

white  
paper



reducing the  
complexity of IT  
environments

hp managed  
services



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**reducing the  
complexity of IT  
environments**



**whitepaper**

**executive  
summary**

Today's volatile economic climate requires organizations to respond to the most pressing business challenges while constantly evolving their IT strategies. Facing new imperatives to deliver value for every dollar invested, CIOs and IT organizations are looking for managed service providers that can minimize business risk, manage uncertainty, enhance agility, and control costs while reducing the complexity of their IT environment.

Hewlett-Packard Managed Services help our clients transform IT from a cost center into a true competitive advantage. Our innovative services and proven methodologies provide cost-saving alternatives to traditional technology solutions and allow clients to focus on their core competencies.

In this publication, HP describes several IT trends that have come into play during the last 18 months and how they affect today's businesses. HP then provides a flexible and proven approach to managed services that is geared to meet these new realities.

## **I. the evolving landscape for IT managed services**

### **trend #1: IT is increasingly viewed as a business transformation agent**

Driven by a host of powerful forces—including globalization, deregulation, and consolidation—leading enterprises have come to recognize that they must continually transform their businesses in order to sustain competitive advantage and maximize shareholder value. Information technology, which was once seen as overhead expense, is now widely viewed by many, as the engine that drives business transformation. With growing frequency, senior executives and line management are looking to IT to create business value through high-impact initiatives such as client relationship management (CRM) and wireless/mobile computing.

### **trend #2: CIOs are being challenged to justify the business value of IT**

As CIOs meet these heightened expectations, they continue to face cost pressures. Industry surveys and anecdotal evidence confirm the economic slowdown has resulted in decelerating IT budgets. In addition, the meltdown of the dot.com sector and the well-publicized disappointments of many online initiatives, such as industry trading exchanges, have caused IT budgets to be scrutinized more rigorously. CIOs are now being challenged to aggressively manage Total Cost of Ownership (TCO) and maximize Return on Information Technology (RoIT) on existing investments.

### **trend #3: the role of strategic sourcing is expanding to deliver business agility**

Burdened by legacy infrastructure and unable to keep pace with fast-changing skills requirements, IT organizations realize that traditional in-house approaches to IT service delivery cannot support a modern business. In response to this, organizations are outsourcing IT managed services and a growing percentage of the IT budget to external service providers. Gartner, Inc. states the majority of the Fortune 1000 enterprise community is currently using or looking to outsource using external management capability.<sup>1</sup>

The role of IT is currently undergoing a shift from a direct provider of IT services to a broker of services provided by multiple parties.<sup>2</sup> The expanding universe of providers includes an alphabet soup of specialized companies: ISPs, ASPs, SSPs, MSPs, hosting providers, and other emerging categories. It also includes a handful of well established IT services firms—HP among them—that deliver a full range of managed services. These established firms have the reach and resources to serve in a new, expanded role as an Enterprise Services Provider (ESP), aggregating managed services, and managing multiple provider relationships on the client's behalf to create a total managed services solution.

<sup>1</sup> Gartner, Inc., *Managed Services Uncovered: North America*, July 2002

<sup>2</sup> Gartner, Inc., *The CIO Agenda: Key Issues and Sourcing Strategy*, February 2001

#### **trend #4: integration projects are being rolled into the managed services relationship**

Traditionally, organizations have treated high-stakes business and IT transformation initiatives as stand-alone integration projects, separate from the operation and management of the legacy IT environment. One common consequence was that new capabilities were often poorly integrated with the existing IT infrastructure. For example, companies that created ambitious e-commerce sites without integrating them with existing back-office systems failed to realize the full value of their investments. These implementations often not only failed to achieve the expected revenue and savings goals, but also burdened the enterprise with redundant infrastructure and personnel.

Another disadvantage of stand-alone integration projects is that they tie up scarce capital funds and fall victim to the long lead times and inflexibility of the capital budgeting process—a major shortcoming when capital is a strategic asset and business agility is critical to success.

