

# How HP built a \$1 billion-per-year cost-saving machine

The HP Adaptive Enterprise journey

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hp

HP has followed the principles of an Adaptive Enterprise to build a \$1 billion-per-year cost saving machine. HP achieved these results by simplifying its IT infrastructure, streamlining its supply chain, cutting expenses—and capitalizing on change.

## An Adaptive Enterprise payoff

- \$1 billion savings per year in operations and IT costs
- 24% reduction in overall IT costs
- 72% reduction in the number of data centers (300 to 83)
- 43% reduction in the number of applications
- 93% server cost reduction
- \$600 million in supply chain savings
- 24% operating profit increase

## IT consolidation

HP has eliminated hundreds of data centers and thousands of servers and applications. In all, the company has consolidated 300 data centers into 83 sites. It has reduced excess capacity, eliminated high-cost locations, increased systems manageability and dramatically lowered overall cost of operations.

To further reduce costs, HP launched an effort to maximize server utilization by streamlining operations in its consolidated data centers. This focus has helped HP reduce its server expenditures by 93 percent and shift resources from IT maintenance to innovation.

HP has made similar gains in its efforts to reduce the number of applications it uses. At one time, HP had more than 7,000 different software applications running internally. Through IT application consolidation, HP has reduced that number to 4,000, and is on a path to further reduce that to just 1,500 applications.

## HR automation

HP has standardized its entire Human Resources function worldwide around a single, secure portal. While making it easier for HP's 150,000 employees across 150 countries to access information, this portal has saved the company \$50 million with a six-month ROI.

In addition, HP consolidated HR functions on a single global platform of PeopleSoft—the largest instance of PeopleSoft in the world. This enabled the company's HR function to manage and integrate overall resources while enabling IT consolidation. The resulting solution allowed for dynamic automation of resources, which reduced cost, improved performance and increased agility to meet future demands.

## Supply chain innovation

HP's diverse product offerings require one of the most complex supply chains in the world. The company has the world's ninth largest non-military supply chain. For most operations of this size, change doesn't come easy. HP's ability to reinvent its supply chain using the principles of Adaptive Enterprise, and deliver such dramatic results, is noteworthy.

Solutions for the adaptive enterprise.



HP streamlined its procurement processes, retiring 84 procurement transaction systems and generating \$600 million in savings over three years. Still, with dozens of different supply chains in place, this area of the business was ripe for consolidation—on a large scale. Following best practices, HP consolidated more than 50 product-based supply chains into just 5 customer-based supply chains.

The HP supply chain now spans from “no touch” products that are delivered directly from the supplier to the customer up to “high touch” offerings that involve complex configurations and after-sales services. In addition, the company has greatly reduced the time required to integrate new partners into its supply chain—cutting a six-month process down to as little as two weeks.

Elsewhere in the supply chain, HP has implemented RFID tagging to strengthen asset tracking. RFID tagging gives visibility to cases and pallets throughout the supply chain, improving accuracy in forecasting arrival times for products bound for customers, partners and resellers. RFID also allows customers to track inventory once it is in their own supply chains or retail locations.

## Synchronizing business and IT

In its continuing efforts to drive change at the business process level, HP recently combined its Global Operations and IT functions into a single organization: GO+IT. This unified organization works to keep IT and business needs in close alignment, to simplify and streamline how HP operates on a daily basis, and to make it easier for customers to interact with HP. The goal is to enable HP to respond faster to customer needs and shifts in the marketplace.

Gilles Bouchard, who heads up the GO+IT organization, expects these efforts to yield ongoing gains in efficiency.

“Implementing Adaptive Enterprise solutions at HP has paid off, driving one-time and ongoing savings to our bottom line and freeing up money to invest in innovation,” said Bouchard, CIO and Executive Vice President of Global Operations, HP. “Prior to 2002, just 28 percent of our IT budget was spent on innovation. Today we’ve increased that to 34 percent, and we’re on track to increase that to 50 percent in the coming years, so that fully half of our IT spend will be dedicated to delivering innovative new business capabilities. That’s a key part of what the Adaptive Enterprise is all about.”

## Putting Adaptive Enterprise to work

The principles that HP followed in these efforts are now embodied in best practices for an Adaptive Enterprise—HP’s vision of an organization in which business and IT are synchronized to capitalize on change. These design principles are the keys to creating a tight link between your IT infrastructure and your business.

### Simplification

You simplify complex IT environments through the consolidation of applications and infrastructures, the automation and orchestration of processes, and the virtualization of resources.

### Standardization

You reduce costs and simplify the management of change by standardizing business processes, architectures and platforms based on industry standards.

### Modularity

You improve resource sharing and cost effectiveness by modularizing monolithic structures into reusable assets that can be easily redeployed based on changing business needs.

### Integration

You achieve a competitive advantage and improve agility by dynamically linking business processes and heterogeneous IT resources.

These principles can help your organization achieve its own Adaptive Enterprise payoff.

“HP has developed a proven, evolutionary approach that allows enterprises to build an IT environment that is more responsive to the changing needs of the business,” says Nora Denzel, Vice President Adaptive Enterprise, HP. “We call this approach the Adaptive Enterprise. This is the methodology we’re using internally, and it has paid off significantly both in savings to our bottom line and in the ability to increase our investment in innovation.”

## To learn more

To learn more about HP’s Adaptive Enterprise journey or to discuss how HP can help put its best practices to work for you, contact your HP sales representative or visit [www.hp.com/go/adaptive](http://www.hp.com/go/adaptive).

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— Gilles Bouchard, CIO and Executive Vice President of Global Operations, HP

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