

FROM COUNTING PEOPLE TO COUNTING SERVERS

COMPANY: **HP SLOVAKIA**

SECTOR: **IT**

1 Requirements

- * a stable local partner who will participate in the startup of a global IT centre and ensure recruitment as well as the overall flow of human resources
- * continuous cost reduction and streamlining of services after the start of cooperation

2 Solution

- * change of contract from personnel leasing to a service model (the customer does not pay according to the number of employees of the centre but according to services used)
- * reduction in the unit price of provided services and quality improvement through increased productivity, motivation, and the commitment of external staff

3 Results

- * increase in productivity thanks to relieving HP managers from routine processes related to the operation of the centre
- * reduction of the unit price for individual services by up to 15% over the course of three years
- * effective control by means of selected indicators
- * improvement of compliance with established quality criteria
- * reduction of employee fluctuation and increase in their satisfaction and engagement
- * quality assurance thanks to an option in the contract to apply a discount to the price of services

“ While existing model was suitable for the early stage of the relationship it shortly showed to be suboptimal to meet HP needs, as it did not stimulate the environment of continuous productivity and quality improvements, neither it provided scalability and all that was critical for the overall success. As Soitron gained the deeper knowledge of the HP environment, tools and processes, and become knowledgeable of true HP needs we have decided to move out of the staff augmentation model towards service based delivery. ”

Miloš Horvát

Enterprise Services Manager at HP

From personnel leasing to outsourcing

In 2003, the Hewlett-Packard Technology Group (HP) (hereinafter "HP") decided to build a new European IT centre for server management and support in Slovakia. At that time, its managers did not know that they would be able to successfully compete with similar centres in much cheaper Asian countries, which was due to a qualified and affordable workforce in Slovakia. The sophisticated management of the centre provided by Soitron also contributed to the centre's success. The evolution of this outsourcing project is a demonstration of relationship between a customer who needs to have IT specialists available for various projects in the short as well as long term, and a supplier, who provides such people.

“ We realised that we had a better overview of the staff workload and of what was going on in the workplace. Therefore, we suggested changing this model so that the amount of work and the number of people would be managed by Soitron. ”

Tomáš Turkovič
Director of Outsourcing at Soitron

of work done, which would allow invoicing according to used services instead of billing based on the number of people. So the idea was born to change, at least for a part of the IT centre, the entrenched personnel leasing into a model in which the client would not pay for people but for server management.

the workplace. Therefore, we suggested changing this model so that the amount of work and the number of people would be managed by us,” adds T. Turkovič. Soitron started to propose changes in the recruitment process. Later, the companies set standards by which new positions were opened automatically after exceeding the agreed limits. From there it was only a step to the definition of a measuring unit for the amount

“We proposed to the customer that, while maintaining the same amount of invoices, we would gradually provide a larger volume of services – i.e. unit price for the management of one server would decrease. This ultimately means that within two to three years, the customer would pay 10 to 15% less for unit services.” explains Pavol Németh, Technical Director at Soitron.

At first, employee leasing

When the decision to build a new IT centre in Slovakia was made, HP had decided to acquire human resources through personnel leasing. The company chose Soitron for its partner, whose task was to recruit people and subsequently lease them to HP. After the initial phase, when the centre was employing several hundred people, HP and Soitron began talking about streamlining. Naturally, every client wants to save costs. But to invoice less for the leased manpower at a time, when the labour cost of IT specialists was growing, was unacceptable for Soitron. “Therefore, we decided to look for inefficiencies at the centre,” says Tomáš Turkovič, Director of Outsourcing at Soitron. Gaps in the effectivity of the centre were visible, so managers were considering a change of leasing people to a model in which the client pays for delivered services.

Seeds of change

The management of Soitron saw several possibilities to make the centre more efficient. The number and structure of employees was initially determined by HP managers on the basis of their own criteria. “We realised that we had a better overview of the staff workload and of what was going on in

New incentives

The transition from personnel leasing to provision of outsourcing may not be easy. The HP managers were particularly concerned about losing control of the centre, quality compliance, and correct determination of the measuring unit and its price. “Eventually, economic arguments, i.e. the promise of reducing costs, prevailed,” says Stetulič, Country ITO Delivery Executive at HP in regard to the decision process. A seemingly simple change of the operation and billing model had a significant impact on both contractual parties. Suddenly, Soitron was not paid according to the number of people employed at the centre but by the number of managed servers. Moreover, in line with its commitment, it was supposed to reduce unit prices, which motivated Soitron to look for ways to make the work of outsourced IT professionals more efficient. The company began introducing automation, developed and fine-tuned an incentive and assessment model that not only was supposed to increase to increase productivity, but also to improve their engagement and satisfaction. According to T. Turkovič, for instance, the fluctuation at the HP centre was lower by half than the Slovak average at similar shared service centres.



“ We proposed to the customer that, while maintaining the same number of invoices, we would gradually provide a larger volume of services – i.e. the unit price for the management of one server would decrease. This ultimately means that within two to three years, the customer would pay 10 to 15% less for unit services.”

Pavol Németh
Technical Director at Soitron

Measurable benefits

Of course, the new service operation model could not depend just on the price, but also on the quality of provided services. A condition for the transition of a part of the IT centre from personnel leasing to outsourcing was that the quality measured by various parameters would be at a required level. HP insured itself against the risk of fluctuations by the option of penalty, i.e. a discount in the invoiced amount. Thanks to the streamlining and quality improvement that Soitron demonstrably provided, the customer was paying less for services, or to be precise, was getting more for the same money. This ultimately improved the competitiveness of the IT centre in comparison to similar HP workplaces around the world.

