services. Partners will deliver against this demand. Together, Microsoft and its services and software partners will once again reshape the enterprise computing marketplace.