

KERI E. PEARLSON | CAROL S. SAUNDERS | DENNIS F. GALLETTA

# Managing & Using Information Systems

A Strategic Approach | Sixth Edition



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# Managing and Using Information Systems

## A STRATEGIC APPROACH

**Sixth Edition**

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*To Yale & Hana*

*To Rusty, Russell, Janel & Kristin*

*To Carole, Christy, Lauren, Matt, Gracie, and Jacob*

# Preface

*Information technology and business are becoming inextricably interwoven. I don't think anybody can talk meaningfully about one without the talking about the other.*

Bill Gates  
Microsoft<sup>1</sup>

*I'm not hiring MBA students for the technology you learn while in school, but for your ability to learn about, use and subsequently manage new technologies when you get out.*

IT Executive  
Federal Express<sup>2</sup>

*Give me a fish and I eat for a day; teach me to fish and I eat for a lifetime.*

Proverb

Managers do not have the luxury of abdicating participation in decisions regarding information systems (IS). Managers who choose to do so risk limiting their future business options. IS are at the heart of virtually every business interaction, process, and decision, especially when the vast penetration of the Web over the last 20 years is considered. Mobile and social technologies have brought IS to an entirely new level within firms and between individuals in their personal lives. Managers who let someone else make decisions about their IS are letting someone else make decisions about the very foundation of their business. This is a textbook about managing and using information written for current and future managers as a way to introduce the broader implications of the impact of IS.

The goal of this book is to assist managers in becoming knowledgeable participants in IS decisions. Becoming a knowledgeable participant means learning the basics and feeling comfortable enough to ask questions. It does not mean having all the answers or having a deep understanding of all the technologies out in the world today. No text will provide managers everything they need to know to make important IS decisions. Some texts instruct on the basic technical background of IS. Others discuss applications and their life cycles. Some take a comprehensive view of the management information systems (MIS) field and offer readers snapshots of current systems along with chapters describing how those technologies are designed, used, and integrated into business life.

This book takes a different approach. It is intended to provide the reader a foundation of basic concepts relevant to using and managing information. This text is not intended to provide a comprehensive treatment on any one aspect of MIS, for certainly each aspect is itself a topic of many books. This text is not intended to provide readers enough technological knowledge to make them MIS experts. It is not intended to be a source of discussion of any particular technology. This text is written to help managers begin to form a point of view of how IS will help or hinder their organizations and create opportunities for them.

The idea for this text grew out of discussions with colleagues in the MIS area. Many faculties use a series of case studies, trade and popular press readings, and Web sites to teach their MIS courses. Others simply rely on one of the classic texts, which include dozens of pages of diagrams, frameworks, and technologies. The initial idea for this text emerged from a core MIS course taught at the business school at the University of Texas at Austin. That course was considered an “appetizer” course—a brief introduction into the world of MIS for MBA students. The course had two main topics: using information and managing information. At the time, there was no text like this

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<sup>1</sup> Bill Gates, *Business @ the Speed of Thought*. New York: Warner Books, Inc. 1999.

<sup>2</sup> Source: Private conversation with one of the authors.

one; hence, students had to purchase thick reading packets made up of articles and case studies to provide them the basic concepts. The course was structured to provide general MBA students enough knowledge of the MIS field so that they could recognize opportunities to use the rapidly changing technologies available to them. The course was an appetizer to the menu of specialty courses, each of which went much more deeply into the various topics. But completion of the appetizer course meant that students were able to feel comfortable listening to, contributing to, and ultimately participating in IS decisions.

Today, many students are digital natives—people who have grown up using information technologies (IT) all of their lives. That means that students come to their courses with significantly more knowledge about things such as tablets, apps, personal computers, smartphones, texting, the Web, social networking, file downloading, online purchasing, and social media than their counterparts in school just a few years ago. This is a significant trend that is projected to continue; students will be increasingly knowledgeable the personal use of technologies. That knowledge has begun to change the corporate environment. Today's digital natives expect to find in corporations IS that provide at least the functionality they have at home. At the same time, these users expect to be able to work in ways that take advantage of the technologies they have grown to depend on for social interaction, collaboration, and innovation. We believe that the basic foundation is still needed for managing and using IS, but we understand that the assumptions and knowledge base of today's students is significantly different.

Also different today is the vast amount of information amassed by firms, sometimes called the “big data” problem. Organizations have figured out that there is an enormous amount of data around their processes, their interactions with customers, their products, and their suppliers. These organizations also recognize that with the increase in communities and social interactions on the Web, there is additional pressure to collect and analyze vast amounts of unstructured information contained in these conversations to identify trends, needs, and projections. We believe that today's managers face an increasing amount of pressure to understand what is being said by those inside and outside their corporations and to join those conversations reasonably and responsibly. That is significantly different from just a few years ago.

This book includes an introduction, 13 chapters of text and mini cases, and a set of case studies, supplemental readings, and teaching support on a community hub at <http://pearsonandsaunders.com>. The Hub provides faculty members who adopt the text additional resources organized by chapter, including recent news items with teaching suggestions, videos with usage suggestions, blog posts and discussions from the community, class activities, additional cases, cartoons, and more. Supplemental materials, including longer cases from all over the globe, can be found on the Web. Please visit <http://www.wiley.com/college/pearlson> or the Hub for more information.

The introduction to this text defends the argument presented in this preface that managers must be knowledgeable participants in making IS decisions. The first few chapters build a basic framework of relationships among business strategy, IS strategy, and organizational strategy and explore the links among them. The strategy chapters are followed by ones on work design and business processes that discuss the use of IS. General managers also need some foundation on how IT is managed if they are to successfully discuss their next business needs with IT professionals who can help them. Therefore, the remaining chapters describe the basics of information architecture and infrastructure, IT security, the business of IT, the governance of the IS organization, IS sourcing, project management, business analytics, and relevant ethical issues.

