

# Management Information Systems

## MANAGING THE DIGITAL FIRM

Kenneth C. Laudon • Jane P. Laudon

### Chapter 2: Global E-business and Collaboration

#### *Learning Track 4:* Organizing the Information Systems Function

There are many types of business firms, and there are many ways in which the IT function is organized within the firm (see Figure 1-1). A very small company will not have a formal information systems group. It might have one employee who is responsible for keeping its networks and applications running, or it might use consultants for these services. Larger companies will have a separate information systems department, which may be organized along several different lines, depending on the nature and interests of the firm.

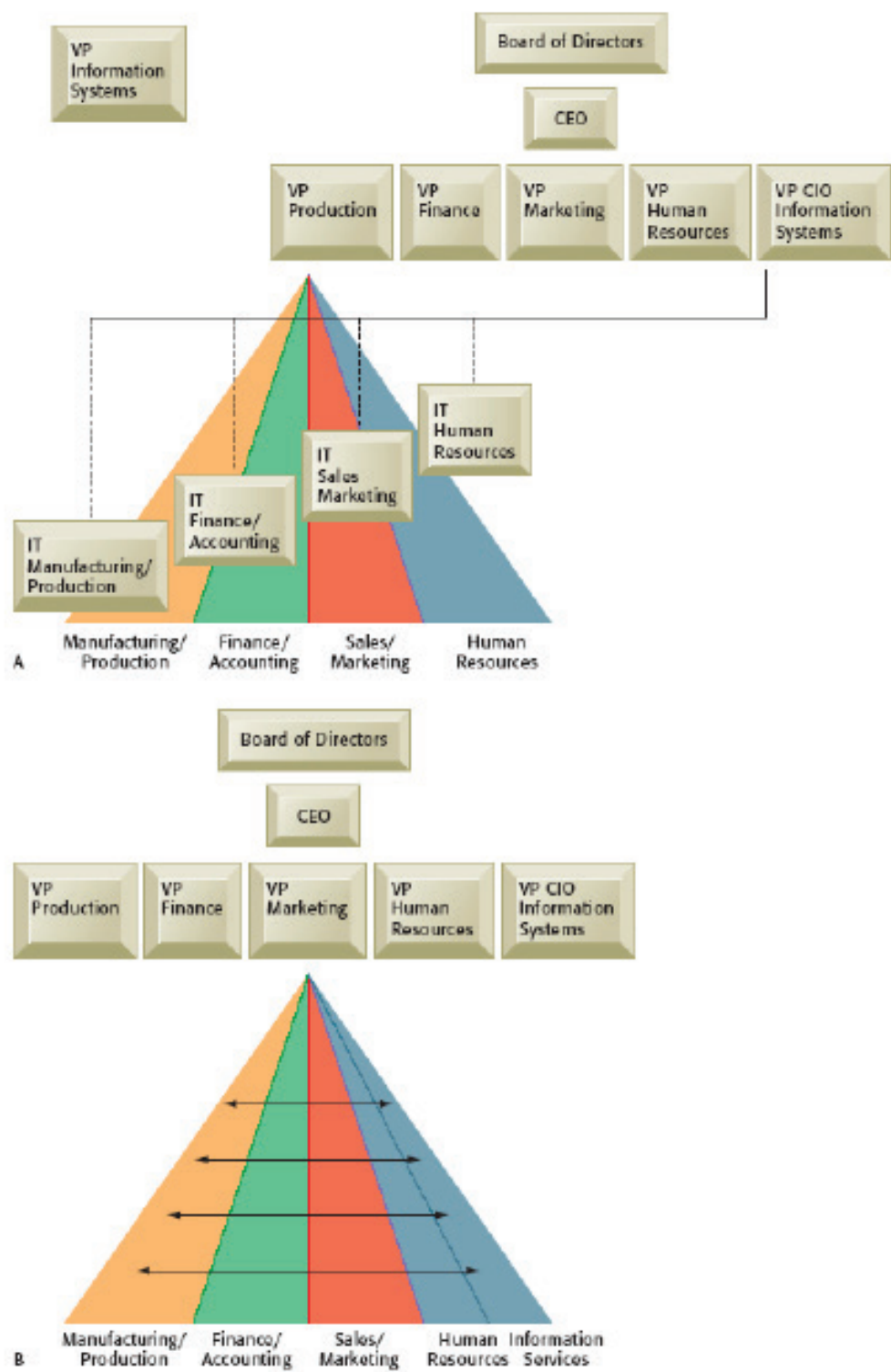
Sometimes you'll see a decentralized arrangement where each functional area of the business has its own information systems department and management that typically reports to a senior manager or chief information officer. In other words, the marketing department would have its own information systems group as would manufacturing and each of the other business functions. The job of the CIO is to review information technology investments and decisions in the functional areas. The advantage of this approach is that systems are built that directly address the business needs of the functional areas. However, central guidance is weak and the danger is high that many incompatible systems will be built, increasing costs as each group makes its own technology purchases.

