

# HP, Microsoft Team Up On \$250M Effort To Make 'Plug And Play' Data Systems

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Announcing a new partnership between two of the world's biggest tech vendors, Hewlett-Packard and Microsoft said they will jointly spend \$250 million to develop and market hardware and software that is designed to work together smoothly in business data centers and cloud computing facilities.

"This is all about integrating technology and making things as close to 'plug and play' as we can," HP CEO Mark Hurd said during a telephone conference call with Microsoft CEO Steve Ballmer and other executives.

Analysts said the partnership is part of a larger trend toward consolidation in the commercial tech industry, at a time when many business and government customers are preparing to invest in new technologies such as virtualization and cloud computing.

The HP-Microsoft partnership follows such recent developments as software giant Oracle's bid to acquire computer maker Sun Microsystems, and Cisco Systems' announcement of its own partnership with EMC and VMware, as major hardware and software companies are striving to offer a full range of data center products so they can serve as a one-stop shop for their customers. Analysts say IBM has used that model to great success.

HP and Microsoft said they will work together in designing a full "stack" of data center hardware, software and applications that will allow both companies' products to work together more seamlessly. They also plan to consult on Windows Azure — Microsoft's operating platform for cloud computing, in which customers can access data center services over the Internet — so that customers' internal computer systems will work more smoothly with software and data stored on Microsoft's platform.

Microsoft, a major provider of business software, said it will use HP hardware in the data centers that run the Azure platform, although it won't be an exclusive arrangement.

HP, a leading provider of data center hardware, said it will sell products that come pre-loaded with Microsoft's operating system, database program or other software, including virtualization programs and other tools to help increase the efficiency of data centers.

The joint effort also includes training and deploying a sales and consulting force that will sell the products and advise customers on how to install and use them.

"We're driving ahead aggressively with Hewlett-Packard," Ballmer said during the announcement. However, he also noted that both companies will continue to develop products in collaboration with other partners in the tech industry. Both executives also said their companies will continue to develop hardware and software that works with products from other tech vendors.

Analysts said the partnership makes strategic sense, although some said it may be mostly a marketing effort to start.

"We believe the partnership is driven by the emerging cloud computing market and demand for integrated, high-performance solutions," software industry analyst David Hilal of FBR Capital Markets

said in a report to investors. He noted that Oracle, which competes with Microsoft, has already begun working with Sun on developing hardware that is more closely integrated with Oracle's software.

HP and Microsoft said they will soon be releasing "integrated packages" of hardware and software for both smaller businesses and large corporate customers. Since they did not announce a major new product Wednesday, analyst Mark Moskowitz of JP Morgan characterized Wednesday's announcement as "more marketing and saber-rattling than product-related at the outset."

The two tech companies characterized the collaboration as a historic step for the industry. While HP and Microsoft have cooperated in the past, Hurd said that he and Ballmer had been talking about a larger partnership for several years.

They made a definite decision to proceed in April 2009, according to Hurd. That's about the same time Sun was targeted for acquisition, first by IBM and then by Oracle after the IBM deal fell through.

But Hurd added: "I wouldn't want you to think this is a reaction to anything. We're doing something at a level of integration that we're not aware of any two companies on the planet ever having done before."

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