

Q&A San Francisco, Chicago and New York 2008

INTEGRATION

1. **Question: How are you divvying up budget for balancing new functionality versus integrating all the products you have acquired? Or, moving from IT to BT and making products more business aware versus IT aware?**

Answer: Feedback we are hearing is that we really don't need a whole lot more functionality. Customers have told us that would rather we prioritize investment on delivering greater ease of use, faster time to deployment, better integration across product centers. So we've focused the overwhelming majority of R&D in BTO on the issue of integration. People ask, since we've been working on integration for two years, whether we are done. The answer is no. As the industry continues to consolidate, our build-out of functionality is more likely to be focused on IM and BI. Move those ahead to a clear leadership position.

We intend to run a rigorous plan of record in investment planning for business and to look at products and product lines and maturity of markets. We also use a customer council for validation. Have a set of recommendations consistent with market maturity and focus on integration and faster time to deployment. The whole vision is to integrate the portfolio as well as possible and continue to add more value to the integration. This can be innovative as well if we can start to drive efficiency higher.

2. **Question: Software integration is the toughest stuff we do. What sort of investments is HP making in resellers and the reseller market to help us? How are you getting value from investment via partners who can provide effective implementation?**

Answer: Focusing on service delivery is absolutely critical. We are driving internal customer-facing teams to be advisors to our customers and answer questions like "What is best in class for implementation? Best in use? Are you getting full value today? We think that is our job to get the right people trained and in front of you, people who understand the broad set of solutions. We're getting skill sets on board and hiring very rapidly—more than 400 people in the Americas just in 2008.

Getting value from investment is critical. Professional services capability inside HP Software was limited a few years ago. We're hiring and training rapidly in this area, and we're supported by regional global partners and we're conducting joint planning with them to satisfy the demand.

We're also investing in technical enablement for inside consultants and external partners. Our portfolio is too big for all partners and staffers to be enabled on everything, so we ask partners for focus to make sure certification and mentoring is deep and rigorous.

3. **Question: Listening to what you are offering—all the pieces, and the vision on integration—I just wonder if target is wrong. If we continue to add software, we don't simplify much. Our goal is a simpler, better, easier world. But won't it get harder if we need more sophisticated stuff that needs smarter people, more capability and more horsepower?**

Answer: We wouldn't disagree with you. At some point you need to curb the complexity. Instead of approaching this as aspirin to relieve the pain we have to resolve the true issue. Our Software as a Service offering is one way to do that—to take complexity out of deciding how to cover scale and buy functionality and expertise in one place. The other side of SaaS is the appliance. I truly mean the appliance. When you look at NeoView, that is exactly what we are supplying. Integration is done and the platform is configured appropriately.

There has to be a little bit of change of behavior on customer side. For example, we support different product lines on 15 different operating systems. It would be easier for us if we could say we deliver everything as a virtual image and deploy HP software on Windows and UNIX and be done. There has to be a push on both sides to standardize and simplify.

SUPPORT

1. Question: Support

Answer: Historically our support surveys of customers indicate our support is better than the competition's. But the last three quarters satisfaction has gone down, which is never the right direction. Getting it back to the level you expect is a very high priority for us. We'll set up a webinar session with our VP of Support and Services Andy Isherwood to get interested members of the audience on the phone to fully debrief on issues and what Andy's team is doing to address them.

We're also engaged heavily with IT to help accelerate some of the things we are doing to get customer satisfaction levels back to where they were. Software is very much a reference sale, so we're making the investment in people and dollars.

We want to exceed your expectations after the sale, both by helping you get stuff deployed and when stuff breaks—which it will. This is enterprise, complex, hairy software, and it isn't perfect. We'd like it to be, but it's not. And so when something breaks, and you call us, candidly, on the support side, we haven't done the job. And part of it is a function of all the moving parts. But we are absolutely committed to it. I have high levels of confidence that the break-fix phone call process is going to get radically better soon.

ACCELERATE TIME TO VALUE

1. **Question: Given potential recession on horizon, we have two scenarios in play. Flat budget or minus-20-percent budgets depending on where revenues go. What investment focus should we pick with you to demonstrate continued progress toward this vision?**

Answer: We see what you are seeing on macro level. One of the things our teams are working is better ROI tools and skills to demonstrate economics of return to your business. We think we are well positioned to return that value to you.

Everywhere we talk to customers there is a model of 4 to 6 percent growth or a minus 20 to 45 percent cut. In any portfolio, a lot of people are balancing the risks and rewards of what they can afford against the price of money. The same thing is happening in IT. When you have disciplined project and portfolio management, you understand the allocation of resources and how that may change over time, both from a CAPEX and an OPEX point of view. And we've set customers up to allocate resources better and improve paybacks by enabling them to take a strategic view of their portfolios. Other area we're helping in that's a little less sexy helping operations to retire programs. We've heard more and more CIOs admit that they've added projects based on the cost savings of retiring programs, but they haven't gone back and made sure the programs were retired. We can help you take a hard look at what you can afford to get rid of.

2. **Question: One of our challenges, we try to drive a simplified, more standardized environment, is to provide an estimate of the value of the investment. We need to demonstrate the ROI on standardization. Any comment or focus in R&D in that area?**

Answer: We can cite some customer examples, and we've done some work looking at the price performance of infrastructure hardware and write-down of capital costs in infrastructure to run the application. We want our customers to be able to provide data to suggest when infrastructure should be refreshed via HP Asset Management and Project and Portfolio Management to drive decision models in IT.