As a result of these pressures, major integration efforts are now frequently implemented within the framework of a managed service relationship. There are several benefits to doing so. For example, the client can:

- Leverage the provider's knowledge of infrastructure technology, increasing the likelihood of a successful outcome
- Use the established processes of managed services to tie integration projects more closely to performance and business value measurements
- Re-deploy capital to support strategic activities

#### **trend #5: risk and relationship management are essential sourcing skills**

As recently as three years ago, managed services firms were evaluated primarily on their ability to manage technology assets and IT personnel, processes, and operations costs. While these core skills are still vital, the sourcing trends described above present significant new challenges that require additional management skills. Among these are the ability to successfully manage risk, including:

- The risk inherent in continual technology change
- The risk resulting from unscheduled downtime due to major disruptions
- The risk of relying on external providers for business-critical infrastructure and services
- The risk of managing multiple provider relationships in an extremely complex business/technology environment

The selection of specialized managed services providers requires knowledge of different categories of providers, their technology capabilities, financial soundness, their track record for reliability, corporate culture, relationship and governance model, responsive service, business continuity services, and competitive pricing. By some estimates, as many as half of all existing ASPs will go out of business in the next few years, a fact that should give CIOs pause as they contemplate their sourcing strategies.

The use of multiple managed services providers presents another new risk: With organizations recent progress in creating seamless IT environments across the extended enterprise—thus enhancing visibility and control of their operations—the increased use of managed services threatens to create disconnected “islands of managed services” analogous to the “islands of automation” that existed in the mid- to late 1980s, prior to the worldwide growth of networking.

A managed services strategy must integrate the capabilities from multiple service providers—internal and external—to ensure transparent access to information resources across the extended enterprise. Gartner, Inc. notes businesses will strive to decrease their overall risk of outsourcing by pushing for a stable single point of contact, responsible for the entire solution performance and coordination.<sup>3</sup>

### **the bar has been raised**

Managed services has assumed a far more strategic role in many organizations, and is now viewed as an essential management tool for enhancing business agility, conserving capital, and managing IT operations costs.

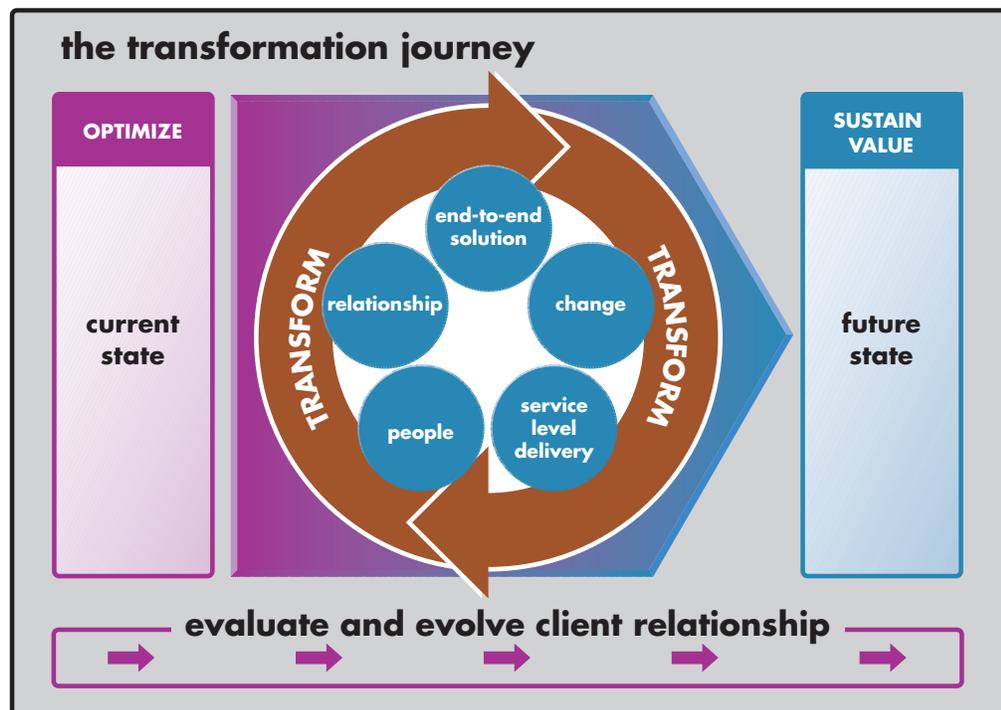
<sup>3</sup> Gartner, Inc., *Managed Services Uncovered: North America*, July 2002

