

HP Software's David Gee on Next Generation Data Center Trends and Opportunities

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Dana Gardner: Hi, this is Dana Gardner, principal analyst at Interarbor Solutions, and you're listening to a special BriefingsDirect podcast recorded live at the Hewlett-Packard Software Universe Conference in Las Vegas, Nevada. We are here in the week of June 16, 2008. This sponsored HP Software Universe live podcast is distributed by BriefingsDirect Network.

We now welcome David Gee, vice president of marketing for HP Software. Welcome to the podcast, David.

David Gee: It's great to be here. Thanks so much for spending the time with us. I appreciate it.

Gardner: Now, you have been the master of ceremonies here at the conference main stage presentations, and, interestingly for me, you have been taking a lot of questions from the audience. How did you come up with this interactive approach to the keynotes?

Gee: Actually this is the second year we have tried it as one of the objectives, when you have an audience of this size. This is the largest we have ever done, around 3,000 people. When we have a main stage, and want to have interactivity with an audience of that size, we utilize a technology through chat lines.

Some of the presentations and some of the sessions that we had on the main stage utilize this technology. That allows folks in the audience to either text or e-mail questions during the session. Then, we post them on the big screen and the speaker or speakers have an opportunity to answer those. We have used it in a number of sessions. A good example would be with folks like Tom Hogan, who runs the software business, and Mark Hurd, our chairman and CEO, who hosted a joint chat-line session on the first day of the event.

Today, we had an external speaker to focus on the environment Jean-Michel Cousteau, to talk about how the oceans really impact our lives and things that we can be doing to conserve and rejuvenate the world for our children and our grandchildren. So, we've covered, across the entire spectrum from business and technology to some of the more thoughtful topics that are top of mind today.

Gardner: I think it's very effective, mixing social networking into the presentation, which makes it two-way rather than just "the word" coming on down from high. So, congratulations on that.

I want to talk to you today about data center transformation. We've heard a lot over the last

several days of what can be done with data centers these days. There are great advances in hardware and blades and cooling systems. We're seeing a great deal of interest in virtualization, and you announced an alignment of your products with the VMware virtualization suite. Tell us a little bit about the opportunity here. How far into data center transformation are we? If we were a baseball game, where do you think we are at this point?

Gee: I'll preface that with my lack of sophistication and knowledge of baseball, but if we assume it has nine innings, and it doesn't end in a draw at that point, I would say we are probably in the second or third innings. Customers today, companies today, particularly those who have acquired businesses, are divesting businesses, or expanding into new markets are having to deal with integration and consolidation of what they have from a data center standpoint, and it falls into a couple of categories.

One is do you want to drive down the operational cost of what you are doing -- and consolidating and transforming data centers is an element of that certainly -- and the other is to free up resources that are being utilized by basically just keeping the lights on. It's also creating an environment where a business can be more agile and innovate on top of an IT platform or a set of IT platforms. With both of those, drivers are happening concurrently. It's not just a cost discussion.

If you focus purely on a cost discussion, then what you are missing is how to align business with IT specifically and how to generate this environment, where you can really deliver innovative services to the customer and really transform the people and the processes that you are doing inside of your organization.

It's walking and chewing gum, and we are about a third of the way through that. There are lots of enabling technologies that allow us to do that, but it really has to start from a desire from the CEO and the board, who are looking at IT spend as an opportunity to drive efficiency and speed and lower risk from a corporate standpoint, so you can think about the consolidation of data in your organization.

How many versions of the truth does a company have about a particular thing, and, even if you are looking at the elephant, which bit of the elephant are you, in fact, looking at. All of those converged to really drive this desire to transform the data center. The third leg of that stool is the more efficient your data centers are, you can pack them more densely, utilize virtualization, and you can have a later generation of server storage that have a lower power footprint and cooling footprint.

The third element of that is can you lower the overall physical footprint and lower the power bill per se. If you talk to CIOs, and we did some activity with CIOs earlier in the week, how many of them ever see the electric bill? Less than one-third of CIOs today see the electric bill, but that's up from one-sixth a year ago. My guess is that two-thirds, maybe three-quarters of CIOs and IT executives will be seeing the power bill. It's a cost center that you want to drive down, not just from an economic standpoint, but from a social responsibility standpoint as well.

Gardner: I think it's clear to most people that over time they need to modernize, consolidate,

and take advantage of new technologies, but there are also some accelerating trends in the market. You've mentioned the energy issue. As the cost go up, there's more impetus from an economic standpoint to go in and re-jigger, re-engineer and re-conceptualize your data centers. What are some of the other trends? It seems also that the amount of data is exploding. What is it? It doubles every 18 months, I believe, according to some studies.

