CONTENTS

PART I ORGANIZATIONS, MANAGEMENT, AND THE NETWORKED ENTERPRISE 1

CHAPTER 1 MANAGING THE DIGITAL FIRM 2

1.1 Why Information Systems? 4

The Competitive Business Environment and the Emerging Digital Firm, 4 • What Is an Information System?, 7 • A Business Perspective on Information Systems, 9 • Window on Technology: UPS Competes Globally with Information Technology, 10 • MIS in Action: Manager's Toolkit: How to Analyze a Business Information System Problem, 11

- 1.2 Contemporary Approaches to Information Systems 14
 Technical Approach, 14 Behavioral Approach, 14 Approach of This Text: Sociotechnical Systems, 14
- 1.3 Toward the Digital Firm: The New Role of Information Systems in Organizations 15

The Widening Scope of Information Systems, 15 • The Network Revolution and the Internet, 16 • New Options for Organizational Design: The Digital Firm and the Collaborative Enterprise, 18 • The Digital Firm: Electronic Commerce, Electronic Business, and New Digital Relationships, 21 • **Window on Organizations:** Fast-Paced Fashions at Li & Fung, 22

1.4 Learning to Use Information Systems: New Opportunities with Technology 24

MIS in Action: Decisionmaking: Planning a New Internet Business, 25 • The Challenge of Information Systems: Key Management Issues, 26 • Integrating Text with Technology: New Opportunities for Learning, 29 • Make IT Your Business, 29

Management Wrap-Up 30 • Summary 30 • Key Terms 31 • Review Questions 31 • Application Software Exercise: Database Exercise: Converting Data to Useful Information for Management Analysis 32 • Group Project 32 • Tools for Interactive Learning 32 • Case Study: Cisco Systems: Poster Child for the Digital Firm? 33

CHAPTER 2 INFORMATION SYSTEMS IN THE ENTERPRISE 36

- 2.1 Key System Applications in the Organization 38
 Different Kinds of Systems, 39 Six Major Types of Systems, 40 Relationship of Systems to One Another, 45
- 2.2 Systems from a Functional Perspective 46
 Sales and Marketing Systems, 47 Manufacturing and Production Systems, 47 Window on Management: Safilo Sees Its Way to Better Sales, 48 Finance and Accounting Systems, 49 Human Resources Systems, 50

2.3 Integrating Functions and Business Processes: Customer Relationship Management, Supply Chain Management, Collaborative Commerce, and Enterprise Systems 51

Business Processes and Information Systems, 51 • Customer Relationship Management and Supply Chain Management, 52 • Window on Organizations: Customer Relationship Management Sweeps Europe, 54 • MIS in Action: Manager's Toolkit: How to Benefit from Customer Relationship Management, 55 • Collaborative Commerce and Industrial Networks, 56 • Enterprise Systems, 59 • MIS in Action: Decisionmaking: Analyzing Enterprise Process Integration, 61

2.4 International Information Systems 62
 Forms of Global Business Organization, 62 • Global System Configuration, 63 • Make IT Your Business, 64

Management Wrap-Up 64 • Summary 65 · Key Terms 66 • Review Questions 66 • Application Software Exercise: Spreadsheet Exercise: Improving Supply Chain Management 67 • Group Project 67 • Tools for Interactive Learning 67 • Case Study: Can A & P Renew Itself with New Information Systems? 67