## II. hp managed services overview

HP has been fortunate to witness these developments and help drive them from multiple vantage points:

- As a global provider of IT solutions and services—including managed services—for enterprises and communications service providers
- As an innovative user of technology and services in its own company
- As a leading maker of products for the Internet infrastructure and Internet access

Drawing on its expertise, HP has evolved a unique approach to IT management services. HP views managed services as a five- to seven-year journey, jointly under-taken with an enterprise client, to help transform the IT environment.



This transformation is accomplished through the stabilization and optimization of the existing environment. First, HP closely partners with the enterprise client to manage the transition to the future state and addresses the elements critical to success: people and skills, enabling technology, IT operations, related business processes, third-party partners, and financing. Second, HP manages the transformed environment; enhancing efficiencies while managing the constant change that is characteristic of IT operations.

Offerings in the HP Managed Services portfolio are summarized in Appendix A.

HP's ultimate goal is to build a long-term client relationship that is based on a history of shared successes. As with any lasting relationship, this requires constant communication, a common set of goals and values, and the commitment and flexibility to continually adapt to changing circumstances. The core attributes that set HP Managed Services apart are summarized below.

### **business agility**

Today's business climate requires IT to continually respond to new opportunities or threats—on the fly. While the fundamentals of IT are still crucial—reliability, availability, security, and manageability—rapid results are mandatory for business success.

HP believes both reliability and agility are essential to this transformation. Business challenges must be met with agility—striking the proper balance between the introduction of leading-edge technology and the pragmatic application of IT. HP works side-by-side with your organization to create tailored managed services that not only meet your current needs, but adapt to future challenges as well.

### **continuity of service**

HP approaches its managed services relationships with C-level executives who are committed to helping the enterprise achieve success in the business and technology aspects of IT managed services. HP works with the CIO and business unit executives to align IT strategy with business goals, identify transformation initiatives that will accelerate those goals, and articulate the business case for investment. This process is vital in helping the CIO win mind share within their organizations.

### **client-oriented, win-win business conduct**

HP provides clients with alternatives, without locking them into proprietary technology or a rigid management model. HP's offerings range from complete, end-to-end managed services of entire IT environments to focused component support contracts. HP allows the client to determine to what degree they want HP to share the management of day-to-day operations.

### **customer satisfaction**

As a demonstration of HP's ability to deliver what our clients want, a recent survey of business technology professionals has identified HP as the top outsourcing company in terms of overall customer satisfaction. In a field of companies that included IBM, EDS, and CSC, HP was ranked No. 1 and scored higher than any other company in the categories of reliability and service level agreements. HP also ranked second in the categories of cost and value, technical skill, and trust.<sup>4</sup>

<sup>4</sup> InformationWeek, November 18, 2002, published by CMP Media LLC.

The “Analyzing The Outsourcers” survey, conducted by Information Week Research, asked more than 700 IT professionals to rank their outsourcing vendors in 10 categories. A recent headline in Information Week encapsulated the results: “Customers say they want reliability, trust, skill, and value from their outsourcers. And they give Hewlett-Packard top marks.”

