

100
INNOVATION

QUICK CHANGE ARTISTS

Seven secrets to make change in a hurry.

BY STEPHANIE OVERBY

Best Practices

Charles Schwab & Co. Inc.

San Francisco
www.schwab.com

Northwest Airlines

Eagan, Minn.
www.nwa.com

Wyndham International Inc.

Dallas
www.wyndham.com

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LORAL WERNER CAN FINALLY LAUGH when she thinks about last Dec. 15. As vice president of applications and development at Dallas-based Wyndham International, she was working on an application that would provide wireless access to Wyndham ByRequest, the hotel chain's website for frequent guests. The project looked promising, but Werner wasn't close to rolling it out. She was aiming for a relaunch of the site on Jan. 15. That's when Senior Vice President and CTO Mark Hedley suggested that Werner's team launch the wireless application at the same time. "We got a good chuckle out of it," Werner remembers. "But Mark wasn't laughing."

Hedley knew being quick to market with wireless services would help Wyndham compete against other hotel chains, and he had promised the company's chairman he would meet the deadline. Werner's team delivered the application on time, which lets customers book rooms and manage their accounts using wireless devices. Meanwhile, in the software development process, Hedley and his team learned valuable lessons about how to manage fast-track innovations. For instance, if Werner (who left Wyndham in May when her job was eliminated in a corporate restructuring and at press time was seeking a CIO position) could do the project again, she'd prefer not to work against a moving target—every change to the website required that the wireless application change too—and she would demand a full three months to work.



MARK HEDLEY'S SECRET:

The senior VP and CTO with Wyndham International exempts innovations from the usual system development rules.

"It was completely insane," Hedley admits.

But Wyndham is still sold on innovating quickly. So are fellow CIO-100 honorees Northwest Airlines and Charles Schwab, companies where fast-track innovations are mandatory. They've found that when executed well, fast-track IT innovations—done in 90 days or less—are more likely to succeed than long-term projects. Fast-tracking makes the scope of the innovation manageable

and produces greater returns, says Scott Nelson, vice president and research director at Gartner in San Jose, Calif. And when the right innovations are sped to deployment, the results spread beyond the innovation itself. Companies get better at managing every IT project and achieve greater alignment with business partners.

Successful fast-track innovation begins with good project management practices. But "innovating on a fast track goes beyond that, to knowing the business and the people you work with," explains John Parker, vice president of information services for Northwest Airlines in Eagan, Minn. "We have to be able to run good projects, but we can't get innovation unless we translate business objectives into good technical solutions."

You can put innovation on the fast track at your company by following these seven tips from CIOs who are experts at speed.

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1 Pick the Right Projects

The best innovations to accelerate for delivery are those already under way or ones that build on existing architecture. That's why Northwest chose self-service check-in for its first rapid IT innovation. Parker insisted on quarterly innovations when he agreed to head an airport innovation team in 1999. Airport management costs were rising, and the company needed quick results. E-service centers for the terminals were already in development, and Parker delivered them ahead of schedule. "We could have built something new or done what we did, which was to take something we were already working on and refocus and reenergize it. That had the most value and was the most doable," Parker explains. In the first quarter of 2001, the project enabled 1 million automated check-ins, the equivalent of about 150 DC-9 jets a week.

At San Francisco-based Schwab, IT executives speed to market innovations that have clear benefits for



customers. Schwab knew that its most active traders—customers trading at least 120 times a year—wanted to be able to get the same stock prices that institutional traders do. So last December, Paul Gaffney, the company's senior vice president of technology, strategy and architecture, put this capability on the fast track. StreetSmart Pro, a trading platform that enables direct trades with a stock exchange, went live in March. Gaffney was able to get the project done quickly using software developed by a

**JOHN PARKER'S
SECRET:** Northwest
Airline's VP of IS uses
components of existing
systems to build new ones
fast.

company Schwab had just
acquired.

Fast-track proponents also break
large innovations into 90-day
nuggets, a principle that derives

from good project management practices. Schwab's
Dawn Lepore, who is CIO, vice chairman and executive
vice president, says this approach lets Schwab get
customer feedback and it boosts staff morale.

But chunking up long-term projects may not always be
appropriate. Infrastructure-related innovations fall into
that category. "If you're pioneering a new way of doing
business, chunking it up makes an enormous amount of
sense," says Michael Treacy, chief strategist and
cofounder of Gen3 Partners, a Boston-based business
consultancy. "But a series of 90-day projects can result
in a poorly architected system. Undoubtedly you change
your opinion of what you want by doing it in a modular
fashion, and it could potentially be more expensive to
build."

