

Saving \$330 Million at **HP ENTERPRISE**

A Hewlett Packard Enterprise Case Study

Executive Summary

Hewlett Packard Enterprise needed to move away from being an unexplainable tax to the business and toward becoming a true strategic partner. They needed to shift substantial funds used to run the business into changing the business while, at the same time, offering complete cost transparency into technology expenses. With the help of TBM, Hewlett Packard Enterprise is on track to do all this and save \$330 million over three years.

Hewlett Packard Enterprise Corporate Overview

Hewlett Packard Enterprise (HPE) is an industry leading technology company that enables customers to go further, faster. With the industry's most comprehensive portfolio, spanning the cloud to the data center to workplace applications, our technology and services help customers around the world make IT more efficient, more productive and more secure.

**Hewlett Packard
Enterprise**

Industry // **Electronics**

Headquarters // **Palo Alto, CA**

Revenue // **\$52B**

Employees // **205,000**

TBM Solutions

- Apptio IT Planning
- Apptio Cost Transparency
- Apptio Business Insights

Benefits

- Assisted in the successful split of HP, Inc. and HP Enterprise (HPE) in the final quarter of 2015
- Aligned Finance and IT departments around IT budget allocation costs to business units
- Applied \$40 million from two data center closures to push forward the cloud transformation program
- Provided complete transparency and mapping of 100% of HPE's IT financial data without a single dollar falling out of the model

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— **Philip Bame**, VP, Global Delivery IT

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**Hewlett Packard
Enterprise**

In order to optimize the cost and business value of IT, you have to know a few things: how much IT costs, who is consuming IT services and assets, and what those dollars are providing. If you can do that, you can measure that spending based not only on tried and true metrics like ROI and TCO but, more importantly, on business benefit and value.

For HP, uncovering this information proved to be useful for another purpose: it helped them quickly and gracefully separate the company into two distinct companies — HP Inc. (HPI) and Hewlett Packard Enterprise (HPE) — in the final quarter of 2015. Fortunately, because the global technology giant began its Technology Business Management (TBM) journey back in 2014, this information was readily available.

"The initial focus of TBM was being able to explain the IT cost to the business," said Michel Brassart, Sr. Director HPE IT, TBM Office IT Mergers & Acquisitions, and Cost Management Programs. "So my task was to bring transparency to the IT budget as fast as I could so we could explain to the business where we were spending their dollars. So we started from a complete end-to-end perspective including all the end user services, the telecom expense and so on."

Today, HPE's TBM solution now serves as the automated, single version of the truth for all technology spending down to the last dollar and employee. But, when they started, Brassart and his colleagues could account for just five percent of then HP's overall budget.

"Just to give you an example," continued Brassart. "At that time, I was an IT customer engagement lead for one of our business units. The IT budget allocation to that business unit, or I should say 'tax', was \$750 million. The only spending we could explain definitively was \$40 million. There was nothing else that we could explain. All the numbers were done by finance. We had no idea in IT how finance came up with those numbers. This led to some very uncomfortable conversations with the EVP of that business unit trying to explain their IT spend."

Going all in with TBM and total transparency

Today, that five percent figure is now close to one hundred percent. Unlike most companies, HPE went all-in with TBM from the very beginning. This allowed them to map every IT cost no matter how small to every consumer be it a technology tower like storage or compute, a service area like help desk or application development, or an individual employee's overseas cell phone roaming charges.

This all-in approach has allowed IT to not only see where every dollar was going — metrics critical to the corporate split — but to dramatically change conversations with business leaders about cost and value.

"Businesses are very adept at reviewing their P&Ls top to bottom and looking to drive market share, drive revenue up, margins up, and profits up," said Philip Bame, VP of Global Delivery IT. "Well, now with TBM and Apptio, they will work with us to remove IT costs, not only helping us but helping their business as well. TBM gets everyone in a mindset of focusing on why these costs exist and how to intelligently make them smaller as opposed to just saying, 'Reduce the costs and whatever happens, happens.'" In other words, TBM helps IT leaders and their business partners talk about tradeoffs and collaborate on driving greater efficiency.

The outcome is impressive. HPE is on track to save \$330 million over three years by reducing applications from 3,300 to 325; decommissioning 10,000+ servers; shuttering two of its six data centers; repurposing 40 percent of its unused storage capacity (\$33 million saved), and retiring underutilized legacy apps like its multiple SAP systems and 140 sales-focused production apps.

But TBM has allowed them to do more than just save money by identifying waste. Now that an extensive service catalog is in place, the business units can see service by service where their dollars are going, how their consumption drives those dollars, and how much it costs IT to supply them with those services on a unit-cost basis. TBM connects consumption with costs.