CHAPTER 3 INFORMATION SYSTEMS, ORGANIZATIONS, MANAGEMENT, AND STRATEGY 70

- 3.1 Organizations and Information Systems 73
 What Is an Organization?, 73 Common Features of Organizations, 74 Unique Features of Organizations, 76 Window on Organizations: E-Commerce: Chinese Style, 78
- 3.2 The Changing Role of Information Systems in Organizations 79
 Information Technology Infrastructure and Information Technology Services, 79 How Information Systems Affect Organizations, 80 The Internet and Organizations, 82
- 3.3 Managers, Decision Making, and Information Systems 83
 The Role of Managers in Organizations, 83 Managers and Decision Making, 84 Implications for the Design and Understanding of Information Systems, 88
- 3.4 Information Systems and Business Strategy 88
 What Is a Strategic Information System?, 88 Business-Level Strategy and the Value Chain Model, 89 Window on Technology: NextCard Direct Markets with the Internet, 91 Firm-Level Strategy and Information Technology, 95 Industry-Level Strategy and Information Systems: Competitive Forces and Network Economics, 96 MIS in Action: Manager's Toolkit: Identifying Opportunities for Strategic Information Systems, 98 Using Systems for Competitive Advantage: Management Issues, 99 Make IT Your Business, 99

Management Wrap-Up 100 • Summary 100 • Key Terms 101 • Review Questions 101 • Application Software Exercise: Database Exercise: Using a Database for Strategic Business Development 102 • Group Project 102 • Tools for Interactive Learning 103 • Case Study: Can GE Prosper with a Digital Firm Strategy? 103

CHAPTER 4 THE DIGITAL FIRM: ELECTRONIC COMMERCE AND ELECTRONIC BUSINESS 106

4.1 Electronic Commerce, Electronic Business, and the Emerging
 Digital Firm 109
 Internet Technology and the Digital Firm, 109 • New Business Models and Value
 Propositions, 110

4.2 Electronic Commerce 114

Categories of Electronic Commerce, 114 • Customer-Centered Retailing, 115 • Business-to-Business Electronic Commerce: New Efficiencies and Relationships, 118 • Window on Management: Mitsubishi Revs Up its Dealer Networks, 120 • Window on Organizations: Can Covisint Succeed as an Auto Industry Net Marketplace?, 122 • Electronic Commerce Payment Systems, 123

- 4.3 Electronic Business and the Digital Firm 125
 How Intranets Support Electronic Business, 125 Intranets and Group Collaboration, 126 Intranet Applications for Electronic Business, 126 Supply Chain Management and Collaborative Commerce, 129
- 4.4 Management Challenges and Opportunities 131
 Unproven Business Models, 132 Business Process Change Requirements, 132 Legal Issues, 133 Security and Privacy, 133 MIS in Action: Manager's Toolkit: Digitally Enabling the Enterprise: Top Questions to Ask, 133 Make IT Your Business, 134

Management Wrap-Up 134 • Summary 135 • Key Terms 136 • Review Questions 136 • Application Software Exercise: Spreadsheet Exercise: Analyzing a Dot.com Business 137 • Group Project 137 • Tools for Interactive Learning 137 • Case Study: The Collapse of Webvan 137

CHAPTER 5 ETHICAL AND SOCIAL ISSUES IN THE DIGITAL FIRM 140

- 5.1 Understanding Ethical and Social Issues Related to Systems 142
 A Model for Thinking About Ethical, Social, and Political Issues, 143 Moral
 Dimensions of the Information Age, 143 Key Technology Trends That Raise Ethical Issues, 144
- 5.2 Ethics in an Information Society 145
 Basic Concepts: Responsibility, Accountability, and Liability, 145 MIS in Action:
 Manager's Toolkit: How to Conduct an Ethical Analysis, 146 Candidate Ethical Principles, 146 Professional Codes of Conduct, 147 Some Real-World Ethical Dilemmas, 147 MIS in Action: Decisionmaking: What to Do About Employee Web Usage, 148
- 5.3 The Moral Dimensions of Information Systems 148
 Information Rights: Privacy and Freedom in the Internet Age, 148 Window on Organizations: Can P3P Give Users Back Their Privacy?, 154 Property Rights: Intellectual Property, 155 Window on Technology: Napster and Gnutella Rock the Entertainment Industry, 158 Accountability, Liability, and Control, 158 System Quality: Data Quality and System Errors, 161 Quality of Life: Equity, Access, and Boundaries, 162 Management Actions: A Corporate Code of Ethics, 167 Make IT Your Business, 167

