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HP ENTERPRISE GROUP IN 2015: IGNITING ORGANIZATIONAL TRANSFORMATION

At any given point in time, most large corporations are going through some form of transformation, large or small, to stay competitive. And most corporations lack an independent, integrative function that can relentlessly help execute these transformations.

—Arun Chandra, SVP of Business Operations, HP Enterprise Group, May 26, 2015.

INTRODUCTION: SPLITTING HP IN TWO

In early 2015 HP was in the middle of a five-year turnaround effort, and in October 2014 the company had announced it was splitting the $111 billion, 75-year old company into two independent, publicly traded companies. HP Inc. (HPI) would be comprised of the Personal Systems and Printing business segments, while Hewlett Packard Enterprise (HPE) would include the Enterprise Group (enterprise technology infrastructure and technology services), Enterprise Services (consulting and outsourcing); Enterprise Software; and Financial Services. The split came out of HP's desire to act with greater speed and agility so it could better compete in an environment in which technology, market, and customer expectations were rapidly changing.

Antonio Neri, Senior Vice President and General Manager of HP's Enterprise Group, explained why speed mattered so much for HP: "The market is changing tremendously, and the separation is important to give us the ability to be nimble and make faster decisions. HP was not a company that was recognized for making quick decisions in the past but we are changing that. We have all the assets and the elements to deliver against what the customer needs, but we have not been good about putting it together in a way that the customer can always see the full value of our portfolio."[1]

Because of the size of its portfolio, HP competed with many different companies on many different products and services. The PC, imaging and printing businesses had a different set of

[1] All quotations are from case author interviews unless otherwise noted.

Debra Schifrin and Professor Robert A. Burgelman prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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competitive threats and opportunities than the enterprise business, which top management found increasingly challenging. Its competitors included Lenovo, Canon, Xerox and Samsung, while HP's enterprise businesses competed with Cisco, IBM, Dell and EMC. Therefore, they required completely different overall and go-to market strategies, and different types of innovation.

Top management and the board of directors believed that HP could be more nimble and successful as two companies. Splitting in two would allow each of the new companies to focus on their respective markets, drive more customer intimacy, and allocate capital to the type of R&D and M&A they each needed. Top management also wanted to drive more internal synergies between the business units and make them more competitive. Finally, top management and the board chose to do the split at this moment in time because the company was in better shape from the financial architecture standpoint than it had been in several years.

While HPI would focus more on the consumer and procurement side, HPE would address enterprise clients' need for overarching transformation and solve key pain points of clients' CIOs, including: increasing agility, reducing budgets, and simplifying to deliver better value to customers. To execute and accelerate this strategy, HP's Enterprise Group needed to implement its own transformation.

The remainder of this case focuses on the Enterprise Group of HP and the development of its capability for designing and driving the execution of key strategic change initiatives that cut across the Enterprise Group (EG). The internal transformation program was branded EG Ignite.

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HP ENTERPRISE GROUP

The Enterprise Group had $6.6B in revenue and $950M in operating profit in second quarter ending April 2015. EG was comprised of five Global Business Units (GBUs):

1. *Industry Standard Servers* (49 percent of EG's revenue)
2. *Technology Services* (28 percent of revenue)
3. *Storage* (12 percent of revenue)
4. *Networking* (8 percent of revenue)
5. *Business Critical Systems* (3 percent of revenue)

In the second quarter, EG revenue grew 5 percent in constant currency, with Industry Standard Servers growing 17 percent. EG had a quarter of HPE's employees, but brought in almost half its revenue. Profit-wise, it was even more disproportionate, as it had much higher margins than HPE's other groups. For example, Enterprise Services involved more IT outsourcing, which had a lower margin, while EG had the much higher margin technology services.

In addition to the GBUs, EG had three geographic Regions (Americas, Europe Middle East & Africa, and Asia Pacific), which had the sales and service teams responsible for delivering the financial results each quarter. The sales force had a variety of roles such as account managers, business unit specialists, inside sales, pre-sales, etc. How to best organize and deploy this sales firepower to get the best return was a key topic of discussion within EG. And along with typical functions such as Finance, HR, Supply Chain and Marketing, EG also had the atypical function of Business Operations and Transformation. The operating model for EG was primarily an

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orchestration between GBUs and Regions with the Functions supporting their execution (See **Exhibit 1** for selected executive bios and **Exhibit 2** for EG operating model).

EG historically had a business unit-centric approach. The GBUs set the long-term strategy and product and service roadmap, while the geographically-based Regions, also called the "Field," were more focused on the in-year execution of the go-to-market strategy to sell the products, solutions and services that the BUs provided them. Antonio Neri said, "while there was room for improvement, the R&D and innovation side of EG was doing pretty well, and over the next 12 months EG's priority would be the Field:

> We have a ton of opportunity if we get that right. I'm less worried about our engineering side than about our front lines, because ultimately, if you are a customer, we need to have the right dialogue with you. We have to change our approach to our customers in a way that probably has not been done before, at the speed and the pace that wasn't done before.

Neri added that EG always had to be looking for areas to accelerate growth and figure out how to simplify its processes, become more customer-centric, drive out cost, and attract new talent. "Because we are competing every day aggressively, there will always be something new. We need to recruit and retain employees who bring new ideas and creative thinking."

DESIGNING LARGE SCALE TRANSFORMATION: EG IGNITE

In the spring of 2015, Antonio Neri and Arun Chandra, Senior Vice President of EG Business Operations and Transformation, were reviewing the progress of the group's 18-month old internal transformation program, EG Ignite. In the fall of 2013, HP's CEO Meg Whitman had told EG's senior leadership that the group needed to transform in several critical areas, given market shifts, and to improve operational performance. And the question was how to make that happen quickly for a group with approximately $28 billion in revenues and 50,000 employees. Neri reflected on the thinking that led up to the launch of Ignite:

> We needed a different approach where leadership, inspection, deep measurement, and root cause analysis were critical. It had to be a framework for thinking outside the box where all ideas are good ideas. Yet, it had to have strong program management with a view of the end-to-end business value chain and a closed loop feedback process all the way to the CEO of the company. It also had to foster collaboration and communication across a matrixed operating model, plus a culture to be better, a desire that good is not enough and we aspire for greatness.

EG Ignite was designed to be the catalyst for this transformation to provide both a framework and problem-solving support for the most critical transformation initiatives. The small, central Ignite team (only 10 people in June 2015) served as the interlock point between different functions, business units and regions for these critical initiatives, keeping a big picture view of the changes and the inter-dependencies, and managing both the long-term and day-to-day execution. Ignite was also charged with helping with go-to-market changes as one of the key initiatives, where Neri saw the biggest opportunity to transform the company. He believed that while HP had one of the best engineering DNAs in the world, the company had not been known

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