The survey rated HP as one of the top three outsourcing companies in eight out of the 10 categories (reliability, cost and value, technical skill, industry knowledge, SLAs, trust, innovation, and reputation). Comparatively, EDS (No. 6 overall) did not appear in the top three in any of the categories, and IBM (No. 7 overall) appeared in the top three in only two categories.

### **simplification**

A new level of complexity is the last thing an enterprise needs in its IT environment. HP solutions simplify the acquisition, deployment, and management of IT. For example, HP’s utility-style On Demand Solutions portfolio enables clients to quickly tap computing resources—including device access capabilities, storage, network, and server capacity—when and where they need those resources, at predictable price and performance levels.

### **business transformation**

One of the most common reasons managed services initiatives end in disappointment is that the solution fails to adequately address the business aspects of IT transformation: service level reporting, human resources, contract management, change management, financing, legal, and cross border issues, among others. HP’s approach places a strong emphasis on identifying the full range of factors required to achieve success and then implementing IT and business transformation activities in parallel.

### **change management**

HP has successfully applied its change management practices through several generations of technology and across numerous styles of computing, including: mini-computing, LANs, and corporate networking; high-performance, nonstop computing; desktop, laptop, and client/server computing; and, most recently, the Internet, eBusiness, and wireless/mobile computing.

## technology innovation and leadership

HP is the inventor of distributed computing in the business environment and the recognized leader in open standards UNIX servers and storage, Microsoft technology and services, multi-OS availability solutions, infrastructure management software, and mission critical infrastructure products and services. HP applies the expertise gained from decades of computing innovation to the environments of its managed services clients.

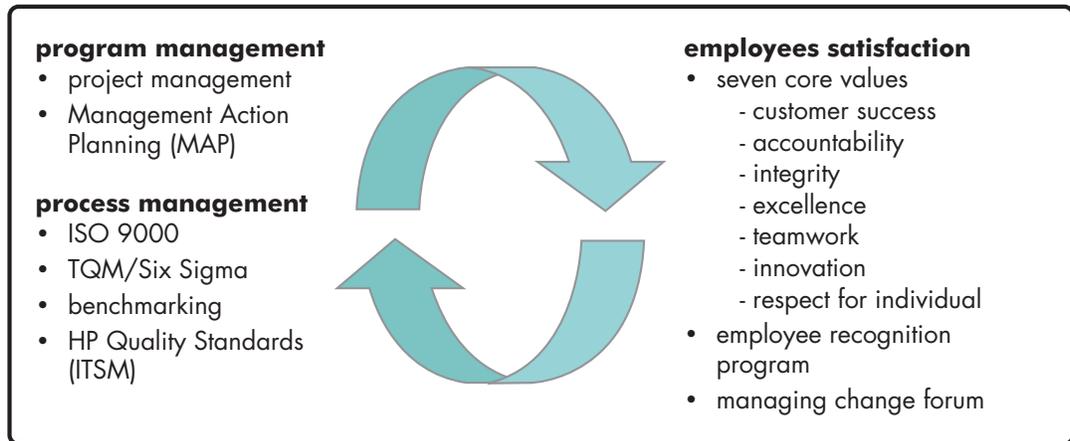
## keeping our promises

HP is a firm believer in delivering on what we promise. One of the internal processes HP uses to ensure a successful client outcome is a review process that ensures delivery is inline with our engagement teams. To that end, we integrate our delivery teams as a part of crafting (and signing off on) the delivery model at each stage of the proposal process.

## continuous improvement process

Business excellence is not an end-point to be achieved once and for all. Rather, it is an ongoing process that enhances itself. HP starts each new project at the evaluation stage and proceeds with, procurement, integration, and implementation. Continuous improvement leads to new processes and technology.

### hp's continuous improvement strategy



However, the process does not simply repeat itself for the next project. Instead, the learning and improvements are factored into a new plan, where each iteration introduces new and better changes. Thus, rather than a one dimensional loop, HP thinks of business excellence as a continuum of results which build and improve upon its predecessor. What defines satisfaction is dependent on the technology and service involved. No simple measure fits all circumstances, which is why HP believes that developing and maintaining

client satisfaction requires open and continual communication, well-defined metrics that reflect end user requirements, continual performance measurement and continual process improvement.