Management Wrap-Up 168 • Summary 168 • Key Terms 169 • Review Questions 169 • Application Software Exercise: Word Processing and Web Page Development Tool Exercise: Creating a Simple Web Site 170 • Group Project 170 • Tools for Interactive Learning 170 • Case Study: Will FBI's Carnivore Eat Our Privacy? 171

PART I ANALYZING BUSINESS PROCESSES FOR AN ENTERPRISE PROJECT SYSTEM 174

PART II INFORMATION TECHNOLOGY INFRASTRUCTURE 175

CHAPTER 6 MANAGING HARDWARE AND SOFTWARE ASSETS 176

- 6.1 Computer Hardware and Information Technology Infrastructure 179
 The Computer System, 179 The CPU and Primary Storage, 179 Computer Processing, 181
- 6.2 Storage, Input and Output Technology 182
 Secondary Storage Technology, 182 Input and Output Devices, 184 Batch and On-Line Input and Processing, 185 Interactive Multimedia, 186
- 6.3 Categories of Computers and Computer Systems 187
 Classifying Computers, 187 Computer Networks and Client/Server
 Computing, 188 Network Computers and Peer-to-Peer Computing, 189 •
 Window on Organizations: Peer-to-Peer or Network Computing: Which Is Best for Your Firm?, 190
- 6.4 Types of Software 190
 System Software and PC Operating Systems, 191 Application Software and Programming Languages, 195 Fourth-Generation Languages and PC Software Tools, 197 Software for Enterprise Integration, 202
- 6.5 Contemporary Tools for Software Development 203
 Object-Oriented Programming, 203 Java, 204 Hypertext Markup Language (HTML) and XML, 205 Window on Technology: How Can XML Help Businesses?, 206
- 6.6 Managing Hardware and Software Assets 207

 Hardware Requirements for Electronic Commerce and the Digital Firm, 207 •
 Total Cost of Ownership (TCO) of Technology Assets, 207 MIS in Action:

 Decisionmaking: Capacity Planning for Electronic Commerce, 208 Rent or Build Decisions: Using Technology Service Providers, 208 MIS in Action: Manager's

 Toolkit: How to Calculate the Total Cost of Ownership (TCO) of Technology

 Assets, 209 Make IT Your Business, 210

Management Wrap-Up 211 • Summary 211 • Key Terms 213 • Review Questions 214 • Application Software Exercise: Spreadsheet Exercise: Evaluating Computer Hardware and Software Options 214 • Group Project 215 • Tools for Interactive Learning 215 • Case Study: Enerline Turns to an ASP 215

CHAPTER 7 MANAGING DATA RESOURCES 218

- 7.1 Organizing Data in a Traditional File Environment 220
 File Organization Terms and Concepts, 221 Problems with the Traditional File Environment, 221
- 7.2 The Database Approach to Data Management 223
 Database Management Systems, 223 Types of Databases, 225
- 7.3 Creating a Database Environment 229
 Designing Databases, 229 Distributing Databases, 230 Management Requirements for Database Systems, 231
- 7.4 Database Trends 233
 Multidimensional Data Analysis, 233 Data Warehouses and Datamining, 233 MIS in Action: Manager's Toolkit: How to Make a Data Warehouse Serve the

Business, 235 • Window on Management: Louise's Trattoria Makes a Comeback with Datamining, 236 • MIS in Action: Decisionmaking: Creating Company-Wide Data Standards, 237 • Databases and the Web, 237 • Window on Organizations: Iceland's Medical Records Database: Medical Progress or Threat to Privacy?, 240 • Make IT Your Business, 241

Management Wrap-Up 241 • Summary 242 • Key Terms 243 • Review Questions 243 • Application Software Exercise: Database Exercise: Building a Relational Database for a Small Business 243 • Group Project 244 • Tools for Interactive Learning 244 • Case Study: Ford and Firestone's Tire Recall: The Costliest Information Gap in History 244

