Strategic IT Transformation
in the Hospitality Industry

By Clay Dickinson

Just as an untreated illness saps the body of vitality and strength preventing it from achieving maximum performance, so does the inefficient use of IT in hospitality companies unnecessarily drain their financial and human resources, robbing them of optimum performance.

This article will describe the afflictions of IT systems in hospitality companies, provide examples of the painful symptoms and present a prescription framework to restore the IT function to optimum health. As with most illnesses, the road to recovery can appear long and daunting, but the rewards will usually prove to be well worth the therapy.

Hospitality companies must embark upon a journey to transform the acquisition, use and management of information technology so it may become a strategic enabler to their most mission-critical business initiatives. Hospitality companies do not suffer this mandate alone, however, the need for strategic IT transformation is perhaps more pressing in the hospitality industry than others as the hospitality industry is generally lagging behind in the technology adoption curve. Because it is one of the most customer intensive and directly customer-facing industries, the hospitality industry is well positioned to reap enormous benefits from strategic transformation.

Properly done, a strategic IT transformation can not only be self funding, but can actually cost less than the escalating costs of IT sprawl.

The Illness - Problem Definition

Hospitality companies' inability to more effectively use IT to generate business value stems primarily from the sheer build up of disparate, often legacy technologies dealt with on a daily basis. This accumulation of disparate technologies has been termed IT sprawl because, in many ways, it resembles the phenomenon of urban sprawl. And, similar to urban sprawl, it is no one's fault but rather the result of 25 to 30 years of M&A, technology improvements, changing organizational structures, and, of paramount importance, the inability to predict the future. In other words, our own best thinking got us here.

If IT sprawl is a malady shared by many hospitality companies, haven't most companies learned to cope with the problem? Does it negatively affect performance in any tangible way? Could it be that hospitality companies have just become accustomed to bearing the pain and operating at less than peak performance?

Some Common (Painful) Symptoms

The symptoms result from effects that tend to have common causes all of which are components of IT sprawl.

It would appear that many of the most pressing issues, which are normally considered the exclusive province of the CEO, actually spring partially from IT sprawl. These symptoms reflect typical historical causes and effects, or the damage that's already been done. Failure to address the root cause of IT sprawl will have considerably more dire consequences, including threatening the very survival of many hospitality companies.

Successfully dealing with market forces that will shape the strategic agenda require companies to either develop themselves, or partner with providers to acquire, certain characteristics and capabilities, including:

l Ongoing cost competitiveness and high quality service delivery;

l Global consistency across all geographies in which they do business;

l Network reliability and embedded security to accommodate both employees and customers;

l Always-on resiliency so that products and services can be accessed/delivered when and where they are needed;

l Scalability and cost-effective surge capacity to cover demand spikes and an unprecedented number of users and devices; and

l Deep business domain and industry knowledge.

It is clear that hospitality companies wishing to thrive in the next decade must overcome the inertia and inflexibility caused by IT sprawl. That said, no journey into uncharted and potentially treacherous terrain should be undertaken without first knowing the desired destination and without the use of a roadmap and experienced guides.

A Diagnostic and Planning Framework and the Road to Recovery

A framework has been developed to help diagnose where any particular company or organization is positioned along the IT rigidity/flexibility continuum. Once positioned, the framework may be used to help develop a vision of a desired future state, quantify the gaps between the current and future states and, lastly, to produce a transformation roadmap to achieve the desired future state. (See figure on page 188.)

Each aspect of the framework is interrelated. It makes little difference at which point one enters the framework. For example, an appraisal of a company's application portfolio will reflect that company's IT governance and funding and its technology infrastructure. Similarly, a review of technology infrastructure will provide significant insights into a company's business context and application portfolio.

The framework can be used to establish a future vision and to determine the gaps that exist between that future vision and the company's current reality.

A Picture of Health

What does the IT infrastructure and capabilities of a healthy company look like? What is the desired future state, and how might a company safely get there? Will it be prohibitively expensive, and how long might it take?

