

GETTING THE MOST OUT OF YOUR IT INVESTMENT



by Clay B. Dickinson

For the most part America is an action-oriented society. From business, social to military interactions we have a bias toward getting straight to the point, concluding whatever issues are at hand and quickly moving on to the next item. As a people, we tend to have little patience for true consensus building, nor have we honed the art of a delectable, three-hour business lunch. This action-oriented bias may partially explain why the past few years have been so difficult, if not frustrating, for many CIOs.

The economic recession, the tragic events of Sept. 11 and, to a certain degree, the fallout from the IT spending spree of the 1995 to 2000 period, have resulted in flat-to-declining budgets for the IT departments of many hospitality companies over the past couple of years. Moreover, given the current state of affairs, IT spending for 2003 is unlikely to increase markedly. The foresee-

able future is likely to be a continued period of relative quiescence and as an action-oriented society, we don't like it.

But might this period of quiescence be a form of organizational homeostasis, a natural part of the order of things? Are such times of relative inactivity necessary for maximum organizational performance? Physiology dictates that it is the periods between physical workouts that one's muscles actually heal and grow stronger. Many of us have experienced that more often than not it was the quiet periods of reflection rather than frenetic activity that led to our greatest insights. Some even go so far as to suggest that, as tragic as they were, one positive outcome of the events of Sept. 11 was that they induced a much needed period of reflection in which America as a whole gained a renewed appreciation of who we are and what we stand for as a nation. So, it may well be that organizations actually require such interludes to function at optimal levels.

Logic would also dictate that the greater the intensity or the longer the period of stress, the more needed a homeostatic interlude would be. Following this logic and given the frenetic pace of IT investment and change over the past five years, the current period of lackluster IT spending facing most hospitality businesses may be more needed than ever. 1995 to 2000 was a period without parallel in terms of both the scope and total magnitude of investment in IT. Fueled by fears of Y2K and the now famous irrational exuberance of the dot-com era, companies spent billions on ERP systems, Y2K mitigation, Web site development, e-commerce and massive e-business ventures. Moreover, much of this spending was both initiated and undertaken at the functional level within the organization and, more often than not, implementations were hurried and chaotic. As a result,

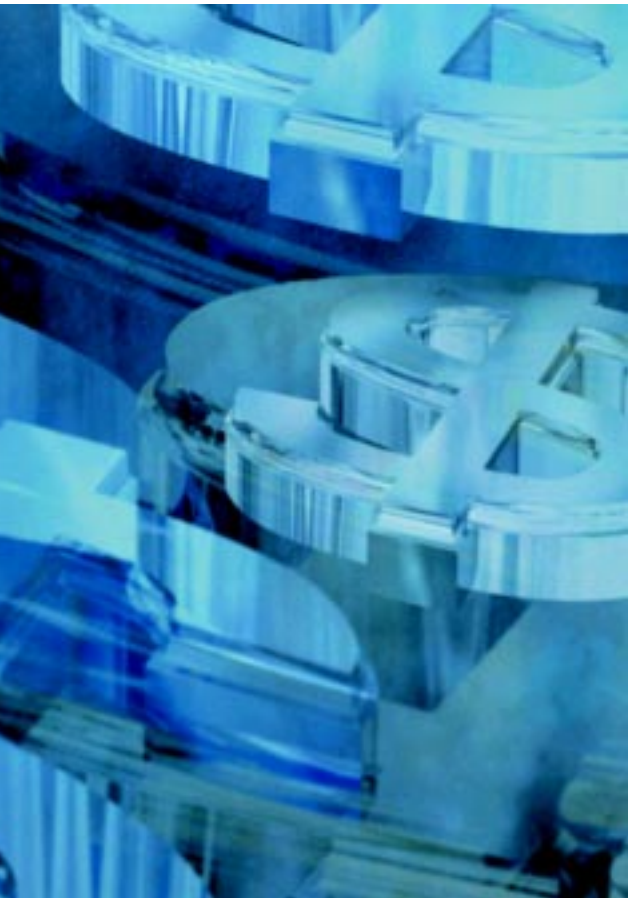
many IT departments have no clear idea of what's been installed where, much less having had the luxury of a well thought-out and implemented enterprise architecture. This may be precisely why the current period of relative calm is so needed.

