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# Inside Outsourcing™



## Inside with: Steve Smith Senior Vice President, HP Services

Larry Janis' interview  
with:

**Steve Smith,**  
Senior Vice President,  
HP Services

### From the Editor.

Welcome to our current  
issue!

Inside Outsourcing's goal is to provide you with articles of interest and with a forum for the exchange of information in this rapidly evolving industry.

HP is a technology solutions provider to consumers, businesses and institutions globally. The company's offerings span IT infrastructure, global services, business and home computing, and imaging and printing. For the four fiscal quarters ended July 31, 2005, HP revenue totaled \$85.2 billion.

### LJ: How is the global services model evolving?

**SS:** The global services model is evolving rapidly as more companies expand into international markets. In some cases it means shifting from local and regional operations to those that meet the needs of their clients across the globe. Companies are seeking service partners who can scale and grow as they do, deliver services in a follow-the-sun fashion, and provide the link between the business goals of the enterprise and the IT services and business processes that enable them. Today, business success is largely dependent on the degree to which a company effectively leverages their IT.

As a provider of IT and business process services, HP has the expertise to deliver the right services to the right locations at the right time, and in a consistent and predictable way. By managing these functions for our clients, it gives them the freedom to focus their energies and resources on their core competencies. In turn, HP delivers a level of service that isn't just about maintaining our client's IT environment – it's more about improving it.

### LJ: Are the buying patterns different outside the United States?

**SS:** The buying patterns are more similar than different from region to region – especially with the globalization of many businesses. On a worldwide basis, we're seeing common themes: companies are looking to partner with service providers to help them align business and IT, standardize business processes, and cut costs overall.

As Thomas Friedman pointed out in the "The World is Flat," distance is becoming a shrinking barrier, markets are globalizing rapidly, as are the companies that compete in them. A considerable portion of a company's sales come from outside the headquarters country, and geographic proximity is no longer essential for people to work together.

This means clients can buy services from the outsourcing provider they think best meets their business requirements, while the delivery of those services may come from any region, country or location. HP's global delivery model provides onshore, near-shore and off-shore capabilities enabling clients to select the delivery options that best meet the needs of their business.



## Inside with: Steve Smith

### Senior Vice President, HP Services

#### LJ: What are the top concerns of the buyers of Outsourcing services?

**SS:** Based on our experience, the following are concerns corporate executives have taken into consideration when deciding on the right outsourcing partner:

- IT costs are on the rise. For many companies, IT is seen as a “budget drain” that doesn’t contribute to the overall goals of the business and is not their area of expertise. Clients are looking for an outsourcing provider who can bring IT and business process competencies to them, which in turn will free them to focus on their core business. They want a long-term partner who can manage these competencies for them, and also be a strategic business partner with the vision to provide the appropriate transformation and innovation for the future.



Companies are worried they will need to “give up control” of their operations to an IT vendor. This was the reality in a number of mega-deals in the past, and very possibly the reason some of those deals were terminated and the IT management was brought back in-house. At HP we’ve found that by offering flexible delivery options and approaching the partnership as a truly collaborative relationship, we have a greater success rate for overall satisfaction as well as better client retention.

- A disaster -- either natural or man-made, can cripple a company’s operations in a matter of minutes. To mitigate this increasing risk, companies are requiring their outsourcing partners to have business continuity and contingency planning as core capabilities. At HP, business continuity planning, and risk management technologies and processes are critical components in our approach to outsourcing.



- Buyers are concerned about employees’ reactions to their decision to outsource. At HP, we are fully committed to maximizing our clients’ employee opportunities once they transition to HP. We pride ourselves on treating each individual with respect and dignity, and it is one of the distinctive aspects of our approach. We have human resources experts who are experienced with employee transitions, have served on our own transition teams and build on this experience to customize a solution that will work best for our clients’ employees. One measure of success is the number of transitioned employees who stay with HP. At last count, the retention rate averaged 92 percent after a two-year period.
- Finally, there is also concern around how best to effectively guide a smooth transition to an outsourced environment. A well-planned and well-executed transition is a proven way to avoid some of the problems often associated with outsourcing, such as inappropriate management of human resources, business disruptions, and delayed implementation of new services and processes. Based on our experience managing large, complex outsourcing relationships, HP has developed a specific Transition and Transformation Methodology for managing these critical phases, as well as a formal Governance Structure that is jointly developed by HP and our clients. It includes elements such as detailing the standard practices and methodologies, linkages for communication, contract execution, and overall service delivery.



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**Senior Vice President, HP Services**

**LJ: What is the role of offshore outsourcing in the overall outsourcing market? Is it just labor arbitrage or is there some strategic reason to consider this?**

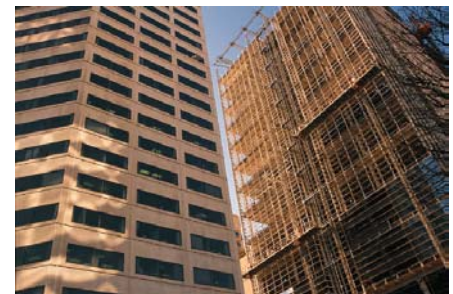
**SS:** Offshore outsourcing is playing an increasing role in the overall outsourcing market, but the reason is much broader than just labor arbitrage. For many global companies, offshore outsourcing can provide compelling advantages. It's about delivering capabilities to enhance business process excellence, speed to market, efficiency, reduced risk, improvements in quality, and benchmarking to world-class standards. Many companies appreciate being able to choose from a mix of onshore, near-shore or off-shore options, assuming delivery expertise is consistent regardless of delivery choice.