CHAPTER 8 TELECOMMUNICATIONS AND NETWORKS 248

- 8.1 The Telecommunications Revolution 250
 The Marriage of Computers and Communications, 250 The Information Superhighway, 251
- 8.2 Components and Functions of a Telecommunications System 251
 Telecommunications System Components, 252 Functions of Telecommunications
 Systems, 252 Types of Signals: Analog and Digital, 252 Communications
 Channels, 253 Window on Technology: Wireless Systems Make for Medical
 Mobility, 257 Communications Processors and Software, 258
- 8.3 Communications Networks 259

 Network Topologies, 259 Private Branch Exchanges, Local Area Networks (LANs), and Wide Area Networks (WANs), 260 Network Services and Broadband Technologies, 262 Network Convergence, 264 MIS in Action: Decisionmaking: Choosing an Internet Connection Service, 264
- 8.4 Electronic Commerce and Electronic Business Technologies 265
 Electronic Mail and Groupware, 265 Voice Mail and Fax, 265 Teleconferencing,
 Dataconferencing, and Videoconferencing, 265 Window on Management:
 Monitoring Employees on Networks: Unethical or Good Business?, 266 Digital
 Information Services, Distance Learning, and E-Learning, 267 Electronic Data
 Interchange, 269 MIS in Action: Manager's Toolkit: Developing a Business-Driven
 Telecommunications Plan, 270 Make IT Your Business, 270

Management Wrap-Up 271 • Summary 271 • Key Terms 272 • Review Questions 272 • Application Software Exercise: Spreadsheet Exercise: Analyzing Telecommunications Costs 273 • Group Project 273 • Tools for Interactive Learning 273 • Case Study: Schneider National Keeps on Trucking with Communications Technology 274

CHAPTER 9 THE INTERNET AND THE NEW INFORMATION TECHNOLOGY INFRASTRUCTURE 276

- 9.1 The New Information Technology (IT) Infrastructure for the
 Digital Firm 278
 Enterprise Networking and Internetworking, 279 Standards and Connectivity for
 Digital Integration, 280
- 9.2 The Internet: Information Technology Infrastructure for the Digital Firm 281
 What Is the Internet?, 281 Internet Technology and Services, 282 The Next Generation Internet and Internet2, 286

- 9.3 The World Wide Web 286
 Searching for Information on the Web, 287 Intranets and Extranets, 289 The Wireless Web, 290 Window on Organizations: Will M-Commerce Take Off?, 292
 Window on Technology: M-Commerce Inspires New Netrepreneurs, 294 Organizational Benefits of Internet and Web Technology, 294 MIS in Action: Manager's Toolkit: How to Integrate the Wireless Web into Business Strategy, 295
- 9.4 Support Technology for Electronic Commerce and Electronic Business 297
 Web Servers and Electronic Commerce Servers, 297 Customer Tracking and
 Personalization Tools, 298 Web Content Management Tools, 299 Web Site
 Performance Monitoring Tools, 299 Web Hosting Services, 299
- 9.5 Management Issues and Decisions 300
 The Challenge of Managing the New Information Technology Infrastructure, 300 •
 Some Solutions, 302 Make IT Your Business, 303

Management Wrap-Up 303 • Summary 304 • Key Terms 305 • Review Questions 305 • Application Software Exercise: Spreadsheet Exercise: Analyzing Web Site Visitors 305 • Group Project 306 • Tools for Interactive Learning 306 • Case Study: General Motors Takes a Test Drive on the Internet 306

PART II PROJECT

CREATING A NEW INTERNET BUSINESS 310

PART III MANAGEMENT AND ORGANIZATIONAL SUPPORT SYSTEMS FOR THE DIGITAL FIRM 313

CHAPTER 10 MANAGING KNOWLEDGE FOR THE DIGITAL FIRM 314

- 10.1 Knowledge Management in the Organization 316
 Organizational Learning and Knowledge Management, 317 Systems and Infrastructure for Knowledge Management, 317
- 10.2 Information and Knowledge Work Systems 318