For business intelligence, we have professionals who can help you document where you are today and then where you want to go. You can do a strategy and planning engagement. For a modest-size enterprise that could take 1 – 2 weeks. For a larger corporation it could take a month or two. We give you an interview process and set of techniques to bring business and IT teams together, and help you look at what kind of information you want to deliver to the company to run business in more effective way.

3. **Question: As we virtualize the IT supply chain, we would love to hear your comments on how to get real value from it.**

Answer: You can look for selective sourcing around your business functions. Focus on SOA and Software as a Service (SaaS) and especially on applications and application integration. The same will be true inside of IT.

The second thing is to think about virtualization of applications outside the supply chain and to look at implementing with modern technology such as EBXML, Rosetta net or other standards, but all based on SOA. For integrations around SOA, we don't just apply technologies inside firewall, but also outside. We've seen a growing trend of selective sourcing, and applying our technology both inside and outside the firewall.

For Business Intelligence, we're working with a customer in entertainment field. Right now they are really overwhelmed with modeling volumes and inventory management and would like us to help them. One of the things you can do with a true enterprise data warehouse is to truly understand store demographics by looking at data and then working with your fulfillment arm. We can do that in a managed service fashion too. We're looking at outsourcing this particular supply chain with this customer.

4. **Question: I was intrigued by the *Wall Street Journal* article about Randy Mott and the HPIT transformation. Can you share any background, justification or additional details fo the transformation?**

Answer: The first thing Randy did was make project and portfolio management the number one phase. Mark Hurd set a cost-structure goal of 50 percent cost reduction for HPIT. Randy then turned to the businesses and asked for them to fully scope their projects and prioritize across the business based on value to business. He initiated a cross-business review of projects by value. The second phase was mapping applications and re-architecting around a set of standard applications to reduce and retire many applications.

Mark Hurd has a strong background in making decisions based on enterprise data. He found at HP it was not easy to get access to data across the company. He felt that maintaining 750 data marts was expensive and didn't yield a single view of the truth. So far our consolidation has eliminated 528 data marts, and by the end

of 2009 we'll have one enterprise data warehouse. We'll have better-quality information than ever before, and the initiative will be completely self funded.

ACQUISITION STRATEGY

> BUSINESS INTELLIGENCE

1. **Question: How do you compare your strengths to those of IBM?**

Answer: IBM is a great company. We focus on what we do that is exceptional. IBM is in a lot of different businesses. A lot of people in their management are in a lot of different things. We focus on one area every day. HP entered the top tier of software without architectural bias toward specific areas like .NET or J2EE and without our own proprietary development stack or application server. We bridge these areas to leverage your business. Virtually everything in our BTO stack is rated by industry analysts as 1st or 2nd in its space. We're committed to breaking the mold in enterprise software. The practice for years in enterprise software has been to over-promise and under-deliver. Everyone gets sucked into the vortex of the PowerPoint presentation and left with stuff that doesn't work, or with shelfware. Our commitment is to be at your side for years to come, and to set a new bar for service and value in the software space.

In the enterprise data warehousing space and information management, we feel we have a strong offering and a capability that is still not widely known. We are going to lead this market.

2. **Question: What was experience of HPIT in pulling together pieces of software?**

Answer: This is about HP "drinking its own Merlot." It would be tempting to say that it's all been great, transforming HP IT, but there has been some pain. We're talking about the consolidation of many data centers and retirement of hundreds if not thousands of services. You know what it's like. Just when you think you have things under control, a change from Mergers and Acquisitions comes in.

3. **Question: What is the ultimate vision of your acquisition strategy?**

Answer: Our vision is based on your experiences and requirements. We had multiple overlapping product areas, and we talked to you about what does and does not work. We took the data points we got from you and rationalized our portfolio from the standpoint of creating an inventory of integrations that would simplify the view of how the system fits together. We've done the first levels of enablement, and you now have access to a portal that highlights integration, functional best practices and blueprints. What it all adds up to is a vision of the ideal IT supply chain.

4. **Question: Marketing strategy and channel.** How you get your information out to customers "I get emails almost daily from Cognos and Business Objects, you lack visibility".

Answer: Working hard to train the 2500 people in sales on all the new products in portfolio. & we are now working on all the 10,000 people selling blades.

We are working on visibility for new products (NeoView and Information Management). In some cases we are reaching customers through VARs and not sure they are always pushing information.

5. **Question: Could you go into more detail about business intelligence and operational BI. Aren't you competing with SAP and Oracle?**

Answer: Business Objects and Cognos are partners. For SAP an emphatic "no." As for Oracle, their view is they own a broader swath of software than we might agree that they own. We are talking to Oracle about a partnership.

6. **Question: What is your vision for speeding implementation and reducing customization?**

Answer: Most of the issues come from making products do things they weren't designed to do. We plan to address this by providing integration use cases and training our solution architects on them.

7. **Question: We're at a crossroad in trying to address the challenges and issues of application portfolio management. I am aware of your BTO PPM offering and your BIO initiatives. I'd be interested to hear strategies, directions, thoughts, use cases, your approach to bringing these together to address our current challenges. We have a pretty large application portfolio, and we're trying to look at it from a technology investment prioritization standpoint. But we want to look at similarities, dissimilarities, blueprints, roadmaps, various time stamps of the progress, and the approach to see how we can leverage the software.**

Answer: Actually, HPIT and customers aren't capturing enough data across the supply chain. Our lessons learned from the BIO space show us that bringing data together to run what-if scenarios is a discipline IT doesn't have yet. Most IT organizations are working from disparate sources of granular operational data and aren't leveraging a lot of what is available for business intelligence. But more and more, we're being asked for a data model for IT, and we've acquired Knightsbridge, which is working with BTO to use some sophisticated technology to create that model.