Does the adage that sometimes the cure is worse than the disease not apply here? Do the costs of strategic IT transformation outweigh the benefits generated? It depends on how a company goes about the transformation. A company must invest the time to properly diagnose its unique situation, plan an organized transformation roadmap that allows for business to continue to function and have the discipline to stick to the plan. This will naturally require the committed involvement of the business. Well planned transformations implemented in discrete phases, more often than not fund themselves by reinvesting the money saved from decreased mandatory, non-strategic activities into strategic, high value creating activities.

While definite improvement has been made, the hospitality industry is missing an opportunity to get full use from its IT systems. Few industries have more to gain by using IT more effectively. IT sprawl, resulting from a combination of 25 to 30 years of legacy technologies and a multitude of disparate non-interoperable systems, is the root cause of the industry's IT malady. Many hospitality companies appear to view the problem as something to be tolerated

Source: EDS

- Market environment
- Business strategy
- Required IT capabilities

- Budget and allocation method
- IT investment prioritization
- IS management processes

- Core business processes
- Application gaps and overlaps
- Application integration/architecture

Business Context

Governance & Funding

Business Impact

Application Portfolio

Organizational Capability

Technology Infrastucture

- Structure, staffing, roles/responsibilities
- Resource allocation/utilization
- Current HR processes

- Development, test and production environment
- Customer support services
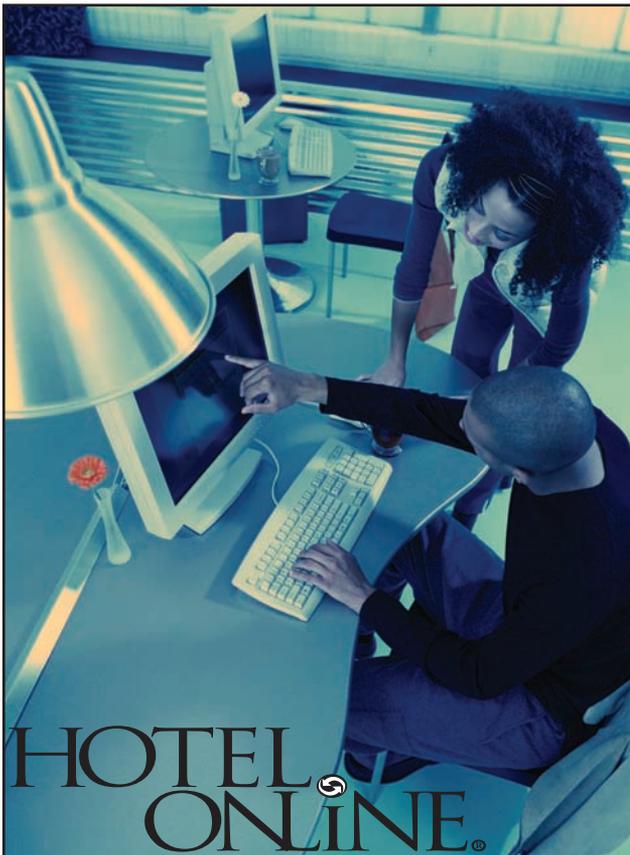- Platforms, networks, tools standards

perhaps because they were not aware that many of their most acute and visible business problems were rooted in the malady of IT sprawl.

Companies wishing to thrive in the coming decade will need an IT capability that is aligned with business and highly flexible. Their IT infrastructures will have to be globally consistent, secure, flexible, scalable and always on. Companies may find it cost-effective to leverage the experience, skills and global infrastructure of IT services companies that have the experience.

Properly done, a strategic IT transformation can not only be self funding, but can actually cost less than the escalating costs of IT sprawl. More importantly, the agile IT function of tomorrow will have funds to invest in strategic initiatives that add value where it is really needed–enhancing revenues and the bottom line.

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