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Research Bulletin

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A Publication from INPUT

IS Organization in the 1990s—Will It Exist?

For years INPUT has been researching and identifying shifts in the role and priorities of information systems and the senior IS executive. Over the past three years that research identified significant shifts resulting from the current revolutions in the industry and the explosion of information technology.

The impacts of these shifts are now being realized through such decisions as those made by Kodak, General Dynamics, and United Technologies regarding the outsourcing of their IS functions; manufacturers and banks hiring a single vendor to provide applications software, data, and network operations, and all maintenance; and IS executives saying publicly, "I don't ever want to manage a data center again."

However, a more fundamental question must be asked, "Should a separate IS organization exist at all in the 1990s?"

The IS organization has consistently grown in size, status, and cost over the last 30 years. It is now a fully recognized service unit reporting to the senior executives or, at a very high level, to a chief financial or administration officer.

A typical organization structure is shown in Exhibit 1. Various aggregations may be made

by geography or product line depending on the organization, but essentially the IS department is outside the operating units' control. It is almost always a cost center.

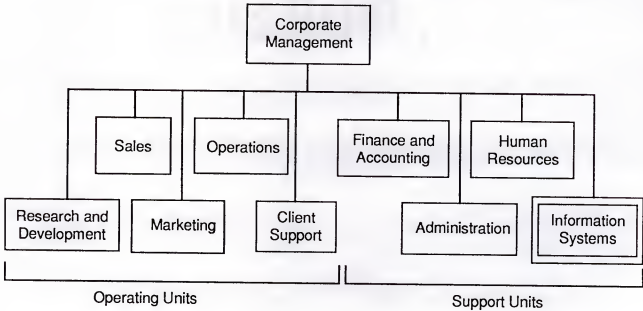
Yet in the 1980s, we consistently heard how important information systems were to the success of the organism as a whole. Concepts of "mission-critical systems," "systems for competitive advantage," etc., were introduced and adopted in large part by organizations. As executives in operating units come to believe these messages, they naturally seek more influence and control over "their" systems.

Another trend that became obvious in the 1980s was the increasing difficulty of separating computer systems from people systems. With network systems and more rapid information flow, the integration of people with their computer/communications support infrastructure has become symbiotic in operations as well as in development. Computer and communications systems by themselves accomplish nothing; they have to work with people to be effective.

A consequence of these two trends could well be the disappearance of the separate IS unit as we know it today, resulting in an organization structure depicted in Exhibit 2.

Exhibit 1

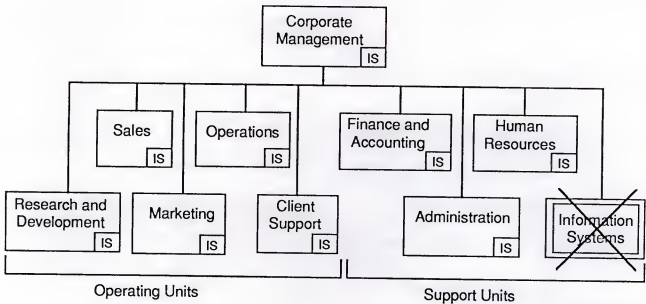
**Organizational Position of IS Unit—
Present**



Source: INPUT

Exhibit 2

**Organizational Position of IS Unit—
Future**



Source: INPUT

The impact of this reorientation is colossal. For one thing it totally changes the marketing and sales model vendors have built up. According to one piece of INPUT research one buying point may be replaced by up to 125 buying points.

Perhaps the key role of the IS unit if it survives is to enable the transition to happen. After all, it is impossible to change the state of IS overnight.

But in any event, the IS unit in the future will be significantly different as shown by Exhibit 3.

- Smaller, thus more flexible and responsive
- Expert-based, both in technology and the business
- Organized as consultants helping others to tap the benefits of information technology
- A promoter of information technology, not necessarily the implementer

The real job is to get the maximum benefit for the organization from information technology, both short and long term, by whatever means are available.

Exhibit 3

Future IS Unit Organizational Style

- Smaller
- Expert-based—technology and business
- Consulting style—information engineers and solution builders
- Marketers of technology

Source: INPUT

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If you have questions or comments on this bulletin, please call your local INPUT organization or INPUT, 1280 Villa Street, Mountain View, CA 94041-1194 (415) 961-3300

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