Key to IS Success: Alignment with Corporate Goals

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The successful information systems managers will be those who align their information systems objectives with the overall objectives of the companies they serve. Top management has little interest in state-of-the-art information technology unless the information provided can be directly linked to an impact on business performance. Without that link information technology is irrelevant. With it information technology becomes a powerful tool with which management can improve the performance of the current organization or improve the outlook for new business opportunities.

Strategic vs. Tactical Plans

The information systems (IS) department has moved up from the basement and into the executive offices, or at least its management has. This elevation of visibility which began in the 1970s has become well established in the late 1980s. Everywhere IS managers, who until recently wrote nothing less technical than systems design documents, are drafting mission statements and strategic plans. IS managers who once struggled with finding bugs in COBOL programs are now struggling with organizational goals, objectives, and mission statements.

Edward A. van Schaik (1985) defines the three primary missions of IS as:

1. Provision of service to the end user, including the collecting, storing, processing, and distributing of data;

2. Development of new services and applications for other departments in the enterprise;

3. Consultation with other departments on the need for and use of information.

Similarly, Milt Bryce (1987) writes that the
primary mission of an information systems department should be to create systems that provide meaningful and timely information to users who can then utilize this intelligence to carry out their company’s purposes, objectives, and responsibilities in a cost-effective manner.

A key word in Bryce’s mission statement is “company’s”. To meet their objectives, most of today’s typical IS strategic plans are focused on providing information to the decision makers in the organization according to their special responsibilities — finance, accounting, engineering, marketing, or sales. Several independent systems are then designed, each to be used exclusively by one part of the total organization.

Gary McWilliams (1988) reports that currently most of the nation’s Blue Cross/Blue Shield (BC/BS) insurance carriers are experiencing the consequences of such fragmented IS support. In recent years, as health care costs skyrocketed, employers began demanding more detailed and more frequent information on their employees’ claims. Systems designed to quickly capture and process claims for health care providers were found to be ill-suited to respond to the employers’ requests for information. Commercial insurers, whose information systems typically support broad product lines across the entire company, have been successfully luring away corporate accounts with their ability to rapidly deliver information on claims.

For example, Massachusetts Blue Cross/Blue Shield currently operates between 12 and 15 separate claims systems for hospitals, dentists, physicians, and others. In July 1988, they lost a nearly $1 billion health insurance management contract with the state of Massachusetts to John Hancock Mutual Life Insurance Company. Loss of that contract, which ended the BC/BS’s 12-year relationship with the state, was tied to the commercial insurer’s ability to deliver information on employee claims more quickly.

In contrast, where other Blue Cross/Blue Shields have lost business by failing to act, the National Capital Area BC/BS revamped their computer operations to better compete with commercial insurers. In 1983 they decided that they could no longer operate their myriad claims systems and provide adequate service to their customers. Now, after completing a $25 to $30 million systems replacement program, they are beginning to demonstrate that they can deliver the same consistency of service as a national insurer. The payoff is coming in as they are now capturing several large contracts from their commercial competition.

The “Blues” are just one example of how existing information systems may be unable to accommodate new management requirements for information grouped many ways — by market, product, customer, or distribution channel — all at once, immediately. Today’s computerized information systems may serve a useful purpose at the operating level of the organization, but their contribution toward serving the global needs of middle and top management is usually minimal (Walter, 1988). Being cumbersome, unresponsive, limited, and difficult to adapt, these systems are often a patchwork of poorly related processes that are completely out of sync (Howard and Duvall, 1988).

In reality, many information systems “strategic plans” are actually tactical plans and are written from the perspective of a service organization, not that of a full-fledged member of the business team. Often the IS professionals have little or no understanding of the business that they are supporting. They typically measure success in units such as transactions per second or lines of code, not dollars and cents on the company’s bottom line.

Peter Drucker wrote in 1967: “An organization is not, like an animal, an end in itself, and
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