

HP Embarks on Next Phase of Global Technology Plans to Support Future Growth

Internal IT Organization Achieves World-Class IT Capabilities, on Track to Save More Than \$1 Billion Annually

December 01, 2008 10:59 AM Eastern Time PALO ALTO, Calif.--([BUSINESS WIRE](#))--HP (NYSE:HPQ) today outlined the results of its three-year IT transformation and laid out the company's IT strategy to support future growth for fiscal year 2009 and beyond.

As a result of the effort, HP has reduced its IT operating costs by approximately half; provided more reliable information for executives to make better business decisions; and, established a more simplified and dependable IT infrastructure that provides improved business continuity and supports the company's future growth.

"HP's IT transformation was not just a technology initiative within the IT organization, it was a business strategy adopted throughout the company," said [Randy Mott](#), HP executive vice president and chief information officer. "We commend our IT team for building a world-class infrastructure and organization, but we're just getting started. We're now in a great position to enable future business growth."

The initiative began shortly after Mott [joined HP](#) in July 2005. Starting in fiscal year 2009, the transformation will lower IT costs by more than \$1 billion per year from fiscal year 2005 levels. This cost reduction is even more impressive considering HP added more than \$25 billion in revenue during the three years since the transformation began.

The transformation focused on five major initiatives: next-generation [global data centers](#), portfolio management, workforce effectiveness, building a world-class technology organization and a true enterprise data warehouse. Through aligning its entire global organization on these five initiatives, HP has reduced complexity and added significant capability and quality of service.

"For the transformation to work, we had to invest money to save money," said Mark Hurd, HP chairman and chief executive officer. "With a lower IT cost structure we are able to reinvest dollars into go-to-market efforts. This challenge isn't unique to HP. Most companies have the opportunity to create an IT cost structure that is at least half of today's average for their industry. We can, and do, share our experiences with our customers."

Business benefits

The transformation is expected to enable HP⁽¹⁾ to:

- Reduce spending on internal IT from approximately 4 percent of revenue in 2005 to less than 2 percent in 2009;
- Consolidate more than 85 internal IT legacy data centers globally to six next-generation data centers in three geographic locations equipped with new, standardized and automated technology. These data centers have 342,000 square feet of computing "white space" – expandable to more than double that amount – to accommodate growth, including acquisitions such as EDS;
- Consolidate more than 6,000 applications running the business to approximately 1,500 standardized applications;
- Reduce annual energy consumption in its data centers by 60 percent;
- Decrease the number of servers by 40 percent while increasing processing power by 250 percent, by utilizing [HP virtualization and energy-efficiency technologies](#);

- Reduce networking costs by 50 percent while tripling bandwidth;
- Eliminate more than 700 data marts and create one enterprise data warehouse where employees are accessing consistent data to make business decisions; and
- Through portfolio management, deliver hundreds of high-priority business innovation projects while transforming the company's IT infrastructure and operations.

Next-generation IT

The HP IT organization now operates under a strategic framework in which teams are deployed to deliver more business innovation through a smaller number of global and common applications. These applications are running in the next-generation data centers, where the technology is constantly refreshed in modular-designed white space.

By creating global and common applications, HP IT is able to focus on new capabilities and devote 80 percent of IT employees to innovation that is aligned with business strategies and future growth opportunities.

The company's own [HP Neoview](#) implementation is the single enterprise data warehouse with current users exceeding 32,000 HP employees – a number that is expected to top 50,000 next year. HP believes its Neoview installation is one of the largest enterprise data warehouses in the market today.