Another benefit of the new model was the fact that HP managers were no longer concerned with how many people they had at the centre or the structures of individual teams. “They looked at the project from above. They knew what was happening but they mainly controlled outputs,” explains T. Turkovič. The customers not only obtained higher efficiency, but also simplified the management of the relationship with the supplier. Last but not least, HP acquired greater flexibility and transferred a part of the risks to Soitron. For instance, in case of an abrupt drop in demand for services, the company would not have to worry about costs associated with reducing the staffing level (compliance with notice periods, severance payment).

HP Slovakia Satisfaction Survey



Overall satisfaction with service provided by Soitron



Business alignment–relationship management



Ability to understand business requirements



Adaptability/flexibility



Quality of service

Benefits of Outsourcing

Extensive experience

Extensive experience running ramp-up or ramp-down phases in big delivery centres



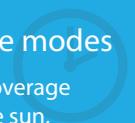
Great flexibility

Great flexibility in cost and price structure (T & M, SLA)



Various time coverage modes

Operating in various time coverage modes (24x7, 5x8, follow the sun, US working hours, on call duties)



Regional presence

Based in 5 of 13 leading EMEA locations for offshore services: Bulgaria, Czech Republic, Romania, Slovakia, Turkey



Always ready

Ready to operate in any other EMEA location



Background

Providing outsourcing services since 2004



Not just for the big ones

Management and operation of the European IT centre for server management and support in the hands of an external company brought measurable results in terms of streamlining operations and continuous improvement in productivity and quality. "While existing model was suitable for the early stage of the relationship it shortly showed to be suboptimal to meet HP needs, as it did not stimulate the environment of continuous productivity and quality improvements, neither it provided scalability and all that was critical for the overall success. As Soitron gained the deeper knowledge of the HP environment, tools and processes, and become knowledgeable of true HP needs we have decided to move out of the staff augmentation model towards service based delivery," adds M. Horvát.

To agree with those interested in outsourcing IT services on a measuring unit and a method of calculating the invoiced

price is also beneficial for smaller companies with only a few IT specialists. "In the course of the project for HP as well as other similar outsourcing projects, we learned that a service model of cooperation works well especially if it is simple. It is important to agree with the client on simple parameters on the basis of which the provided services can be measured," says P. Németh.

In the case of the HP centre, it meant not to differentiate between type, size, and complexity of servers, but to bill the same price for the management of each server. A smaller company may have, for example, three people in charge of server management, although an analysis would reveal that 2.2 people would be sufficient. "In such cases, it is obvious that it would be more beneficial for the customer to pay for used services rather than for people," concludes T. Turkovič.

Facts

European ITO Centre (EITOC) HP Slovakia is the biggest service centre in the area and provides services for thousands of servers in EMEA region.

The Centre is focused on solutions and support of UX and Windows systems and networking in three lines.

Each line has defined rights and capacity for solving specific problems.

3rd Line is the highest line of solutions and support for UX, Windows, and networking. It is responsible for sustainable development of systems and implementation of all improvements within servers

2nd Line is dedicated to solving more complicated technical issues and strives to remove system errors

1st Line solves 60% of all system failures



Hewlett-Packard Slovakia, s. r. o.

Hewlett-Packard is a leader in developing technologies and has offices in more than 170 countries worldwide. Through its products – technologies and services – it strives to help people and companies solve their issues and meet their challenges. With more than forty years presence on the Slovak IT market, HP has had exceptionally strong leadership in terms of total turnover and the width of their portfolio. With a wide range of products accompanied by great services, HP has gained the favour of enterprising customers, small and medium businesses as well as consumers, directly or through a network of business partners. HP has operated on the Slovak market since 1967. In 2000, a separate legal entity, Hewlett-Packard Slovakia, was established, which provides customers with a comprehensive portfolio of services of the world's largest technology company. In February 2003 Hewlett-Packard Slovakia and Compaq Computers Slovakia merged together.

www.hp.sk

SOITRON*GROUP

SOITRON Group SE

The company has long been active in the European market as a systems integrator in the areas of IT Infrastructure, Unified Communications, Customer Interaction, Content Management, Security, IT Services and Outsourcing. For more than 23 years Soitron has been helping companies such as Tatra banka, Slovenská sporiteľňa, Orange, E-On, J & T, Hewlett Packard and many others to grow their business. Its philosophy is to continue moving forward; that makes the company the leader in implementing unique technologies and innovative solutions. This is reflected in Soitron Group annual turnover of more than 107 million EUR in 2013. The greatest reward for the company is customer satisfaction, but they truly appreciate official awards as well, for example Cisco Architectural Excellence Collaboration Partner of the Year 2013, Cisco Best Partner of the Year 2012, and inclusion among the Big Five in the Deloitte Technology Fast 50 (2011). Soitron is Cisco and Microsoft Gold Partner and has implemented several important projects in the commercial and public sectors – the most significant are Mobile Police Force for Ministry of Interior SR and Voice biometrics for Tatra banka and Air Traffic Control in Romania. Company has currently more than 550 international experts, including professional teams in Slovakia, Czech Republic, Romania, Turkey and Bulgaria. For more information, please visit www.soitron.com.

www.soitron.com