Given the acceleration of security breaches, readers will find a new chapter on IS security in this sixth edition of the text. Also, the material on analytics and “big data” has been extensively updated to reflect the growing importance of the topic. Further, the chapter on work design has been reorganized and extensively revised. Each of the other chapters has been revised with newer concepts added, discussions of more current topics fleshed out, and old, outdated topics removed or at least their discussion shortened.

Similar to the fifth edition, every chapter begins with a navigation “box” to help the reader understand the flow and key topics of the chapter. Further, most chapters continue to have a Social Business Lens or a Geographic Lens feature. The Social Business Lens feature reflects on an issue related to the chapter's main topic but is enabled by or fundamental to using social technologies in the enterprise. The Geographic Lens feature offers a single idea about a global issue related to the chapter's main topic.

No text in the field of MIS is completely current. The process of writing the text coupled with the publication process makes a book somewhat out-of-date prior to delivery to its audience. With that in mind, this text is written

to summarize the “timeless” elements of using and managing information. Although this text is complete in and of itself, learning is enhanced by combining the chapters with the most current readings and cases. Faculty are encouraged to read the news items on the faculty Hub before each class in case one might be relevant to the topic of the day. Students are encouraged to search the Web for examples related to topics and current events and bring them into the discussions of the issues at hand. The format of each chapter begins with a navigational guide, a short case study, and the basic language for a set of important management issues. These are followed by a set of managerial concerns related to the topic. The chapter concludes with a summary, key terms, a set of discussion questions, and case studies.

Who should read this book? General managers interested in participating in IS decisions will find this a good reference resource for the language and concepts of IS. Managers in the IS field will find the book a good resource for beginning to understand the general manager’s view of how IS affect business decisions. And IS students will be able to use the book’s readings and concepts as the beginning in their journey to become informed and successful businesspeople.

The information revolution is here. Where do you fit in?

Keri E. Pearlson, Carol S. Saunders, and Dennis F. Galletta



# Acknowledgments

Books of this nature are written only with the support of many individuals. We would like to personally thank several individuals who helped with this text. Although we've made every attempt to include everyone who helped make this book a reality, there is always the possibility of unintentionally leaving some out. We apologize in advance if that is the case here.

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We also want to acknowledge and thank pbwiki.com. Without its incredible and free wiki, we would have been relegated to e-mailing drafts of chapters back and forth, or saving countless files in an external drop box without any opportunity to include explanations or status messages. For this edition, as with earlier editions, we wanted to use Web 2.0 tools as we wrote about them. We found that having used the wiki for our previous editions, we were able to get up and running much faster than if we had to start over without the platform.

We have been blessed with the help of our colleagues in this and in previous editions of the book. They helped us by writing cases and reviewing the text. Our thanks continue to go out to Jonathan Trower, Espen Andersen, Janis Gogan, Ashok Rho, Yvonne Lederer Antonucci, E. Jose Proenca, Bruce Rollier, Dave Oliver, Celia Romm, Ed Watson, D. Guiter, S. Vaught, Kala Saravanamuthu, Ron Murch, John Greenwood, Tom Rohleder, Sam Lubbe, Thomas Kern, Mark Dekker, Anne Rutkowski, Kathy Hurtt, Kay Nelson, Janice Sipior, Craig Tidwell, and John Butler. Although we cannot thank them by name, we also greatly appreciate the comments of the anonymous reviewers who have made a mark on this edition.

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From Keri: Thank you to my husband, Yale, and my daughter, Hana, a business and computer science student at Tulane University. Writing a book like this happens in the white space of our lives—the time in between everything else going on. This edition came due at a particularly frenetic time, but they listened to ideas, made suggestions, and celebrated the book's completion with us. I know how lucky I am to have this family. I love you guys!

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# About the Authors

Dr. Keri E. Pearlson is President of KP Partners, an advisory services firm working with business leaders on issues related to the strategic use of information systems (IS) and organizational design. She is an entrepreneur, teacher, researcher, consultant, and thought leader. Dr. Pearlson has held various positions in academia and industry. She has been a member of the faculty at the Graduate School of Business at the University of Texas at Austin where she taught management IS courses to MBAs and executives and at Babson College where she helped design the popular IS course for the Fast Track MBA program. Dr. Pearlson has held positions at the Harvard Business School, CSC, nGenera (formerly the Concours Group), AT&T, and Hughes Aircraft Company. While writing this edition, she was the Research Director for the Analytics Leadership Consortium at the International Institute of Analytics and was named the Leader of the Year by the national Society of Information Management (SIM) 2014.

Dr. Pearlson is coauthor of *Zero Time: Providing Instant Customer Value—Every Time, All the Time* (John Wiley, 2000). Her work has been published in numerous places including *Sloan Management Review*, *Academy of Management Executive*, and *Information Resources Management Journal*. Many of her case studies have been published by Harvard Business Publishing and are used all over the world. She currently writes a blog on issues at the intersection of IT and business strategy. It's available at [www.kppartners.com](http://www.kppartners.com).

Dr. Pearlson holds a Doctorate in Business Administration (DBA) in Management Information Systems from the Harvard Business School and both a Master's Degree in Industrial Engineering Management and a Bachelor's Degree in Applied Mathematics from Stanford University.

Dr. Carol S. Saunders is Research Professor at the W. A. Franke College of Business, Northern Arizona University in Flagstaff, Arizona, and is a Schoeller Senior Fellow at the Friedrich-Alexander University of Erlangen-Nuremberg, Germany. She served as General Conference Chair of the International Conference on Information Systems (ICIS) in 1999 and as Program Co-Chair of the Americas Conference of Information Systems (AMCIS) in 2015. Dr. Saunders was the Chair of the ICIS Executive Committee in 2000. For three years, she served as Editor-in-Chief of *MIS Quarterly*. She is currently on the editorial boards of *Journal of Strategic Information Systems* and *Organization Science* and serves on the advisory board of *Business & Information Systems Engineering*. Dr. Saunders has been recognized for her lifetime achievements by the Association of Information Systems (AIS) with a LEO award and by the Organizational Communication and Information Systems Division of the Academy of Management. She is a Fellow of the AIS.