In another arrangement, the information systems function operates as a separate department similar to the other functional departments with a large staff, a group of middle managers, and a senior management group that fights for its share of the company's resources. You'll see this approach in many large firms. This central information systems department makes technology decisions for the entire company, which is more likely to produce more compatible systems and more coherent long-term systems development plans.

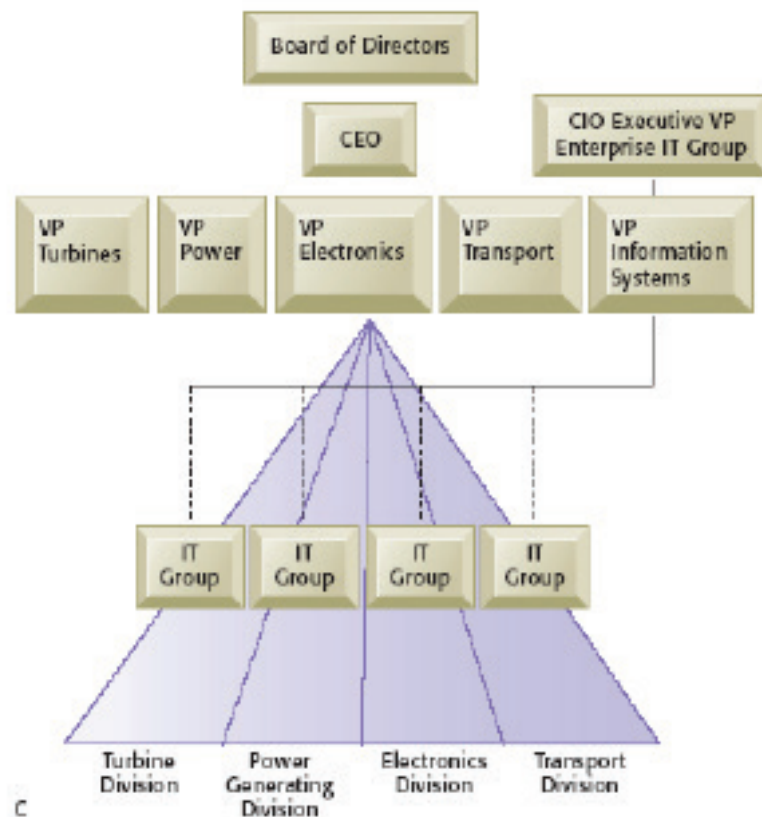
Very large "Fortune 1,000"-size firms with multiple divisions and product lines might allow each division (such as the Consumer Products Division or the Chemicals and Additives Division) to have its own information systems group. All of these divisional information systems groups report to a high-level central information systems group and CIO. The central IS group establishes corporate-wide standards, centralizes purchasing, and develops long-term plans for evolving the corporate computing platform. This model combines some divisional independence with some centralization.

continued

FIGURE 1-1 Organization of the Information Systems Function



continued

**FIGURE 1-1** Organization of the Information Systems Function (continued)

There are alternative ways of organizing the information systems function within the business.: within each functional area (A), as a separate department under central control (B), or represented in each division of a large multidivisional company but under centralized control (C).

#### COPYRIGHT NOTICE

Copyright © 2020 Kenneth Laudon and Jane Laudon.

This work is protected by United States copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning. Dissemination or sale of any part of this work (including on the World Wide Web) will destroy the integrity of the work and is not permitted. The work and materials from this site should never be made available to students except by instructors using the accompanying text in their classes. All recipients of this work are expected to abide by these restrictions and to honor the intended pedagogical purposes and the needs of other instructors who rely on these materials.