You also have things like service-oriented architecture (SOA) and more reliance on dynamic application and business processes, all of which also will place more demand. So, do you think we're at a point where the need to seriously re-engineer and re-conceptualize a data center is actually accelerating?

Gee: Almost certainly, and for all the factors that you described, but at the end of the day it has to be driven by a set of business processes that require high levels of service, lower costs, and the flexibility to innovate on those services. If you are opening a new manufacturing plant somewhere else in the world, you are serving customers in new geographies and you are merging with new businesses.

Take the airline industry -- companies like Northwest and Delta, for example, who are going through the early stages of what will probably be consummated in this process. Spend time with the IT leaders from Northwest and they are talking exactly about that. Their impetus is, their spend on IT looks different from Delta's spend on IT. Their sophistication looks different from that of Delta's, and how do you bring the best of both worlds together to give the passenger a better experience?

Can I put kiosks in airports? How much of my interaction with a customer is really being driven electronically and online? The stats are incredible. The growth of how much electronic transaction is taking place, versus having to go talk to or deal with a customer service representative physically in an airport or on the phone, and that level of transaction rises dramatically. You have to have the capability to be able to live with those high levels of service.

Another good example would be, as you go through the airport, if a name is on a watch list and your system for integrating the watch list with the Transportation Security Administration (TSA) -- the folks that manage the security in airports -- goes down, everybody has to be screened, re-screened, and triple-screened. What does that do from profits and loss standpoint and the customer-satisfaction standpoint, to give just one example?

Gardner: So the data centers that may have been created to serve an employee base are now not only doing that, but serving a vastly different and growing customer base and supply chain environment?

Gee: Yes, more-and-more applications that historically have been internal only you are exposing to your partner community. And, in some cases, your end users and your customers -- and they are finding new ways to interact with you. So across the board the confluence of all of those things is really driving this need for a higher level of quality of service, a lower price point for those services, and flexibility for those services.

Then you can get down underneath and see what impact that has on technologies like SOA, virtualization, or the management of change. How do you put automation into the data center to not just take an economic viewpoint on it, but to reduce errors -- and most outage is ultimately self-inflicted -- so can you apply automation, quality, and performance, pre-production and in production and then post-production for remediation.

Gardner: We are seeing an environment where the impetus and the requirements for doing data centers better are hastening. We are seeing complexity and more requirements in terms of the demand. And we, of course, are looking for cost savings and efficiencies -- all at the same time.

Let's unpack this move toward the next generation data center. According to some of the information that I have seen here at Software Universe, the spend on hardware is projected to be fairly constant and the amount of data is accelerating. What really is the delta in both demand and opportunity over the next five years in the management of these next generation data centers? Explain how that works.

Gee: In the land of virtualization, where you have a server now doing multiple jobs, the complexity around management actually will explode in a couple of dimensions. One is the physical management of server storage network processes and applications.

The second dimension is this explosion that you've mentioned before around the volume of information, whether it's e-mail, voice, or text. The digitization of content is growing at an exponential rate, and the way companies are going to communicate with customers or employees is exploding exponentially. We can think about voice and data in terms of e-mail and databases, but it's also wikis, blogs, mashups, Facebook, MySpace, all of the above, and then the distribution of that content.

Today, the traditional way to look at that would be on a 12-inch LCD display, but the phone is becoming ubiquitous, and we need to look at the transcoding and being able to interact and have the information available, as well as the security of that information from a risk-management standpoint on hand-held devices.

Then you have Generation Y coming along. The thought of picking up the phone and talking to somebody to answer a question, get support, transact business with you is completely alien. In fact, even e-mail, to some extent, is completely alien. It's more around SMS, it's around wiki, and it's around IM in particular.

The explosion of interaction, plus the explosion of digitized content, is being created and is creating a management challenge. It falls into a several dimensions. One is, do I manage information and what is the duplication around that information? How much of it is duplicated?

Second, do I have it stored somewhere from a business-continuity standpoint to make sure that I know where it is and who has access to it? The third is, am I storing the right information so that if I am required to recover or extract that from a regulatory standpoint, I can do that? And the fourth is, how do I dispose information?

It's a bit like applications. Most companies never turn off an application. How many companies are thinking about the disposal of information, so that they don't get overwhelmed by it.

Gardner: HP has gone through a dramatic consolidation of data centers from 85 to 6 or 7, I believe, and from something like 12,000 applications down to a few thousand. I've forgot the exact numbers. What have you learned in the process that you've gone through internally about the role of management in terms of the ability to, as you put it earlier, chew gum and walk at the same time?

Gee: I think the first thing we learned in this process was that we didn't know how many projects were going on and we had one or more of everything. The first thing you have to do is be crystal clear and use the tools available to deal with things like project and portfolio management, identify the projects that are in flight, prioritize those projects accordingly, and re-prioritize them based on business need.