Dr. Saunders' current research interests include the impact of IS on power and communication, overload, virtual teams, time, sourcing, and interorganizational linkages. Her research is published in a number of journals including *MIS Quarterly*, *Information Systems Research*, *Journal of MIS*, *Communications of the ACM*, *Journal of Strategic Information Systems*, *Journal of the AIS*, *Academy of Management Journal*, *Academy of Management Review*, *Communications Research*, and *Organization Science*.

Dr. Dennis F. Galletta is Professor of Business Administration at the Katz Graduate School of Business, University of Pittsburgh in Pennsylvania. He is also the Director of the Katz School's doctoral program and has taught IS Management graduate courses in Harvard's summer program each year since 2009. He obtained his doctorate from the University of Minnesota in 1985 and is a Certified Public Accountant. Dr. Galletta served as President of the Association of Information Systems (AIS) in 2007. Like Dr. Saunders, he is both a Fellow of the AIS and has won a LEO lifetime achievement award. He was a member of the AIS Council for five years. He also served in leadership roles for the International Conference on Information Systems (ICIS): Program Co-Chair in 2005 (Las Vegas) and Conference Co-Chair in 2011 (Shanghai); as Program Co-Chair for the

Americas Conference on Information Systems (AMCIS) in 2003 (Tampa, Florida) and Inaugural Conference Chair in 1995 (Pittsburgh). The Pittsburgh conference had several “firsts” for an IS conference, including the first on-line submissions, reviews, conference registration and payment, placement service, and storage of all papers in advance on a website. Dr. Galletta served as ICIS Treasurer from 1994 to 1998 and Chair of the ICIS Executive Committee in 2012. He taught IS courses on the Fall 1999 Semester at Sea voyage (Institute for Shipboard Education) and established the concept of Special Interest Groups in AIS in 2000. In 2014, he won an Emerald Citation of Excellence for a co-authored article that reached the top 50 in citations and ratings from the fields of management, business, and economics.

Dr. Galletta’s current research addresses online and mobile usability and behavioral security issues such as phishing, protection motivation, and antecedents of security-related decision making. He has published his research in journals such as *Management Science*; *MIS Quarterly*; *Information Systems Research*; *Journal of MIS*; *European Journal of Information Systems*; *Journal of the AIS*; *Communications of the ACM*; *Accounting, Management, and Information Technologies*; *Data Base*; and *Decision Sciences* and in proceedings of conferences such as ICIS, AMCIS, and the Hawaii International Conference on Systems Sciences. Dr. Galletta’s editorship includes working as current and founding Coeditor in Chief for *AIS Transactions on Human-Computer Interaction* and on editorial boards at journals such as *MIS Quarterly*, *Information Systems Research*, *Journal of MIS*, and *Journal of the AIS*. He is currently on the Pre-eminent Scholars Board of *Data Base*. He won a Developmental Associate Editor Award at the *MIS Quarterly* in 2006. And during the off-hours, Dr. Galletta’s fervent hobby and obsession is digital photography, often squinting through his eyepiece to make portrait, macro, Milky Way, and lightning photos when he should be writing.

# Contents

Preface	iv
Acknowledgments	vii
About the Authors	viii

## Introduction 1

---

The Case for Participating in Decisions about Information Systems	2
What If a Manager Doesn't Participate?	5
Skills Needed to Participate Effectively in Information Technology Decisions	6
Basic Assumptions	8
Economics of Information versus Economics of Things	12
Social Business Lens	14
Summary	15
Key Terms	16

## 1 The Information Systems Strategy Triangle 17

---

Brief Overview of Business Strategy Frameworks	19
Business Models versus Business Strategy	21
Brief Overview of Organizational Strategies	25
Brief Overview of Information Systems Strategy	26
Social Business Lens: Building a Social Business Strategy	27
Summary	28
Key Terms	29
Discussion Questions	29
Case Study 1-1 Lego	30
Case Study 1-2 Google	31

## 2 Strategic Use of Information Resources 33

---

Evolution of Information Resources	34
Information Resources as Strategic Tools	36
How Can Information Resources Be Used Strategically?	37
Sustaining Competitive Advantage	43
Social Business Lens: Social Capital	47
Strategic Alliances	47
Risks	49
Geographic Box: Mobile-Only Internet Users Dominate Emerging Countries	50
Co-Creating IT and Business Strategy	50

Summary	51
Key Terms	51
Discussion Questions	51
Case Study 2-1 Groupon	52
Case Study 2-2 Zipcar	53

### **3 Organizational Strategy and Information Systems 55**

---

Information Systems and Organizational Design	58
Social Business Lens: Social Networks	63
Information Systems and Management Control Systems	63
Information Systems and Culture	66
Geographic Lens: Does National Culture Affect Firm Investment in IS Training?	70
Summary	71
Key Terms	71
Discussion Questions	71
Case Study 3-1 The Merger of Airtran by Southwest Airlines: Will the Organizational Cultures Merge?	72
Case Study 3-2 The FBI	73

### **4 Digital Systems and the Design of Work 75**

---

Work Design Framework	77
How Information Technology Changes the Nature of Work	78
Social Business Lens: Activity Streams	84
Where Work Is Done and Who Does It: Mobile and Virtual Work Arrangements	86
Geographic Lens: How Do People Around the World Feel About Working Remotely?	88
Geographic Lens: Who Telecommutes? A Look at Global Telecommuting Habits	89
Gaining Acceptance for IT-Induced Change	94
Summary	96
Key Terms	97
Discussion Questions	97
Case Study 4-1 Trash and Waste Pickup Services, Inc.	97
Case Study 4-2 Social Networking: How Does IBM Do It?	98

### **5 Information Systems and Business Transformation 99**

---

Silo Perspective versus Business Process Perspective	100
Building Agile and Dynamic Business Processes	104
Changing Business Processes	105
Workflow and Mapping Processes	107
Integration versus Standardization	109
Enterprise Systems	110
Geographic Lens: Global vs. Local ERPs	113
Social Business Lens: Crowdsourcing Changes Innovation Processes	118
Summary	119
Key Terms	120

