MNEs and Information Management: Structuring and Governing IT Resources in the Global Enterprise

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ABSTRACT

This paper for the 20th anniversary issue of the Journal of Global Information Management (JGIM) looks back on the last ten years of research on two related areas highlighted in Tan and Gallupe's (1999) manifesto for research on global information management in the decade ahead: global enterprise management and global management of information resources. In particular, the paper examines the relationship between the structure and governance of multinational enterprises (MNEs) and the structure and governance of IT resources in MNEs. Early IS research hypothesized alignment between enterprise organization structure and the structure of the IT function in high-performing organizations. However, research on “structure” in both MNEs and IT resources shifted to the concept of “governance”. This paper argues that IT organization design (structure and governance in combination) should be the focus of future research on IT resources management in MNEs. In addition, the paper argues that the relationship between MNE design and IT resources management is a critical topic. The paper examines three relationships among these two concepts: the contingency theory argument that IT resources management should follow and be aligned with MNE organization design, the universalistic argument that there is one best way to organize IT resources in MNEs, and the co-evolutionary argument that IT enterprise resources management design can lead, as well as follow, MNE organization design.

Keywords: Global Information Management, IT Governance, IT Organization Design, IT Structure, Multinational Enterprises

INTRODUCTION

In 1999, Gallupe and Tan (1999) published a “Research Manifesto” in JGIM that identified the then key themes in global information management research and promising avenues for future research. Among the themes identified were 1) global enterprise management—for example, whether multinational enterprises (MNEs) manage business activities such as marketing, supply chain, and human resources management on a global basis, a local basis, or a distributed basis—and 2) the global manage-
ment of information resources—for instance, IT outsourcing and global software development teams. For this twentieth anniversary issue of *JGIM*, we are pleased to examine these two themes together. One question of interest to us is how and why do (or should) multinational enterprises (MNEs) structure and govern IT resources on a global basis (regardless of whether MNEs’ IT resources are owned and managed by central IT organizations, business units, external service providers or some combination). In addition, we are interested in the possible relationships (e.g., alignment or misfit) between MNE structure and governance and IT structure and governance.

Engaging these questions is important for several reasons. First, enterprise structure (in addition to governance) has long been believed to be a vehicle for the execution of strategy and hence related to MNE performance (Chandler, 1962; Galbraith, 2000; Goold & Campbell, 2002; Whittington, 2002). Second, the structure of IT resources management in an enterprise (in addition to IT governance) is understood to be critical for the execution of IT strategy (Earl & Feeny, 1996; Galliers & Currie, 2011). Yet we have little current knowledge of IT organizational structures (Sambamurthy & Zmud, 2000), despite major IT management innovations (such as IT outsourcing) that are likely to have affected those structures. Finally, a tenet of IT-business alignment theory (Henderson & Venkatraman, 1993) is that IT strategy and structure (in addition to governance) should be aligned with enterprise strategy and structure for greatest IT-business value. However, there has been little research on the relationship between IT organizational structure and enterprise structure since Gallup and Tan’s 1999 Research Manifesto, despite considerable awareness that IT resources are central to the functioning and evolution of MNEs (Manwani & O’Keefe, 2003; Rangan & Sengul, 2009; Sambharya, Kumaraswamy, & Banerjee, 2005; Strikwerda & Stoelhorst, 2009).

The plan of our review-genre paper is as follows. We first provide background information on organizational structure and governance in the literatures on organizations, MNEs, and IT management. Next, we examine historical trends in MNE structure and governance and recent trends in IT structure and governance, suggesting that the latter may have evolved to fit the former—a contingency theory explanation of their relationship. Then we consider alternative explanations, including the possibility of a single best way (the universalistic hypothesis) to structure and govern IT in MNEs and the possibility that change in IT structure and governance may drive, rather than follow, change in the enterprise—consistent with a co-evolutionary view of the relationship between MNE and IT organization design. We illustrate these possibilities with examples from our own and others’ research. We conclude with some directions for future research.

**The Structure and Governance of MNEs and IT Resources and Their Relationships with Performance**

In this section, we briefly discuss the literature on 1) MNE structure and governance, 2) IT resources management structure and governance, and 3) the relationship between these two concepts and their link with MNE performance.

**MNE Structure and Governance**

Chandler’s (1962) research on the origins of the multidivisional organization structure in US companies such as DuPont and Standard Oil is generally credited as the foundation of the strategy-structure-performance paradigm, in which organization structure is considered to be an instrument for the execution of strategy and thus linked to enterprise performance. Organization structure refers to the vertical or hierarchical authority structure of an organization. The bases on which people and activities are grouped and subdivided and the spans of control of organizational managers are perhaps the most fundamental questions of organizational design (Galbraith, 1977, 2000, 2008). Once, however, a hierarchical structure has been decided, organizations need coordination mechanisms, also called lateral relations,
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