In this "flat world", companies also need to work at Internet speed, which requires resources being available anytime, anywhere to help them react quickly. A follow-the-sun approach to solution architecting, testing, implementation and ongoing delivery helps companies get their global projects to market and ultimately reach their business goals more rapidly. HP's global delivery, which includes fully developed off-shore capabilities, can do this for our clients.

**LJ: What are HP's competitive advantages in the Outsourcing and BPO industries?**

**SS:** HP's overall value proposition is to offer products, services and solutions that enable the transformation of our clients' environment so the business can become more competitive and responsive in the market. No other company has the portfolio, people and expertise to deliver on this like HP.

It is this value proposition that has resonated with clients such as: P&G that was looking for a trusted partner for transformational outsourcing; Starwood that was tired of its supplier asking it to "give up control"; Bank of India that needed more depth and breadth of services than an Indian firm could provide; Bank of Baroda that turned to HP for its wealth of experience both in terms of domain knowledge and in integrating and managing large projects; and the UK's Land Registry that wanted to tap HP's expertise and leverage its supplier relationships to negotiate better deals for the agency.



In IT outsourcing, our main objective is to help our clients develop effective strategies to align IT with their business goals. To do this, HP makes strategic investments in people, facilities, as well as R&D for technology and services. We also aim to provide things such as repeatable processes that are consistent across the globe, advanced technology, and leading-edge software and management services. As a result, we can ensure uninterrupted business operations and improve the speed, quality, and reliability of IT services and business processes for the entire corporate enterprise.

HP's BPO capabilities are in finance and administration (F&A), and procurement, building from years of internal experience managing these function for HP, and grounded in the methodologies developed and refined during the merger with Compaq Computer Corporation.

And finally, an outsourcing relationship takes intense collaboration, shared values, a cultural fit, and an eye toward more than just cutting costs, while helping clients innovate, compete and leverage their existing talent. It's more than just managing your infrastructure, it's about optimizing business operations and processes. That's what makes a solid outsourcing relationship and the approach HP takes with its clients. *(continued on next page)*



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## Integrated Search Solutions Group



We are a thirteen-year-old retainer based executive search firm that has successfully attracted top talent in the areas of Outsourcing (IT, BPO and BPM), Consulting (Strategy & Technology) and traditional IT functions (CIO, CTO, etc). We have worked effectively with major corporations as well as effectively with venture capitalized start-ups. Executive recruiters typically pride themselves in their ability to recruit top executives, irrespective of the industry. Leaders in outsourcing tell us a different story; outsourcers value what we do because we understand their business. Executive search in outsourcing is what we do.

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## Inside with: Steve Smith, Senior Vice President, HP Services

### LJ: What innovations are the buyers looking for in a service provider?

**SS:** Clients are looking for innovation across the lifecycle of the engagement. When a client commits to an outsourcing relationship, it is with the expectation that the outsourcer, through the ongoing deployment of new technology and services, will provide increasing value to the client. The outcome is a more agile IT environment that can meet changing business needs. Clients do not want to give their business to an IT outsourcer that will be technologically stagnant. And as a customer's business needs change, the IT infrastructure and business process solutions need to be able to adapt to support that change.

HP brings innovation to bear in every aspect of the engagement, as you would expect from a company with our heritage. Regarding IT infrastructure, HP currently focuses its innovation efforts in five areas: Virtualization, Automation, Utility Services, Grid and Services-Oriented Architecture (SOA). Working together, these technologies and services enable shared, utility services that allocate IT resources dynamically on an as-needed basis, to deliver lower unit costs with greater speed of response.

In addition, we have leveraged HP Labs to develop innovative solutions and applications for technology that will streamline the supply-chain, speed-up production, and enable new services for our clients and partners. In P&G's case, HP is developing wireless handheld systems, so managers can quickly transmit a store's inventory requirements from the store floor to P&G warehouses -- making it less likely the store will run out of top-selling products such as Pampers, Crest, or Tide. P&G also is working with HP to manage initiatives around radio-frequency identification (RFID).

In the end, companies are looking for a service provider that can enable them to meet their business goals through innovative approaches to aligning technology and business processes. It is important to note, however, that while innovation is a critical consideration for companies, it must be coupled with best practices and the established methodologies that are critical for success: the ability to manage complex, heterogeneous global IT environments, to benchmark and measure service levels, and to provide a robust governance framework. By taking this holistic approach, HP designs, develops and deploys IT in such a way that it truly supports our clients' business, it helps our clients provide better service to their customers and partners, and it helps them remain competitive and achieve new revenue streams.

*"Blessed is he who expects nothing, for he shall never be disappointed."*

**Benjamin Franklin**