- Discussion Questions 120
- Case Study 5-1 Santa Cruz Bicycles 121
- Case Study 5-2 Boeing 787 Dreamliner 122

## 6 Architecture and Infrastructure 124

---

- From Vision to Implementation 125
- The Leap from Strategy to Architecture to Infrastructure 126
- From Strategy to Architecture to Infrastructure: An Example 133
- Architectural Principles 135
- Enterprise Architecture 136
- Virtualization and Cloud Computing 137
- Other Managerial Considerations 139
- Social Business Lens: Building Social Mobile Applications 143
- Summary 144
- Key Terms 144
- Discussion Questions 145
- Case Study 6-1 Enterprise Architecture at American Express 145
- Case Study 6-2 The Case of Extreme Scientists 146

## 7 Security 147

---

- IT Security Decision Framework 149
- Breaches and How They Occurred 151
- The Impossibility of 100% Security 154
- What Should Management Do? 155
- Summary 162
- Key Terms 163
- Discussion Questions 163
- Case Study 7-1 The Aircraft Communications Addressing and Reporting System (ACARS) 163
- Case Study 7-2 Sony Pictures: The Criminals Won 164

## 8 The Business of Information Technology 165

---

- Organizing to Respond to Business: A Maturity Model 167
- Understanding the IT Organization 168
- What a Manager Can Expect from the IT Organization 168
- What the IT Organization Does Not Do 170
- Chief Information Officer 171
- Building a Business Case 173
- IT Portfolio Management 175
- Valuing IT Investments 176
- Monitoring IT Investments 177
- Funding IT Resources 182
- How Much Does IT Cost? 184
- Summary 187

Key Terms	188
Discussion Questions	188
Case Study 8-1 KLM Airlines	189
Case Study 8-2 Balanced Scorecards at BIOCO	190

## 9 Governance of the Information Systems Organization 191

---

IT Governance	192
Decision-Making Mechanisms	199
Governance Frameworks for Control Decisions	200
Social Business Lens: Governing the Content	204
Summary	205
Key Terms	205
Discussion Questions	205
Case Study 9-1 IT Governance at University of the Southeast	205
Case Study 9-2 The “MyJohnDeere” Platform	207

## 10 Information Systems Sourcing 208

---

Sourcing Decision Cycle Framework	209
Social Business Lens: Crowdsourcing	214
Geographic Lens: Corporate Social Responsibility	220
Outsourcing in the Broader Context	224
Summary	225
Key Terms	225
Discussion Questions	225
Case Study 10-1 Crowdsourcing at AOL	225
Case Study 10-2 Altia Business Park	226

## 11 Managing IT Projects 228

---

What Defines a Project?	230
What Is Project Management?	231
Organizing for Project Management	232
Project Elements	233
IT Projects	239
IT Project Development Methodologies and Approaches	240
Social Business Lens: Mashups	247
Managing IT Project Risk	247
Summary	253
Key Terms	254
Discussion Questions	254
Case Study 11-1 Implementing Enterprise Change Management at Southern Company	254
Case Study 11-2 Dealing with Traffic Jams in London	255

## 12 Business Intelligence, Knowledge Management, and Analytics 258

---

- Competing with Business Analytics 259
- Knowledge Management, Business Intelligence, and Business Analytics 260
- Data, Information, and Knowledge 261
- Knowledge Management Processes 264
- Business Intelligence 264
- Components of Business Analytics 265
- Big Data 268
- Social Media Analytics 269
- Social Business Lens: Personalization and Real-Time Data Streams 271
- Geographic Lens: When Two National Views of Intellectual Property Collide 272
- Caveats for Managing Knowledge and Business Intelligence 274
- Summary 274
- Key Terms 275
- Discussion Questions 275
- Case Study 12-1 Stop & Shop's Scan It! App 275
- Case Study 12-2 Business Intelligence at CKE Restaurants 276

## 13 Privacy and Ethical Considerations in Information Management 278

---

- Responsible Computing 280
- Corporate Social Responsibility 283
- PAPA: Privacy, Accuracy, Property, and Accessibility 284
- Social Business Lens: Personal Data 289
- Geographic Lens: Should Subcultures Be Taken into Account When Trying to Understand National Attitudes Toward Information Ethics? 292
- Green Computing 292
- Summary 293
- Key Terms 294
- Discussion Questions 294
- Case Study 13-1 Ethical Decision Making 295
- Case Study 13-2 Midwest Family Mutual Goes Green 297

Glossary 299

Index 313



# Introduction

Why do managers need to understand and participate in the information systems decisions of their organizations? After all, most corporations maintain entire departments dedicated to the management of information systems (IS). These departments are staffed with highly skilled professionals devoted to the field of technology. Shouldn't managers rely on experts to analyze all the aspects of IS and to make the best decisions for the organization? The answer to that question is an emphatic "no."

Managing information is a critical skill for success in today's business environment. All decisions made by companies involve, at some level, the management and use of IS and the interpretation of data from the business and its environment. Managers today need to know about their organization's capabilities and uses of information as much as they need to understand how to obtain and budget financial resources. The ubiquity of personal devices such as smart phones, laptops, and tablets and of access to apps within corporations and externally over the Internet, highlights this fact. Today's technologies form the backbone for virtually all business models. This backbone easily crosses oceans, adding the need for a global competency to the manager's skill set. Further, the proliferation of supply chain partnerships and the vast amount of technology available to individuals outside of the corporation have extended the urgent need for business managers to be involved in information systems decisions. In addition, the availability of seemingly free (or at least very inexpensive) applications, collaboration tools, and innovation engines in the consumer arena has put powerful tools in everyone's hands, increasing the difficulty of ensuring that corporate systems are robust, secure, and protected. A manager who doesn't understand the basics of managing and using information can't be successful in this business environment.

