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Inside Outsourcing™



Inside with: Gary M. Budzinski, Senior Vice President of HP Services for the Americas

Larry Janis'
interview with:
Gary M. Budzinski

Hewlett-Packard Company provides various products, technologies, software, solutions, and services to consumers, businesses, and governments worldwide. The company's Enterprise Storage and Servers segment provides storage and server solutions, including industry standard servers and business critical systems, as well as storage products, including area networks, network attached storage, storage management software, virtualization technologies, tape drives, tape libraries, optical archival storage, and various types of arrays. Hewlett-Packard's HP Services segment offers multi-vendor information technology (IT) services, including technology, consulting and integration, and managed 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.

LJ: *You have been involved in outsourcing for a long time with EDS, Aon and now HP. What changes have occurred on the provider side?*

GB: On the provider side, I've seen a lot of changes in the outsourcing market and what customers are asking outsourcing providers to deliver.

First, globalization has completely changed the way providers do business, including opening up more centers across the globe and increasing headcount. As customers have expanded globally, outsourcing providers have expanded with them. In addition, the last few years have brought about more competition for service providers from the Indian players and from other emerging markets.

Second, multi-sourcing has changed the way that providers service their customers. In order to be successful, outsourcers must play nice and collaborate with other services providers, adhering to best practices and standardizing service levels.

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Finally, service providers are changing the way that they provide services and have started to package their services into resellable services, not relying solely on customized engagements to drive growth. Overall, there has been a dramatic increase in what companies like HP can provide to our clients and what our clients are asking for. We can, and do, deliver complete, end-to-end services that impact just about every aspect of a client's operations. We offer a multitude of services, as we always have. But most of these services have now evolved into complete solutions designed to improve business outcomes. They include the products, services and expertise needed to implement major positive changes such as modifying a client's infrastructure architecture, implementing ITIL processes, and automating major processes and tasks. In order to provide the absolute best in terms of services, we are constantly expanding our reach with one of the largest and best network of partners and alliances in the country. Our ability to partner with other best-of-breed vendors allows us to match the client's needs with the organizations that can best meet those needs - whether it's from HP or with one of our partners. Clients want choices, they know what they need, and we can provide.

LJ: Have the buyers of outsourcing services evolved too?



GB: Definitely. In fact, it is the evolution there that has driven many of the changes on the provider side. The biggest evolution is that now, clients are aware that technology doesn't support the business, it actually powers the business. It is no longer a peripheral part of the operation. It is a core element. As a result, IT risks are now business risks and IT opportunities are now business opportunities. So the better IT performs, the better the entire organization performs. In turn, this drives more companies to really ask themselves if outsourcing parts or all of their operations to quality services providers could yield better results. More and more, they are finding that the answer is yes.

There has also been an increase in basic know-how and experience among buyers. Many clients we deal with are now in second or third generation contracts. They have determined exactly what they need, are fully aware of what can be done, and have defined what they expect from a provider.

They also know that this is a rapidly-evolving and very competitive market, so they are constantly seeking to craft the best deal. That's why we are seeing many more multi-source deals and shorter term contracts. In response, HP has developed an approach that features high levels of both expertise and flexibility. We can deliver whatever our clients want and need ... in whatever form works best for them. Whether it is a better transactional approach or a complete transformation, or anything in between, we can provide what it takes to help our clients improve their business outcomes.



LJ: How would you define HP's competitive advantage in the ITO marketplace?

GB: The flexibility I just outlined is clearly one of our major advantages and a major differentiator for HP. We don't try to shoehorn the client into a specific outsourcing program that fits what we offer.

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Instead, we make it a point to craft a program that best fits their needs. In doing so, we consider the specific service that's needed, the type of outsourcing, the contract length, location of services, and other key considerations requested to meet their business outcomes. We use the answers to create a program that meets client needs and their budgets.

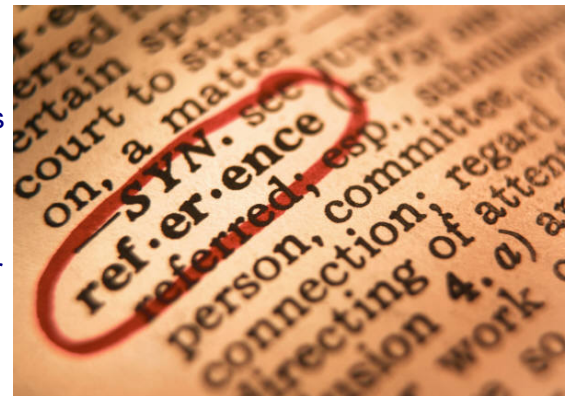
Obviously, HP's breadth and depth in terms of its portfolio and people make it possible for us to make these types of matches successfully. We recently completed a major simplification of our overall portfolio to make it easier for clients to select the service or services that are right for them. As a result, we now have 13 solutions offerings, each with a very clear focus. They encompass individual areas ranging from applications to servers to storage to mobile devices, mainframes, and service desk ... basically, any technology area that clients want or need to manage through an ITO contract. As part of the larger HP Services portfolio, we also offer a complete range of assessment services that help clients determine exactly what types of services they might need and the precise ways they could benefit from various levels of outsourcing. So clients come into an ITO contract knowing exactly what they need, what they are going to get, and how they are going to save and benefit.