What then should IT departments do if, as expected, IT budgets remain flat over the coming year? Where should they focus their energies? In a recent meeting of the AH&LA e-business committee, the group discussed what issues were foremost on the minds of CIOs in the hospitality industry. Among the issues identified was one which relates directly to what an organization can or should do in today's environment to get the most out of their IT investments. How do they leverage existing IT infrastructure and previous investment to yield greater business benefit and financial returns? The answer to this question lies in taking advantage of today's comparatively stable environment to dive more deeply into the state of the companies' current IT environments, the degree of alignment that exists between the strategic business and IT initiatives, and the state and direction of external technological change. The following action steps may help organizations accomplish this.

Current IT Assessment –

This sounds like a no-brainer but one would be amazed at how few companies have a firm handle on their IT infrastructure. This situation is typically even worse in the hospitality industry given the fragmented nature of the industry and the doggedly persistent disparate nature of hospitality applications. An IT assessment means different things to different people, but essentially comprises:

- An inventory of IT installed applications, hardware, operating systems, databases and network infrastructure;
- An assessment of the IT department's organization, capabilities, roles and responsibilities;
- An assessment of the IT department's operating, development and management policies and procedures; and
- An assessment of the organization's IT strategy, including both its relevance and the IT department's ability to deliver.



Enterprise Architecture – A lack of time and focus, together with the additional challenges posed by the unique nature of the hospitality industry, has resulted in many companies having a hodge-podge of disparate IT platforms, operating systems, databases and applications located in functional silos and incapable of interoperating. This is not only very expensive to maintain but also makes an enterprise-wide view of almost anything impossible. Companies should take advantage of today's relative calm to develop an enterprise-wide architecture that is not only capable of supporting the future business initiatives of the organization but also drives consistent IT decisions.

IT Principles, Policies and Guidelines – A natural outcropping of the above, companies should take the time to develop and, more importantly, disseminate and track adherence to a standardized set of IT principles, policies and guidelines. The benefits of this are manifold and include among other things: reduced operating costs, a consistent operating environment, enhanced communications, economies of scale, better long-term morale, quicker and

better decision making, enhanced phasing of projects, and more consistent and reliable calculation of ROI.

Technology Scan – Given that technology and IT services are evolving at exponential rates, companies would be well served to use this time to conduct a comprehensive scan of external technologies. While an ongoing external technology scanning mechanism should be put in place as well, companies might be well served by stepping back and evaluating their IT strategy in light of new external technology developments, such as: new ASPs, IT outsourcing providers, application management service providers or the ever-changing array of new and improved hardware and software platforms, and networking technologies or storage systems. The price/performance ratio within IT continues to follow Moore's Law making periodic technology scans an imperative.

IT Strategic Plan – Homeostatic conditions provide an excellent opportunity to either develop or refresh an organization's IT strategy. Until recently, the strategic use of IT was almost an oxymoron within the hospitality industry and so, one should not be

overly surprised to learn how few companies have a documented IT strategic plan in place today. Even scarier is the number of hospitality companies that do not even have a strategic business plan, a desirable if not necessary precursor to an IT strategic plan. An IT strategic plan should be based on and in alignment with the strategic business initiatives of the company. Given the dynamic nature of IT, the IT strategic plan should be comprehensive yet flexible and capable of evolving with the needs of the enterprise. The IT strategic plan should both be based upon and include many of the components outlined above.

People and Process Initiatives – Notwithstanding the old adage maintains that IT is about people, process and technology, most organizations focus on the technology because, quite frankly, it's both the most fun and the least complicated. However, the primary reason 90 percent of the IT projects that fail to deliver the anticipated results do so because the process and people issues were not adequately dealt with. While in some cases it may be too late, in many instances companies can go back and revisit the business process and people issues that had been ignored and harvest some very low hanging fruit by doing so. After all, some of the pain felt as a result of our mistakes can provide a good starting place for redressing people and process issues.

Measurements and ROI – Somewhat related to the above, many IT solutions were implemented with little to no regard for how they would be measured or the returns they would generate. In many instances it is not too late to go back and design a set of performance measurements and, based on these and actual or estimated historical costs, derive ROI estimates for historical and contemplated future IT initiatives.

In conclusion, there is no masking the fact that the last couple of years have been tough for the hospitality industry in general and the IT departments of these companies in particular. Given American's bias for fast-paced action, these times have been trying for IT professionals. However, for every time there is a season and, at times, a forced period of regrouping and reflection – organizational homeostasis – may be just what the industry needs to prepare itself for the storm that may be brewing beyond the horizon.

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