The majority of U.S. adults own a smart phone and access online apps. According to the Pew Research Center, in 2014, 90% of U.S. adults had a cell phone of some kind, and 87% of American adults used the Internet.<sup>1</sup> Essentially the use of these types of devices implies that individuals now manage a "personal IS" and make decisions about usage, data, and applications. Doesn't that give them insight into managing information systems in corporations? Students often think they are experts in corporate IS because of their personal experience with technology. Although there is some truth in that perspective, it's a very dangerous perspective for managers to take. Certainly knowing about interesting apps, being able to use a variety of technologies for different personal purposes, and being familiar with the ups and downs of networking for their personal information systems provide some experience that is useful in the corporate setting. But in a corporate setting, information systems must be enterprise-ready. They must be scalable for a large number of employees; they must be delivered in an appropriate manner for the enterprise; they must be managed with corporate guidelines and appropriate governmental regulations in mind. Issues like security, privacy, risk, support, and architecture take on a new meaning within an enterprise, and someone has to manage them. Enterprise-level management and use of information systems require a unique perspective and a different skill set.

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<sup>1</sup> Internet Use and Cell Phone Demographics, <http://www.pewinternet.org/data-trend/internet-use/internet-use-over-time> (accessed August 18, 2015).

Consider the now-historic rise of companies such as Amazon.com, Google, and Zappos. Amazon.com began as an online bookseller and rapidly outpaced traditional brick-and-mortar businesses like Barnes and Noble, Borders, and Waterstones. Management at the traditional companies responded by having their IS support personnel build Web sites to compete. But upstart Amazon.com moved ahead, keeping its leadership position on the Web by leveraging its business model into other marketplaces, such as music, electronics, health and beauty products, lawn and garden products, auctions, tools and hardware, and more. It cleared the profitability hurdle by achieving a good mix of IS and business basics: capitalizing on operational efficiencies derived from inventory software and smarter storage, cost cutting, and effectively partnering with such companies as Toys “R” Us Inc. and Target Corporation.<sup>2</sup> More recently, Amazon.com changed the basis of competition in another market, but this time it was the Web services business. Amazon.com Web services offers clients the extensive technology platform used for Amazon.com but in an on-demand fashion for developing and running the client’s own applications. Shoe retailer Zappos.com challenged Amazon’s business model, in part by coupling a social business strategy with exemplary service and sales. It was so successful that Amazon.com bought Zappos.

Likewise, Google built a business that is revolutionizing the way information is found. Google began in 1999 as a basic search company but its managers quickly learned that its unique business model could be leveraged for future success in seemingly unrelated areas. The company changed the way people think about Web content by making it available in a searchable format with an incredibly fast response time and in a host of languages. Further, Google’s keyword-targeted advertising program revolutionized the way companies advertise. Then Google expanded, offering a suite of Web-based applications, such as calendaring, office tools, e-mail, collaboration, shopping, and maps and then enhanced the applications further by combining them with social tools to increase collaboration. Google Drive is one of the most popular file-sharing tools and Gmail one of the most popular email apps. In 2015, Google’s mission was to “organize the world’s information and make it universally accessible and useful.” It is offering its customers very inexpensive fiber connections. In so doing, Google further expanded into infrastructure and on-demand services.<sup>3</sup>

These and other online businesses are able to succeed where traditional companies have not, in part because their management understood the power of information, IS, and the Web. These exemplary online businesses aren’t succeeding because their managers could build Web pages or assemble an IS network. Rather, the executives in these new businesses understand the fundamentals of managing and using information and can marry that knowledge with a sound, unique business vision to dominate their intended market spaces.

The goal of this book is to provide the foundation to help the general business manager become a knowledgeable participant in IS decisions because any IS decision in which the manager doesn’t participate can greatly affect the organization’s ability to succeed in the future. This introduction outlines the fundamental reasons for taking the initiative to participate in IS decisions. Moreover, because effective participation requires a unique set of managerial skills, this introduction identifies the most important ones. These skills are helpful for making both IS decisions and all business decisions. We describe how managers should participate in the decision-making process. Finally, this introduction presents relevant models for understanding the nature of business and information systems. These models provide a framework for the discussions that follow in subsequent chapters.

## The Case for Participating in Decisions about Information Systems

In today’s business environment, maintaining a back-office view of technology is certain to cost market share and could ultimately lead to the failure of the organization. Managers who claim ignorance of IS can damage their reputation. Technology has become entwined with all the classic functions of business—operations, marketing, accounting, finance—to such an extent that understanding its role is necessary for making intelligent and effective decisions about any of them. Furthermore, a general understanding of key IS concepts is possible without the extensive technological knowledge required just a few years ago. Most managers today have personal technology

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<sup>2</sup> Robert Hof, “How Amazon Cleared the Profitability Hurdle” (February 4, 2002), <http://www.bloomberg.com/bw/stories/2002-02-03/how-amazon-cleared-the-profitability-hurdle> (accessed on October 29, 2015).

<sup>3</sup> For more information on the latest services by these two companies, see <http://aws.amazon.com/ec2> and <http://www.google.com/enterprise/cloud/>.

Reasons
IS must be managed as a critical resource since it permeates almost every aspect of business.
IS enable change in the way people work both inside and outside of the enterprise.
IS are at the heart of integrated Internet-based solutions that are replacing standard business processes.
IS enable or inhibit business opportunities and new strategies.
IS can be used to combat business challenges from competitors.
IS enable customers to have greater pull on businesses and communities by giving them new options for voicing their concerns and opinions using social media.
IS can support data-driven decision making.
IS can help ensure the security of key assets.

FIGURE I-1 Reasons why business managers should participate in information systems decisions.

such as a smart phone or tablet that is more functional than many corporate-supported personal computers provided by enterprises just a few years ago. In fact, the proliferation of personal technologies makes everyone a “pseudo-expert.” Each individual must manage applications on smart phones, make decisions about applications to purchase, and procure technical support when the systems fail. Finally, with the robust number of consumer applications available on the Web, many decisions historically made by the IS group are increasingly being made by individuals outside that group, sometimes to the detriment of corporate objectives.

Therefore, understanding basic fundamentals about using and managing information is worth the investment of time. The reasons for this investment are summarized in Figure I-1 and are discussed next.