I should probably point out that we don't ask our clients to outsource everything right from the start. If they prefer to take a more gradual approach, we are happy to provide exactly what they need. That way, we are able to show them the incremental benefits they will experience with each move they make up the outsourcing value chain.

We have also recently streamlined and strengthened our global delivery capabilities for many of these services, especially our service desk services. We have consolidated our operations in two Global Delivery Centers and a number of regional centers. This helps us align our operating model to ensure ownership and accountability and to also align our operations to benchmarked industry performance and cost.

I believe our diverse workforce is the best competitive advantage. It is their unique combination of expertise and experience, combined with their proven ability to leverage the capabilities of HP and our partners that allows us to make that perfect match between client needs and HP solutions. Besides, we know what we are doing because we are doing it ourselves here at HP. We are currently transforming our own IT architecture, simplifying our data centers, data marts, and applications across the board. We are eager to share what we learned with our clients. We also have experience managing more than 78,000 servers, 7,400 Terabytes of storage, and 1.5 million desktops. We keep perfecting our approaches to ITO every day... and we make sure our clients benefit from the improvements we make.

What it all means is that HP is quickly establishing itself as one of the world's top outsourcing service providers. We offer professional advice and outsourced services to our customers on all levels of their operations, from business processes to technology infrastructure. By combining our processes expertise with our technology know-how, we are able to provide integrated, effective business solutions that are robust and reliable and that generate immediate bottom-line impact. *(continues on next page)*



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LJ: *HP initiated a move into BPO a couple of years ago in F&A and HR. How are those initiatives going and what are the firms' plans to capture market share?*

GB: Business Process Outsourcing continues to be a growing area of involvement for HP Services. Up to now, our focus has clearly been on F&A, and that is reflected in the services we offer. In addition to the usual F&A services, we also offer order-to-cash and Procure-to-Pay services. In each of these areas, we bring to bear our long-standing experience in the most sophisticated process management practices, our extensive know-how of advanced tools and technologies, as well as our finely-tuned global delivery infrastructure.

We have been quite successful and have signed several large global contracts in the last year.

We plan to continue our efforts in this space and at the same time, expanding to provide CRM- and HR-related services to our clients.

Our overall goal for BPO services is to help our clients focus their attention on strategic issues rather than on low value-add transactional activities and to reduce their operating costs by outsourcing to a service provider who can take advantage of labor arbitrage, better IT systems and improved scale. We are certain that our services can also help them improve financial controls and regulatory compliance, increase the speed and quality of business processes, enrich processes with modern technology and tools, and increase operational flexibility, while minimizing the use of capital resources.

Q. Are the buyers of outsourcing services concerned about the management changes and the boardroom issues that have been in the press?

A. No, not at all. The boardroom and management changes that occurred did not affect our day-to-day business or our focus as a company. The business units conducted business as usual, and stayed focused on our customers and their needs. We have a strong leadership team in place, the right strategy, and are continuing to refine and implement our services model

In terms of our Outsourcing Services, we have actually been very busy during this time, developing and implementing a strategy that aims at enhancing our position as the #3 company in the recently-released International Association of Outsourcing Professionals' Global 100 report. We continue to invest heavily in BPO, Applications, BI, and our Business Technology Optimization (BTO) practices. Our partner initiatives allow us to extend our reach. We are looking to leverage our strong offshore capabilities and expertise in ITIL and SEI processes. We have maintained a focus on our operational excellence within delivery to drive cost out of the system and introduce best practices that increase customer satisfaction. Our clients have seen us in action and know they can count on us to deliver the best. They also know that we'll continue to focus on innovative tools, services, technologies, and capabilities ... and that they are the ones who will benefit from our innovations and continued focus on quality. *(continues on next page)*



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LJ: *You have achieved a great deal in your career, what do you attribute your success to?*

GB: I have always had strong support from senior management during my career. It's very hard to get anything accomplished if management is not fully behind you. In terms of the way I approach my own job, I find that it is essential to build great, dynamic teams within the organization and to actively encourage diversity within each team and the organization. When you get a diverse group of people together, you get different perspectives, thoughts, and viewpoints. A blending of different cultures also creates an opportunity for new ideas. The way I see it, this creates a powerful competitive advantage and an environment for innovation to help increase market leadership.

I also make it a point to listen and learn from people with-in HP and outside of HP. The services business is a people business. One of our key strategies for this year was connecting with our people, just like we connect with our clients. I've placed the emphasis on 1:1 interactions. I am constantly amazed by how much I learn from just picking up the phone and listening to what is on our people's minds and gathering real feedback to improve the way we work. I also believe in strong collaboration with my community, HP clients and HP partners. I learn a lot from my interactions, that I apply in my day to day business - best practices, leadership, building relationships, and diversity.

All of these things have contributed to my career.



“My neighbor has a circular driveway...he can't get out.” -- Steven Wright