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2 Be a Scavenger

Northwest's next innovation—portable
workstations that free gate agents from their
desks when checking in passengers—wasn't a
new concept. The idea had been kicked around
since the early '90s. Late in the summer of 1999,
Parker finally found a way to do it—his group would
adapt an existing system. He had discovered that the
maintenance department was certifying a wearable
computer for recording nonroutine maintenance needs.
"They had a product that had been battle tested. We
knew we had a solution if our gate agents would be
comfortable wearing it," Parker recalls. Northwest ran
the devices on a radio frequency network it already had
in its terminals and modified a PC-based airport
productivity tool as front-end software. Parker and his
team rolled out the workstations in Northwest's
Minneapolis hub in time for the 1999 holiday travel
season and later deployed them in other airports.

In April, Parker and his team completed another fast
innovation reusing the same
radio frequency network and
wearable computer technology. A
new scanning device, called
Safetrac, allows Northwest
employees to tally the weight of
cargo and baggage as they are
loaded on the aircraft by reading
the data off bar codes, rather
than recording it manually.
Weight counts are done more
quickly and accurately, which
means planes use less fuel and
spend less time at the gate.
"Reusability is a huge part of

THE BEST innovations to accelerate for delivery are projects that are already under way or that build on existing architecture.

[fast innovation]," Parker explains. "It's not only the fastest way to innovate but also the most stable and reliable."

At Schwab, "recycle and reuse" is a mantra that helps maintain uniformity across its multichannel business. Customers "expect us to be remarkably consistent, so we tend to use the same systems components in everything we do," Gaffney says. For example, when Schwab adds features to its telephone self-service channel, it makes sure the changes can be replicated for its website and wireless users. Similarly, Schwab built an application that lets foreign customers trade before U.S. markets open for the day by reusing a code it had created for a similar domestic service. Leveraging existing technology may limit the capabilities you offer, but it makes it possible to get new features in place quickly, according to Carolyn Belton, managing director of information technology at Schwab.



PAUL GAFFNEY'S SECRET: Charles Schwab's senior VP of technology, strategy and architecture makes sure every fast-track project has a backup plan.

3 Involve the Business

As with any project, involving business partners in setting the parameters of IT innovation ensures that projects line up with company goals and increases the prospect of success. It's crucial when the project means change for your organization.

At Schwab, many facets of the organization foster the day-to-day alignment necessary for fast, frequent IT innovation. Schwab has IT teams that specialize in systems unique to each business unit (such as electronic brokerage and retirement plan services), as well as a group that manages systems used by everyone. While the idea for an innovation often originates in one business unit, Schwab develops key technologies as shared components, forcing collaboration among different units. Within the company, cross-functional efforts at satisfying client needs are widely publicized, according to Gaffney.

At Northwest, constant communication among departments has been critical. When Parker was working on Northwest's new check-in applications, two senior executives from ground operations and marketing on the airport innovation team

MOST COMPANIES don't have R&D money lying around, so it's important to sell innovations as investments.



DIRK MCMAHON'S SECRET: Northwest Airline's senior VP of ground operations keeps IT's feet to the fire by reminding them of their ultimate customer—the public.

constantly reminded Parker of their objectives to bust long lines and give customers choices in how they interact with the airline. "We could always answer the question, Does this meet the customers' needs?" says Dirk McMahon, senior vice president of ground operations, who meets monthly with Parker and Al Lenza, vice president of distribution planning and e-commerce. "It was 'we' delivering," Parker adds. "When there were any hiccups, the others had so much skin in the game they helped with cleaning up."

4 Sell the Project

By definition, innovations move your company into uncharted territory,

where it's not always easy to predict a return. And when you fast-track such projects, you may need a big staff and a larger-than-normal budget to make tight deadlines. Emphasizing that fast-track innovations are investments can help. Gartner's Nelson says executives don't always believe that you can achieve large returns in a short time and are reluctant to devote many resources to short-term projects.

For Parker at Northwest, having executives from ground operations and marketing on his airport innovation team was essential in selling fast-track IT innovation. "We had engaged business units that were able to get the right attention and move the right mountains," he explains. "Independently, I'm just an IT guy with some good ideas. But by partnering with them we were a force for business change."