## A Business View of Critical Resources

Information technology (IT) is a critical resource for today’s businesses. It both supports and consumes a significant amount of an organization’s resources. Just like the other three major types of business resources—people, money, and machines—it needs to be managed wisely.

IT spending represents a significant portion of corporate budgets. Worldwide IT spending topped \$3.7 trillion in 2014. It is projected to continue to increase.<sup>4</sup> A Gartner study of where this money goes groups spending into five categories including devices (e.g., PCs, tablets, and mobile phones), data center systems (e.g., network equipment, servers, and storage equipment), enterprise software and apps (e.g., companywide software applications), IT services (e.g., support and consulting services), and telecommunications (e.g., the expenses paid to vendors for voice and data services).

Resources must return value, or they will be invested elsewhere. The business manager, not the IS specialist, decides which activities receive funding, estimates the risk associated with the investment, and develops metrics for evaluating the investment’s performance. Therefore, the business manager needs a basic grounding in managing and using information. On the flip side, IS managers need a business view to be able to explain how technology impacts the business and what its trade-offs are.

## People and Technology Work Together

In addition to financial issues, managers must know how to mesh technology and people to create effective work processes. Collaboration is increasingly common, especially with the rise of social networking. Companies are reaching out to individual customers using social technologies such as Facebook, Twitter, Reddit, Renren, YouTube, and numerous other tools. In fact, **Web 2.0** describes the use of the World Wide Web applications that incorporate information sharing, user-centered design, interoperability, and collaboration among users. Technology facilitates

<sup>4</sup> <http://www.gartner.com/newsroom/id/2959717/> (accessed March 5, 2015).

the work that people do and the way they interact with each other. Appropriately incorporating IS into the design of a business model enables managers to focus their time and resources on issues that bear directly on customer satisfaction and other revenue- and profit-generating activities.

Adding a new IS to an existing organization, however, requires the ability to manage change. Skilled business managers must balance the benefits of introducing new technology with the costs associated with changing the existing behaviors of people in the workplace. There are many choices of technology solutions, each with a different impact. Managers' decisions must incorporate a clear understanding of the consequences. Making this assessment doesn't require detailed technical knowledge. It does require an understanding of short-term and long-term consequences risk mitigation, and why adopting new technology may be more appropriate in some instances than in others. Understanding these issues also helps managers know when it may prove effective to replace people with technology at certain steps in a process.

## Integrating Business with Information Systems

IS are integrated with almost every aspect of business and have been for quite some time. For example, the CTO of @WalmartLabs, Jeremy King, wrote in a blog,

There used to be a big distinction between tech companies: those that develop enterprise technology for businesses, and the global companies that depend on those products. But that distinction is now diminishing for this simple reason: every global company is becoming a tech company. . . . we're seeing technology as a critical component for business success.<sup>5</sup>

Walmart built platforms to support all of its ecommerce and digital shopping experiences around the world. Walmart's teams created a new search engine to enable engaging and efficient ways for on-line customers to find items in inventory. IS placed information in the hands of Walmart associates so that decisions could be made closer to the customer. IS simplified organizational activities and processes such as moving goods, stocking shelves, and communicating with suppliers. For example, handheld scanners provide floor associates with immediate and real-time access to inventory in their store and the ability to locate items in surrounding stores, if necessary.

## Opportunities and New Strategies Derived from Rapid Changes in Technology

The proliferation of new technologies creates a business environment filled with opportunities. The rate of adoption of these new technologies has increased due in part to the changing demographics of the workforce and the integration of "**digital natives**," individuals whose entire lives have been lived in an era with Internet availability. Therefore digital natives are completely fluent in the use of personal technologies and the Web. Even today, innovative uses of the Internet produce new types of online businesses that keep every manager and executive on alert. New business opportunities spring up with little advance warning. The manager's role is to frame these opportunities so that others can understand them, evaluate them against existing business needs and choices, and then pursue those that fit with an articulated business strategy. The quality of the information at hand affects the quality of both decisions and their implementation. Managers must develop an understanding of what information is crucial to the decisions, how to get it, and how to use it. They must lead the changes driven by IS.

## Competitive Challenges

Competitors come from both expected and unexpected places. General managers are in the best position to see the emerging threats and utilize IS effectively to combat ever-changing competitive challenges. Further, general managers are often called on to demonstrate a clear understanding of how their own technology programs and products

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<sup>5</sup> Jeremy King, "Why Every Company Is a Tech Company" (November 21, 2013), <http://www.walmartlabs.com/2013/11/21/why-every-company-is-a-tech-company-by-jeremy-king-cto-of-walmartlabs> (accessed August 18, 2015).

compare with those of their competitors. A deep understanding of the capabilities of the organization coupled with existing IS can create competitive advantages and change the competitive landscape for the entire industry.

## Customer Pull

With the emergence of social networks like Facebook, microblogs like Twitter, and other Web applications like Yelp, businesses have had to redesign their existing business models to account for the change in power now wielded by customers and others in their communities. Social media and other web apps have given powerful voices to customers and communities, and businesses must listen. Redesigning the customer experience when interacting with a company is paramount for many managers and the key driver is IS. Social IT enables new and often deeper relationships with a large number of customers, and companies are learning how to integrate and leverage this capability into existing and new business models.

## Data-Driven Decision Making

Managers are increasingly using evidence-based management to make decisions based on data gathered from experiments, internal files, and other relevant sources. Data-driven decision making, based on new techniques for analytics, data management, and business intelligence, has taken on increased importance. Social media have created a rich stream of real-time data that gives managers increased insights to the impact of decisions much faster than traditional systems. Mid-course corrections are much easier to make. Predictive and prescriptive analytics give suggestions that are eerily close to what happens. Big data stores can be mined for insights that were unavailable with traditional IS, creating competitive advantage for companies with the right tools and techniques.