 Distributing Knowledge: Office and Document Management Systems, 319 Creating Knowledge: Knowledge Work Systems, 321 Window on Management: Managing Construction Projects with the Internet, 322 Sharing Knowledge: Group Collaboration Systems and Enterprise Knowledge Environments, 325 MIS in Action: Manager's Toolkit: Establishing the Business Requirements of an Enterprise Information Portal, 328 Window on Organizations: ABN Amro Banks on On-line Knowledge Management, 329
- 10.3 Artificial Intelligence 330
 What Is Artificial Intelligence?, 330 Why Business Is Interested in Artificial Intelligence, 330 Capturing Knowledge: Expert Systems, 331 Organizational Intelligence: Case-Based Reasoning, 335
- 10.4 Other Intelligent Techniques 336
 Neural Networks, 336 Fuzzy Logic, 338 Genetic Algorithms, 339 Intelligent Agents, 341 Make IT Your Business, 341

Management Wrap-Up 342 • Summary 342 • Key Terms 343 • Review Questions 343 • Application Software Exercise: Expert System Exercise: Building a Simple Expert System for Retirement Planning 344 • Group Project 344 • Tools for Interactive Learning 344 • Case Study: Frito-Lay's Drive to Repackage Knowledge 345

CHAPTER 11 ENHANCING MANAGEMENT DECISION-MAKING FOR THE DIGITAL FIRM 348

11.1 Decision-Support Systems (DSS) 350
MIS and DSS, 351 • Types of Decision-Support Systems, 351 • Components of DSS, 353 • MIS in Action: Manager's Toolkit: How to Evaluate a DSS Project, 354
• DSS Applications and the Digital Firm, 355 • Window on Technology: ShopKo's DSS Makes a Science of Markdowns, 356 • Web-Based Customer Decision-Support Systems, 360

11.2 Group Decision-Support Systems (GDSS) 360
What is a GDSS?, 361 • Characteristics of GDSS, 362 • GDSS Software Tools, 362
• How GDSS Can Enhance Group Decision-Making, 364

11.3 Executive Support in the Enterprise 366

The Role of Executive Support Systems in the Organization, 366 • Benefits of Executive Support Systems, 367 • Window on Management: Digital Dashboards Help Union Pacific Manage, 368 • Executive Support Systems and the Digital Firm, 368 • Make IT Your Business, 371

Management Wrap-Up 372 • Summary 373 • Key Terms 374 • Review Questions 374 • Application Software Exercise: Spreadsheet Exercise: Performing Breakeven Analysis and Sensitivity Analysis 374 • Group Project 375 • Tools for Interactive Learning 375 • Case Study: BC Hydrosystems Electrify the Utilities Field 375

PART III PROJECT

DESIGNING AN ENTERPRISE INFORMATION PORTAL 378

PART IV BUILDING INFORMATION SYSTEMS IN THE DIGITAL FIRM 379

CHAPTER 12 REDESIGNING THE ORGANIZATION WITH INFORMATION SYSTEMS 380

12.1 Systems as Planned Organizational Change 382
 Linking Information Systems to the Business Plan, 383 • MIS in Action: Manager's Toolkit: How to Develop an Information Systems Plan, 383 • Establishing Organizational Information Requirements, 384 • Systems Development and Organizational Change, 386

12.2 Business Process Reengineering and Total Quality Management (TOM) 388

Business Process Reengineering, 388 • Steps in Effective Reengineering, 390 • Process Improvement and Total Quality Management (TQM), 391

12.3 Overview of Systems Development 393
 Systems Analysis, 394 • Systems Design, 394 • Completing the Systems Development Process, 396

12.4 Alternative System-Building Approaches 398

Traditional Systems Lifecycle, 398 • Prototyping, 399 • Application Software
Packages, 401 • Window on Organizations: Indian Motorcycles Is Reborn with New Information Systems, 402 • End-User Development, 403 • Window on Management:
Harvard Pilgrim Healthcare Outsources to Save Its Life, 404 • Outsourcing, 404

12.5 Application Development for the Digital Firm 406
 Object-Oriented Software Development, 406 • Rapid Application Development (RAD), 407 • Web Services, 407 • Make IT Your Business, 408