### **service aggregator**

HP can share or assume full responsibility for sourcing and managing vendor relationships. HP has extensive experience integrating multiple provider capabilities on behalf of clients, managing multiple business relationships, monitoring vendors for compliance with Service Level Agreements (SLAs), and identifying opportunities for improved performance and synergies.

### **discipline and flexibility**

The immense complexity of today's business and technology environments calls for an artful balance of discipline (to ensure efficiency, consistency, reliability, and speed) and flexibility (to accommodate unforeseeable challenges, opportunities, and innovations). HP provides discipline in the form of robust architectures for IT managed services and IT integration projects; proven program and project management methods; best practices for infrastructure management, and consistent business practices worldwide.

The flexibility takes many forms and enables HP and our clients to develop a sourcing relationship that is suited to the unique needs and existing infrastructure of the client enterprise:

- A selective, modular approach to managed services
- The ability to tailor managed services solutions for regional and country-level needs
- Flexible financing options and pricing models, including risk- and reward-sharing
- A robust and responsive change management process
- A readiness to fine-tune contracts in response to fast-changing circumstances
- The flexibility to serve in the most appropriate sourcing role for a given situation: as the prime contractor, a sub-contractor, or a best-of-breed "point sourcing" provider

### **global reach**

Only a handful of sourcing providers have the resources to support global enterprises. HP is among them with 65,000 IT service professionals delivering solutions in 160 countries. HP has also built a global network of 105 Operations Response Centers, 50 Recovery Centers with experience in more than 5,000 successful client recoveries, and 80 Client Education Centers. Leveraging economies of scale and consistent methods and tools, these facilities can remotely deliver a wide range of operations management and support

services on a 24x7x365 basis. This global infrastructure is complemented by extensive use of local resources and a deep knowledge of local IT practices, business customs, privacy laws, and trade regulations. As a result, HP has had great success in helping our clients navigate the complexities of doing business across borders.

### **unparalleled corporate culture**

HP is ranked as one of the top companies in the world to work for based on respect for employees, ability to innovate, and client satisfaction. Managed services clients choose HP to ensure employee retention and development. HP has a reputation for high-caliber, client-oriented employees that are process-driven, disciplined, and technically skilled.

### **strategic alliance partners**

HP is the natural and preferred partner for top-tier business consultants, systems integrators, and software developers worldwide. HP has strong strategic relationships with leading global consulting firms such as Accenture, Braxton (formerly Deloitte Consulting), Bearing Point (formerly KPMG), and Cap Gemini Ernst & Young. Key business application partners include: Microsoft, SAP, PeopleSoft, Siebel, and Oracle.

### **III. a proven approach that helps ensure success**

In assisting clients on their journey of continual business transformation, HP uses a proven IT transformation methodology that addresses the complete technology lifecycle:

- Management and optimization of the existing environment
- Implementation of new technology initiatives that support business transformation, including solution architecture, design, integration, and worldwide deployment
- Management and support of the transformed environment

This approach enables HP to quickly and continually incorporate new capabilities into its offerings. Clients can adopt new technologies and services for competitive advantage, without the steep costs of building, owning, and operating the underlying assets and processes.

### **the first step: optimizing the current environment**

For many enterprises, the first step involves optimizing the current infrastructure with IT managed services. Although not a glamorous undertaking, managed services delivers many ongoing cost and efficiency benefits. For example, by applying best practices to the management of legacy assets, IT operations, and third-party providers, an organization can increase service levels, thereby increasing client/end user satisfaction without

increasing operations costs. By implementing standards, it is possible to reduce IT procurement costs, speed the procurement and deployment of new technology, and reduce interoperability problems.

