REAL WORLD CASE 2

InterContinental Hotels, Del Taco, and Cardinal Health: Implementation Strategies

There are few IT projects more fraught with danger than upgrading a core business system. If you do things wrong, you've crippled the workhorse that carries the business. On the other hand, the benefits of such a project can be enormous, says W. Douglas Lewis, executive vice president and CIO at InterContinental Hotels Group (www.ichotelsgroup.com), an international hotel management company, in Atlanta. Lewis is in the midst of installing a new central reservation system and local operations management systems for 3,200 hotels.

To make the project succeed, InterContinental partnered with end users from the start, says Lewis. "Involving the people who leave fingerprints on the keyboards is critical, because it's the employees and managers who know what the hotels need," says Lewis. "If we had approached this from an IT point of view, it's likely we would have built the wrong solution."

InterContinental hired subcontractors to deploy the new systems in the hotels and conduct training. "It doesn't make sense to build that capability internally for a one-time activity," says Lewis. But he relies on his staff to do the application programming because they know the business better than an outsider would. Lewis also lays the credit for keeping his project on track at the feet of talented project managers. "I can't brag about anything unique we did," he says. "We just managed the heck out of it." Lewis adds, "I have a premise that big-bang projects blow up CIOs." So he stops every few steps to evaluate the results of the latest "little bang." For example, he says, putting the new system in a few hotels for beta testing revealed a problem with the communication systems. It was easier to change course at that point than after several hundred hotels were involved, he says.

Del Taco. Cutting costs, improving efficiency, and increasing functionality for business end users is the typical business case when improving a company's core information systems, says Allison Bacon, an analyst at AMR Research Inc. in Boston. But it's harder to pin down a return on investment for a core system upgrade because you're spending money on something that already works. Selling the project to upper management often requires making a compelling argument in favor of hard-to-measure benefits and new features. And once the executive committee approves the funds for such projects, the IT group is on the spot to make the project happen on time and within its budget.

Henry Volkman, director of IT and CIO at Del Taco Inc. (www.deltaco.com) in Lake Forest, California, says, "My CFO can make a vendor cry and a nickel scream." Volkman, who meets with his company's top financial executive weekly, says he's the reason the upgrade project is on budget. If the project runs into a snag, IT has to find a way to fix it with what money is on hand. "You'll never get him to agree it was right to spend more money than budgeted," he says.

Volkman says his company is making use of outside help to upgrade its 254 point-of-sale systems. The fast-food chain is outsourcing the job of installing the hardware in its restaurants. It's also working with Microsoft Corp. consultants to design a SQL Server inventory database. The vendor of an application always knows its ins and outs better than you do, says Volkman, so it only makes sense to marry its expertise with your business knowledge.

Bacon says that having a mix of internal and external development teams gets you the most skills at the lowest cost. Using your own people means spending less and moving faster. But you need to lean judiciously on experienced vendors and outsourcers in order to gain the greatest benefits out of something that is new to your team, she says. Volkman adds that it pays to hire only the best project managers. "You can take a good manager with a mediocre crew and run rings around a poor manager with a high-quality crew."

Cardinal Health. At Cardinal Health Inc. (www.cardinal.com), a $7 billion maker of medical, surgical, and laboratory products, Richard Gius, senior vice president of IT, is on the company's capital review and operating committees, where IT projects are approved and funded. "That way, there are no surprises," he says. Too often, business units approve projects, and then confusion sets in when the IT staff is asked to deliver on something that's unclear. At Cardinal Health, "all of that is resolved before approval," Gius explains. His IT team is using CRM software development tools to improve product returns, pricing and availability, and order fulfillment for the company.

Customer relationship management projects can redefine a company's entire operational infrastructure, so cooperation among executives and the management of business units is critical to CRM project success. "Even the CEO must say customer service is Job 1," says Gius. Overall, CIOs agree that disruption to the organization is inevitable with CRM projects and that the entire company should be prepared. "These transformations are disruptive and need an initiative right at the heel to add quality improvements, which will bring stability," says Gius.

Case Study Questions

1. What are the benefits and limitations of the key implementation strategies that are being used by InterContinental Hotels?

2. Do you agree with how Del Taco is managing the implementation of its IT project? Why or why not?

3. What are several change management techniques to ensure the successful implementation of CRM projects? Use Cardinal Health to illustrate your answer.

Sources: Adapted from Amy Johnson, "How Will You Improve Your Core Systems?" *Computerworld*, January 6, 2003, p. 22; and Stacy Collette, "How Will You Connect with Customers?" *Computerworld*, January 6, 2003, p. 19.