Even then Parker's team had to educate fellow executives about the return from fast-track changes. "It's a pretty tough road to walk with the finance community unless they already understand fast-track innovation. Most companies don't have R&D money just lying around," Parker says. "Sometimes you'd like to say, 'How about if I tell you I don't really know how much we're going to spend? How about you give me \$1 million and I'll make \$3 million with that, and then we invest more?'"

In that respect, speedy projects are no different from any other IT system—you have to sell them as investments. Innovations may be risky, says Julie M. Wilson, practice executive and principal at IBM Global Services and board member of the Project Management

Institute, but if you break them into phases and demonstrate the value of each part you can prove their value over time.

5 Get Your Team on Board

When Hedley made fast-track innovation routine nine months ago, he was also reorganizing his department. In the process, many employees were laid off, and he had the chance to hire others whom he believed were better suited to the new fast-paced environment. The remaining project management staff, who were accustomed to a traditional, rule-bound software development approach, had to adapt to the change. "Some people were just not suited to that type of environment," Hedley says. A change in thinking was the key to getting the staff involved in fast-track innovation. "When I came here there was one thing I couldn't stand to hear: 'That's the way we've always done it.' But a procedure only works as long as it works," he says.



DAWN LEPORE'S SECRET:
The CIO, vice chairman and executive VP of Charles Schwab breaks up large innovations into 90-day nuggets.

He keeps his staff members motivated by freeing them from other projects when they work on an innovation. "With the wireless project, we had a core team who knew they were going to live, breathe and sleep the wireless project," Werner says. "When you're juggling other things, you lose speed. You need to put blinders on the team to anything else that's going on in the business."

Northwest's Parker also faced resistance from the ranks. "What you want to do is seek out the like-minded people in your organization and help them to become your evangelists," says Parker, noting that innovation can be a particularly delicate issue for those who have built the systems you're replacing. Acknowledging that his staff has built a good foundation from which to innovate is one way Parker allows his employees to save face. "As you're changing what they've done, there is a natural resistance," he says. "The easiest way to deal with that is to let them be part of the solution and pull them into the decision-making process."

6 Lose the Rule Book

At Wyndham, Hedley decided to streamline his software development practices for fast-track

projects. He substituted what Werner calls their "nonmethodology methodology."

Normally, a business analyst would map out system requirements, IT would develop technical specifications, and project managers would determine the resources needed and oversee system development. With the wireless innovation, there were no early system requirements, no technical specs and no project managers. Hedley gave Werner and her team three objectives—make the application convenient for customers, don't create an entirely new architecture, and don't rewrite the Web content—then let them go. "You get these highly skilled technologists in a room and tell them to make this happen. How [they] make it happen is up to [them]. There are no rules," Hedley says.

Letting the IT staff make decisions minus typical business rules was a practical necessity to meet the deadline for the wireless project. "There was no 'Let's wait for tomorrow,'" Werner recalls.

Yet Hedley admits the fast-and-loose approach isn't always appropriate, such as when Wyndham rolled out a new technology infrastructure for its hotels this past January. "Those types of innovation need order because of the amount of people and resources involved," he says. "With the wireless innovation team, it was a very small controlled group with only one mission."

Have a Backup Plan

The amount of risk you can manage should determine how fast you can move, says IBM's Wilson. Schwab dedicates an entire unit within IT to risk and reliability assessment and planning. Usually this team focuses on how to reduce the likelihood that a new system will fail.

With fast-track innovations, the team focuses more on failure recovery because preventing meltdowns takes more time. "There is a natural tension between risk mitigation and going fast," says Gaffney. "Often folks who focus on fast-tracking innovation are only focused on getting that deliverable done and not as much on what's going to happen if all the planets don't line up. We strive to balance those contradictory demands."

Managing risk may also mean not meeting your deadline. "I'm not such a stickler to a date," Parker says. "I'd rather have an aggressive target and miss by two weeks than have an easier target and beat it."

Sometimes, business executives decide they want to change the scope of a project—because, for example, they need to keep up with something a certain competitor does. "It comes down to either not doing what we want in order to protect some time line or coming in late and over budget because we [have to]

accommodate the change," Parker says. "People tend to appreciate that we take the time to stay competitive."

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Share your fast-track innovation tips with Senior Writer Stephanie Overby at soverby@cio.com.

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