An optimization effort also lays the groundwork for future transformation efforts. By stabilizing and standardizing the existing environment, optimization makes it significantly easier to integrate new technologies with the legacy infrastructure.

### **new initiatives: the heart of the transformation process**

Underlying every business transformation initiative is one or more IT initiative that is instrumental in creating new business value. Recently, the predominant focus has been on building out the enterprise infrastructure to enable e-commerce. Through managed services and traditional network and systems integration, HP has helped a diverse group of clients create this foundational infrastructure, including DirectTV, GE Aircraft Engines, Canadian Imperial Bank of Commerce (CIBC), Delphi, Ericsson, and Dow Chemical, among others.

Global implementation services allow clients to roll out new capabilities in a planned and orderly fashion, achieving rapid time to results and minimizing disruptions of business operations.

HP is positioned to assist enterprises with their current and evolving priorities and has proven integration expertise in all of the top IT priorities identified by IT executives—in a Gartner, Inc. survey. These include but are not limited to, internal eBusiness infrastructure, enhanced security, network management infrastructure, CRM, enterprise portals, and applications integration, middleware, and messaging.

### **managing for a smooth transition and continual change**

When implementing a new technology initiative, many organizations treat operations and support as an afterthought. Too often, a new capability gets tossed to an ill-prepared support group with disastrous consequences. Predictable rollout glitches can turn into lengthy service interruptions resulting in angry clients, lost revenues, and public embarrassment.

HP views post-implementation management and support as integral to any new IT initiative, essential to risk management during the first months of transition, and key to maximizing RoIT during the second and third year following a major technology rollout. HP's project methodology ensures that solutions are designed and tested with operations

management and serviceability in mind, dramatically reducing the likelihood of unforeseen, support problems. As new initiatives move through the development cycle, HP supports the new capability from “Day 1” by adapting proven practices, tools, and processes to the new technology.

Once the transition period is completed, HP manages the transformed environment with an eye on tactical and strategic considerations. On the tactical level, HP manages the new infrastructure to optimize performance and operational efficiency. On the strategic level, HP focuses on continually evolving and scaling the infrastructure for business agility, supported growth, and maximized RoIT. HP believes that only through evolutionary changes that the client can reap the full value of its investment in the second, third, and subsequent years of operation.

## **conclusion**

Faced with these new realities, IT organizations want to work with managed services partners who can help them achieve their business transformation goals. With proven methodologies, HP Managed Services ensure the success of its clients managed services initiatives. HP differentiators include:

- The tight integration of technical and business transition activities
- The ability to aggregate multiple service provider capabilities to deliver a total managed services solution
- A robust change management process that adapts to a wide range of circumstances
- The flexibility to respond quickly and innovatively to rapid changes in the business and technology environment
- Taking traditional fixed costs and make them variable to better manage fluctuating business cycles

To learn more about how HP Managed Services can help you reduce business complexity and enable business agility, link to: [www.hp.com/hps/outsourcing](http://www.hp.com/hps/outsourcing)

**appendix a:** HP Managed Services provide a complete range of services to help enterprises take advantage of the benefits of IT outsourcing.

- Access and Support Services — Enable companies to support their globally distributed and networked employees through Global Service Desk, Mail and Messaging, and e-Workplace Management solutions
- Applications Operations and Management Services — Focus on managing all of the pieces that keep the application up and running, including operating systems, hardware platform, network, middleware, and more. They are available for business applications such as SAP, Siebel, Oracle, PeopleSoft, and Microsoft® Exchange
- Business Continuity and Recovery Services — Help protect companies against the risks of business outages
- Infrastructure Management Services — Provide comprehensive, 24x7 management and monitoring of client systems, servers, storage, and networks
- On Demand Solutions — Offer clients a range of computing resources when they need them, where they need them, and at a predictable price/performance level
- Software Publishing Services — Provides an end-to-end software supply chain service for commercial software companies

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