"We've now had a really exciting turn of events where the business is coming to us to help them drive their overall costs down," says Luigi Scinicariello, Director of Enterprise Architecture. "The TBM data has been key; first allowing us to share what those costs were in the first place and now being able to actually get down to specific applications and specific services that they can proactively work through to decide what they want to cut and change."

Transforming from run to change

Cost savings, while important, are only one side of the TBM coin. Deciding what to do with all that "found money" is equally important. Some businesses simply apply it all to the bottom line. A fair use but, in today's technology-fueled business world, businesses constantly need better technology delivered faster, and cheaper. HPE is no different. With TBM, HPE is now underwriting IT modernization efforts instead in order to move the business to a more agile and responsive technology footing. This is why HPE applied \$40 million from its two data center closures to its cloud transformation program.

"With TBM, while you do focus on the cost, and everyone wants to lower cost, that's one side of the coin," said Bame. "The other side of the coin is to do that so you can switch those costs over to investments and transformation initiatives — because the business always has initiatives. It has new ways to go to market. It has new products to sell. It has new motions it wants to try out."

"Every one of those things, every single business action, requires an IT action. There is no such thing anymore of those two being separate. TBM and the ability to cut cost is helping us switch those dollars to where they'll matter the most — to the business," added Bame.

Optimizing costs during the business split

This focus on the business could not have come at a better time for the old HP. During any split, figuring out who gets what is often difficult. When billions of dollars of IT spend are on the line, those discussions become even more critical. Because TBM clarified which costs were associated with which services, towers, and applications, it was much easier to see the dividing lines between the businesses. This made divvying up IT a much cleaner process.

"When you have six data centers and you have a lot of shared servers," says Brassart. "How do you decide what percentage is used by one business unit and which server is used by another business unit? This was an impossible mission for finance or anybody, right? They could just put a finger in the air and say, 'let's do 30/60 or let's do whatever.'"

"Through TBM and Apptio we were able to tell them, 'this is the server that you're using and you're only using 20 percent of that server.' So we could get down to the actual disposition of every server and every space used in the data center. For telecom, we had one set of splits. For applications, we had different sets of splits and we were able to be precise by services," says Brassart.

This also allowed Brassart and Bame to put together viable transition service agreements to cover the IT services that could not be so easily split. "These transition services agreements are intended to be temporary to help companies get over the hump where you can't quite cleanly break at the time of the separation," says Bame. "Those separation agreements are based purely on the actual costs."

This transparency of consumption, assets and costs is not only useful for companies who have undergone splits. It also helps any company who delivers shared services to both internal customers (e.g., different business units) and external parties (e.g., business partners, joint ventures).

Making IT optimization personal

For all its supply-side insights and cost-accounting prowess, TBM is also highly effective as a check on runaway business demands for more and more services or assets.

"You know, the IT consumption reporting to the end user is really something we're doing that is unique," says Brassart. "It's based on the premise that if you don't know what things cost then it's free and, therefore, you tend to abuse it. On the other side, when you're on the business side, if you don't know what you're paying for, then it's always going to be too expensive."

To counter these perception problems, Brassart has begun sending out personalized bills of IT to employees highlighting their consumption of IT resources and then giving them tips on how they can do better.

Brassart explains, "In my case, it starts with 'Dear Michel, Here is your IT consumption for the month ...' Since I have a company cell phone, I have a section on company cell phone. But, if I didn't have one, I wouldn't get that section. If people are doing a good job using technology then they get a smiley face." The transparency of TBM is effective because it makes sense to the consumer of technology services. In turn, it helps get everyone on board with improving cost-efficiency.

"It's really telling them how to best utilize the technology," continues Brassart. "We had people who thought we had an unlimited cell phone contracts. When people were traveling, as soon as you roam costs skyrocket. We had people with a \$10,000-a-month phone bill. And they were like, 'What? This cannot be true! I did not know.'"

As a result, even end users are helping to drive costs down. Brassart's goal is to send personalized IT-consumption emails to 200,000 employees in an effort to help them help IT use its limited resources more wisely and effectively.

"We like to understand at a really detailed level where we spend our money and how we can optimize the run part of the business," said Brassart. "Because every optimization we can do we can re-inject those savings into a project or an investment. TBM has been a great help for this. It has totally changed the dialog with the business. I mean, it's kind of amazing."



TBM COUNCIL

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Founded in 2012 the Technology Business Management (TBM) Council is a nonprofit organization governed by an independent board of business technology leaders from a diverse group of the world's most innovative companies like AIG, Aon, Cisco Systems, DuPont, ExxonMobil, First American, Microsoft, Nike, and more. The Council is focused on developing a definitive framework for managing the business of IT by establishing standards and providing ongoing collaboration and education opportunities.

Learn more and become a member at tbmcouncil.org.