## Securing Key Assets

As the use of the Internet grows, so does the opportunity for new and unforeseen threats to company assets. Taking measures to ensure the security of these assets is increasingly important. But decisions about security measures also impact the way IS can be used. It's possible to put so much security around IT assets that they are locked down in a manner that gets in the way of business. At the same time, too little security opens up the possibility of theft, hacking, phishing, and other Web-based mischief that can disrupt business. Managers must be involved in decisions about risk and security to ensure that business operations are in sync with the resulting security measures.

## What If a Manager Doesn't Participate?

Decisions about IS directly affect the profits of a business. The basic formula  $\text{Profit} = \text{Revenue} - \text{Expenses}$  can be used to evaluate the impact of these decisions. Adopting the wrong technologies can cause a company to miss business opportunities and any revenues those opportunities would generate. For example, inadequate IS can cause a breakdown in servicing customers, which hurts sales. Poorly deployed social IT resources can badly damage the reputation of a strong brand. On the expense side, a miscalculated investment in technology can lead to overspending and excess capacity or underspending and restricted opportunity. Inefficient business processes sustained by ill-fitting IS also increase expenses. Lags in implementation or poor process adaptation reduces profits and therefore growth. IS decisions can dramatically affect the bottom line.

Failure to consider IS strategy when planning business strategy and organizational strategy leads to one of three business consequences: (1) IS that fail to support business goals, (2) IS that fail to support organizational systems, and (3) a misalignment between business goals and organizational capabilities. These consequences are discussed briefly in the following section and in more detail in later chapters. The driving questions to consider are the potential effects on an organization's ability to achieve its business goals. How will the consequences impact the way people work? Will the organization still be able to implement its business strategy?

## Information Systems Must Support Business Goals

IS represent a major investment for any firm in today's business environment. Yet poorly chosen IS can actually become an obstacle to achieving business goals. The results can be disastrous if the systems do not allow the organization to realize its goals. When IS lack the capacity needed to collect, store, and transfer critical information for the business, decisions can be impacted and options limited. Customers will be dissatisfied or even lost. Production costs may be excessive. Worst of all, management may not be able to pursue desired business directions that are blocked by inappropriate IS. Victoria's Secret experienced this problem when a Superbowl ad promoting an online fashion show generated so many inquiries to its Web site that the Web site crashed. Spending large amounts of money on the advertisement was wasted when potential customers could not access the site. Likewise, Toys "R" Us experienced a similar calamity when its well-publicized Web site was unable to process and fulfill orders fast enough one holiday season. It not only lost those customers, but it also had a major customer-relations issue to manage as a result.

## Information Systems Must Support Organizational Systems

Organizational systems represent the fundamental elements of a business—its people, work processes, tasks, structure, and control systems—and the plan that enables them to work efficiently to achieve business goals. If the company's IS fail to support its organizational systems, the result is a misalignment of the resources needed to achieve its goals. For example, it seems odd to think that a manager might add functionality to a corporate Web site without providing the training the employees need to use the tool effectively. Yet, this mistake—and many more costly ones—occurs in businesses every day. Managers make major IS decisions without informing all the staff of resulting changes in their daily work. For example, an enterprise resource planning (ERP) system often dictates how many business processes are executed and the organizational systems must change to reflect the new processes. Deploying technology without thinking through how it actually will be used in the organization—who will use it, how they will use it, and how to make sure the applications chosen will actually accomplish what is intended—results in significant expense. In another example, a company may decide to block access to the Internet, thinking that it is prohibiting employees from accessing offensive or unsecure sites. But that decision also means that employees can't access social networking sites that may be useful for collaboration or other Web-based applications that may offer functionality to make the business more efficient.

The general manager, who, after all, is charged with ensuring that company resources are used effectively, must guarantee that the company's IS support its organizational systems and that changes made in one system are reflected in the other. For example, a company that plans to allow employees to work remotely needs an information system strategy compatible with its organizational strategy. Desktop PCs located within the corporate office aren't the right solution for a telecommuting organization. Instead, laptop computers or tablets with applications that are accessible online anywhere and anytime and networks that facilitate information sharing are needed. Employees may want to use tablets or smart phones remotely, too, and those entail a different set of IS processes. If the organization allows the purchase of only desktop PCs and builds systems accessible from desks within the office, the telecommuting program is doomed to failure.

## Skills Needed to Participate Effectively in Information Technology Decisions

Participating in IT decisions means bringing a clear set of skills to the table. All managers are asked to take on tasks that require different skills at different times. Those tasks can be divided into three types: visionary tasks, or those that provide leadership and direction for the group; informational/interpersonal tasks, or those that provide information and knowledge the group needs to be successful; and structural tasks, those that organize the group. Figure I-2 lists basic skills required of managers who wish to participate successfully in key IT decisions. Not only does this list emphasize understanding, organizing, planning, and solving the business needs of the organization, but also it is an excellent checklist for all managers' professional growth.

Managerial Role	Skills
Visionary	Creativity Curiosity Confidence Focus on business solutions Flexibility
Informational and Interpersonal	Communication Listening Information gathering Interpersonal skills
Structural	Project management Analytical Organizational Planning Leading Controlling

FIGURE I-2 Skills for successful IT use by managerial role.

These skills may not look much different from those required of any successful manager, which is the main point of this book: General managers can be successful participants in IS decisions without an extensive technical background. General managers who understand a basic set of IS concepts and who have outstanding managerial skills, such as those listed in Figure I-2, are ready for the digital economy.

## How to Participate in Information Systems Decisions

Technical wizardry isn't required to become a knowledgeable participant in the IS decisions of a business. Managers need curiosity, creativity, and the confidence to ask questions in order to learn and understand. A solid framework that identifies key management issues and relates them to aspects of IS provides the background needed to participate in business IS decisions.

The goal of this book is to provide that framework. The way in which managers use and manage information is directly linked to business goals and the business strategy driving both organizational and IS decisions. Aligning business and IS decisions is critical. Business, organizational, and information strategies are fundamentally linked in what is called the *Information Systems Strategy Triangle*, discussed in the next chapter. Failing to understand this relationship is detrimental to a business. Failing to plan for the consequences in all three areas can cost a manager his or her job. This book provides a foundation for understanding business issues related to IS from a managerial perspective.