Management Wrap-Up 409 • Summary 409 • Key Terms 410 • Review Questions 410 • Application Software Exercise: Database and Web Page Development Tool Exercise: Building a Job Database and Web Page for a Consulting Firm 411 • Group Project 411 • Tools for Interactive Learning 411 • Case Study: Can APCO Insure Its Future with a New System? 412

CHAPTER 13 UNDERSTANDING THE BUSINESS VALUE OF SYSTEMS AND MANAGING CHANGE 414

13.1 Understanding the Business Value of Information Systems 417
Traditional Capital Budgeting Models, 417 • Case Example: Primrose, Mendelson, and Hansen, 419 • Strategic Considerations, 423 • Window on Management: Portfolio Analysis Brings Benefits to ING Bank, 424 • MIS in Action: Decisionmaking: Evaluating ERP Systems with a Scoring Model, 426 • Information Technology Investments and Productivity, 427

13.2 The Importance of Change Management in Information System Success and Failure 428

Information System Problem Areas, 428 • MIS in Action: Manager's Toolkit:

Designing a User-Friendly Web Site, 429 • Change Management and the Concept of Implementation, 430 • Causes of Implementation Success and Failure, 430 • Window on Organizations: Involving the Users at British Airways, 432 • Change Management Challenges for Enterprise Applications, Business Process Reengineering (BPR), and Mergers and Acquisitions, 434 • The Challenge of Implementing Global Systems, 436

13.3 Managing Implementation 437
Controlling Risk Factors, 437 • Designing for the Organization, 440 • Managing Global Implementations, 441 • "Fourth-Generation" Project Management?, 443 • Make IT Your Business, 442

Management Wrap-Up 443 • Summary 444 • Key Terms 445 • Review Questions 445 • Application Software Exercise: Spreadsheet Exercise: Capital Budgeting for a New CAD System 446 • Group Project 446 • Tools for Interactive Learning 446 • Case Study: A New Supply Chain Project has Nike Running for its Life 446

CHAPTER 14 INFORMATION SYSTEMS SECURITY AND CONTROL 450

14.1 System Vulnerability and Abuse 452
Why Systems Are Vulnerable, 452 • Window on Organizations: Hackers, Cyberterrorists and Information Warfare: An Electronic Pearl Harbor in the Making?, 454 • Concerns for System Builders and Users, 456 • System Quality Problems: Software and Data, 456 • Window on Management: National Australia Bank Writes Off Losses from Computer Errors, 458

14.2 Creating a Control Environment 459
General Controls and Application Controls, 460 • Protecting the Digital Firm, 462 •
MIS in Action: Manager's Toolkit: How to Develop a Disaster Recovery Plan, 463 •
Developing a Control Structure: Costs and Benefits, 467 • The Role of Auditing in the Control Process, 468 • MIS in Action: Decisionmaking: Analyzing Security Vulnerabilities, 469

14.3 Ensuring System Quality 469
 Software Quality Assurance Methodologies and Tools, 469 • Data Quality Audits and Data Cleansing, 476 • Make IT Your Business, 477

Management Wrap-Up 478 • Summary 478 • Key Terms 479 • Review Questions 479 • Application Software Exercise: Spreadsheet Exercise: Performing a Security Risk Assessment 480 • Group Project 480 • Tools for Interactive Learning 480 • Case Study: The World Trade Center Disaster: Who Was Prepared? 480

PART IV

REDESIGNING BUSINESS PROCESSES FOR HEALTHLITE YOGURT COMPANY 484

INTERNATIONAL CASE STUDIES 487

Case Study 1: Ginormous Life Insurance Company

Case Study 2: From Analysis to Evaluation—The Example of Cuparla

Case Study 3: SkandiaBanken: Developing Information Capabilities for an Effective E-Business Strategy (Abridged)

Case Study 4: Japan Airlines: Impact of E-Ticketing

REFERENCES R 1

INDEXES I 1

PHOTO AND SCREEN SHOT CREDITS P 1