Then, you need to kill things that are either duplicative or low priority, so you can focus on the things that really matter. That then drives application consolidation and retirement, as you mentioned, and also the transformation of how we manage our data centers.

We had 700-plus data marts, which goes to my comment before about how many versions of the truth there are. Even we defined gross margin differently across multiple lines of business. Now, we have a single view of what a gross margin is. We've consolidated those data marts into an enterprise data warehouse and given people the right level of access to be able to conduct that level of business. So it's a multi-faceted piece.

The second thing I would say is, if you are going into that transformation, it's a CEO and board-level decision. It requires the commitment and the support, and unwavering support, because there are going to be roadblocks and bumps along the way, as certain things get turned off and some things become unexpected.

This is the journey we're on and this is why we're going to go do it. We're going to drive down our operational cost of IT. We're going to free up dollars for innovation. During that process, it's going to be bumpy, but here's why and here's what it's going to do to delight our customers in terms of, if you buy a PC, how do you get support for that PC?

Well, guess what, we used to have implementations of support in 85 countries. Now, we are in three, so you should get a much higher quality of support. How are service and storage able to deliver telemetry data effectively, so that we can drive down support costs and provide a high quality of service to our customers? It's across the entire spectrum of any business. Hewlett-Packard just happens to be one of the world's largest tech companies. So, we want to be a showcase for that as well.

Gardner: So far, the cost savings have been pretty substantial. You've gone from four percent of revenue to two percent of revenue devoted to IT operations and capital expense. Is that right?

Gee: That's correct, but it doesn't come without a cost. We made a couple of commitments early on. One was a massive, multi-billion dollar capital expenditure. You talked about our data-center consolidation. There are three primary sites, all of which are mirrored, so that's six. We built six new data centers and we run them on HP. So, it's a green field, and we now have an evergreen strategy as to what sits in those data centers.

But you have to invest to save or spend to save, and you can't do one without the other. You can't expect to go from four percent to two percent doing what you are currently doing. As to my point about the commitment about the CEO and the board, there is a cap-ex commitment that you have to have to drive what is a longer-term operating expense advantage.

Gardner: Interestingly enough, at this time in the maturity and evolution of IT, we're seeing, through ITIL and some other endeavors, more of a standardization around the methodologies of how to run your IT department.

It seems to me that we are at this point in the business where we are standardizing on the concept of what a data center is. We are standardizing quite a bit of what constitutes infrastructure in the right way to support multiple application types, and legacy installed base. And, we are also managing our IT departments on a more methodological advanced mature basis. Does that describe what's going on, if you look at this in total? Is IT really growing up?

Gee: IT certainly is growing up, because the percentage of revenue that is being spent on IT continues to be a material part of any business' business. I think part two of that is no business is a business without IT. IT has become the business.

If you talk to a company like UPS, for example, the bulk of their competitive advantage is around the logistics capability that is in turn driven by IT. So, the answer to your question is yes. It varies by geography, in terms of the level of sophistication in process-oriented geographies. The US is a pretty good example of that. Western Europe is fairly well advanced with that. They are dealing with it, and they are dealing with transformation of legacy.

If you move the dial to other parts of the world, places like Russia and China, which have less in the way of legacy, and they are adopting the processes from the get-go effectively in green field. So, that creates another set of interesting opportunities.

The third leg of this stool is that we haven't spent much time talking about applications, but gathering the requirements, functionally testing those applications, ensuring that they are delivering performance and quality are required.

Then, the last leg of this stool is the security that you require as you expose these applications to end users on the Web. It's going to be fundamental in ensuring that you are delivering what your customers or your end users are demanding.

Gardner: Very good. We have been talking about the maturity of IT, the next generation data centers, and the need for increased and more sophisticated management to get to the destination -- while still keeping the trains running on time. Joining us has been David Gee,

vice president of marketing for HP Software. Thanks very much for joining us.

Gee: Thank you so much for your time today.

Gardner: This comes to you as a sponsored HP Software Universe live podcast recorded at the Venetian Resort in Las Vegas Nevada. Look for other podcast from this HP event at www.hp.com under "Software Universe Live Podcasts," [<http://h20219.www2.hp.com/services/library/GetPage.aspx?pageid=599221&statusid=0&audienceid=0&ccid=225&langid=121>] as well as, through the BriefingsDirect Network. I would like to thank our producers on today's show, Fred Bals and Kate Whalen, and also our sponsor, Hewlett-Packard.

I'm Dana Gardner, principal analyst at Interarbor Solutions. Thanks for listening, and come back next time for more in-depth podcasts on enterprise software infrastructure and strategies. Bye for now.

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