## Organization of the Book

To be knowledgeable participants, managers must know about both using and managing information. The first five chapters offer basic frameworks to make this understanding easier. Chapter 1 uses the Information Systems Strategy Triangle framework to discuss alignment of IS and the business. This chapter also provides a brief overview of relevant frameworks for business strategy and organizational strategy. It is provided as background for those who have not formally studied organization theory or business strategy. For those who have studied these areas, this chapter is a brief refresher of major concepts used throughout the remaining chapters of the book.

Subsequent chapters provide frameworks and sets of examples for understanding the links between IS and business strategy (Chapter 2), links between IS and organizational strategy (Chapter 3), collaboration and individual work (Chapter 4), and business processes (Chapter 5).

The rest of the text covers issues related to the business manager's role in managing IS itself. These chapters are the building blocks of an IS strategy. Chapter 6 provides a framework for understanding the four components of IS architecture: hardware, software, networks, and data. Chapter 7 discusses how managers might participate in decisions about IS security. Chapter 8 focuses on the business of IT with a look at IS organization, funding models, portfolios, and monitoring options. Chapter 9 describes the governance of IS resources. Chapter 10 explores sourcing and how companies provision IS resources. Chapter 11 focuses on project and change management. Chapter 12 concerns business intelligence, knowledge management, and analytics and provides an overview of how companies manage knowledge and create a competitive advantage using business analytics. And finally, Chapter 13 discusses the ethical use of information and privacy.

## Basic Assumptions

Every book is based on certain assumptions, and understanding those assumptions makes a difference in interpreting the text. The first assumption made by this text is that managers must be knowledgeable participants in the IS decisions made within and affecting their organizations. That means that the general manager must develop a basic understanding of the business and technology issues related to IS. Because technology changes rapidly, this text also assumes that today's technology is different from yesterday's technology. In fact, the technology available to readers of this text today might even differ significantly from that available when the text was being written. Therefore, this text focuses on generic concepts that are, to the extent possible, technology independent. It provides frameworks on which to hang more up-to-the-minute technological evolutions and revolutions, such as new uses of the Web, new social tools, or new cloud-based services. We assume that the reader will supplement the discussions of this text with current case studies and up-to-date information about the latest technology.

A second, perhaps controversial, assumption is that the roles of a general manager and of an IS manager require different skill sets and levels of technical competency. General managers must have a basic understanding of IS in order to be a knowledgeable participant in business decisions. Without that level of understanding, their decisions may have serious negative implications for the business. On the other hand, IS managers must have more in-depth knowledge of technology so they can partner with general managers who will use the IS. As digital natives take on increasingly more managerial roles in corporations, this second assumption may change—all managers may need deeper technical understanding. But for this text, we assume a different, more technical skill set for the IS manager and we do not attempt to provide that here.

## Assumptions about Management

Although many books have been written describing the activities of managers, organizational theorist Henry Mintzberg offers a view that works especially well with a perspective relevant to IS management. Mintzberg's model describes management in behavioral terms by categorizing the three major roles a manager fills: interpersonal, informational, and decisional (see Figure I-3). This model is useful because it considers the chaotic nature of the environment in which managers actually work. Managers rarely have time to be reflective in their approaches to problems. They work at an unrelenting pace, and their activities are brief and often interrupted. Thus, quality information becomes even more crucial to effective decision making. The classic view is often seen as a tactical approach to management, whereas some describe Mintzberg's view as more strategic.

## Assumptions about Business

Everyone has an internal understanding of what constitutes a business, which is based on readings and experiences with different firms. This understanding forms a model that provides the basis for comprehending actions, interpreting decisions, and communicating ideas. Managers use their internal model to make sense of otherwise



Type of Roles	Manager's Roles	IS Examples
Interpersonal	Figurehead	CIO greets touring dignitaries.
	Leader	IS manager puts in long hours to help motivate project team to complete project on schedule in an environment of heavy budget cuts.
	Liaison	CIO works with the marketing and human resource vice presidents to make sure that the reward and compensation system is changed to encourage use of the new IS supporting sales.
Informational	Monitor	Division manager compares progress on IS project for the division with milestones developed during the project's initiation and feasibility phase.
	Disseminator	CIO conveys organization's business strategy to IS department and demonstrates how IS strategy supports the business strategy.
	Spokesperson	IS manager represents IS department at organization's recruiting fair.
Decisional	Entrepreneur	IS division manager suggests an application of a new technology that improves the division's operational efficiency.
	Disturbance handler	IS division manager, as project team leader, helps resolve design disagreements between division personnel who will be using the system and systems analysts who are designing it.
	Resource allocator	CIO allocates additional personnel positions to various departments based upon the business strategy.
	Negotiator	IS manager negotiates for additional personnel needed to respond to recent user requests for enhanced functionality in a system that is being implemented.

FIGURE I-3 Managers' roles.

Source: Adapted from H. Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973).

chaotic and random activities. This book uses several conceptual models of business. Some take a functional view and others take a process view.

### Functional View

The classical view of a business is based on the functions that people perform, such as accounting, finance, marketing, operations, and human resources. The business organizes around these functions to coordinate them and to gain economies of scale within specialized sets of tasks. Information first flows vertically up and down between line positions and management; after analysis, it may be transmitted across other functions for use elsewhere in the company (see Figure I-4).

### Process View

Michael Porter of Harvard Business School describes a business in terms of the primary and support activities that are performed to create, deliver, and support a product or service. The primary activities are not limited to specific functions, but rather are cross-functional processes (see Figure I-5). For example, an accounts payable process

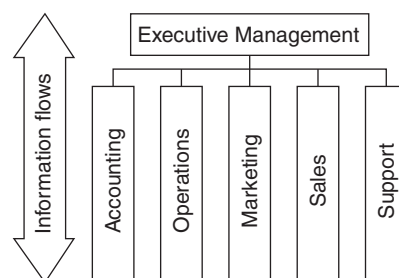


FIGURE I-4 Hierarchical view of the firm.