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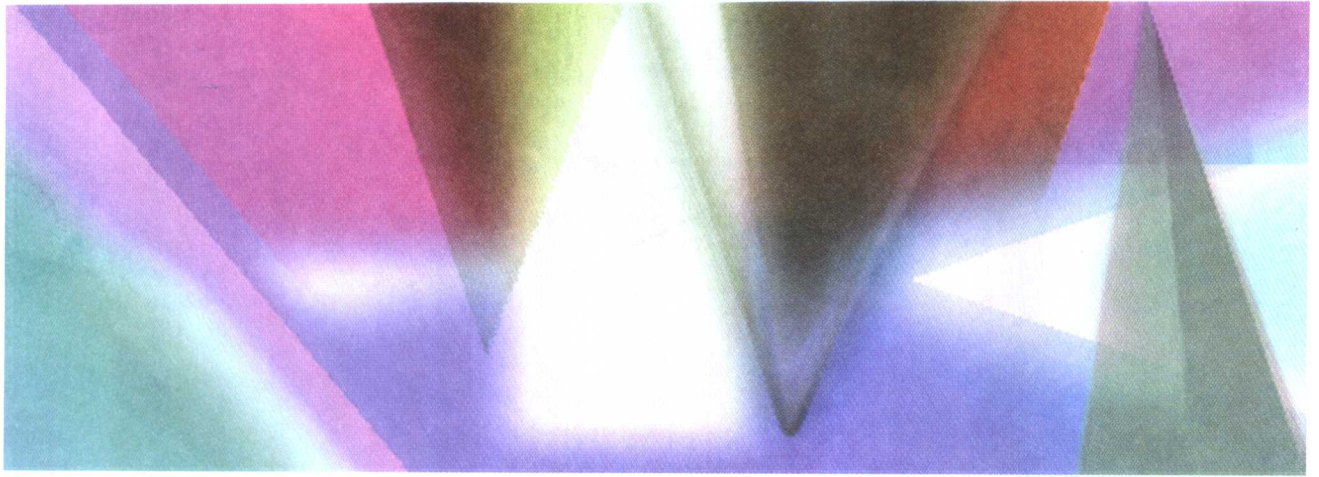
# MANAGEMENT INFORMATION SYSTEMS

New Approaches to  
Organization & Technology



KENNETH C. LAUDON  
JANE P. LAUDON

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# Management Information Systems

*Fifth Edition*

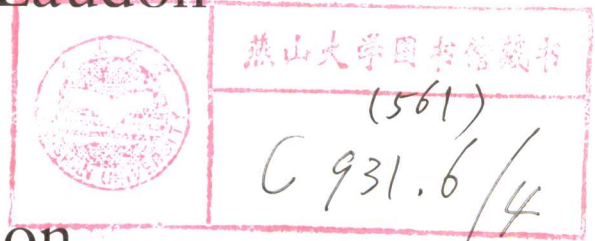
## New Approaches to Organization and Technology

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## About the Authors



**Kenneth C. Laudon** is a Professor of Information Systems at New York University's Stern School of Business. He holds a B.A. in Economics from Stanford and a Ph.D. from Columbia University. He has authored fourteen books dealing with information systems, organizations, and society. Professor Laudon has also written over seventy-five articles concerned with the social, organizational, and management impacts of information systems, privacy, ethics, and multimedia technology.

Professor Laudon's current research focuses on four areas: understanding the value of knowledge work; the social and organizational uses of information technology; privacy of personal information; and the development of multimedia, interactive digital higher education materials. He has received grants from the National Science Foundation to study the evolution of national information systems at the Social Security Administration, the IRS, and the FBI. A part of this research is concerned with computer-related organizational and occupational changes in large organizations, changes in management ideology, changes in public policy, and understanding productivity change in the knowledge sector.

Ken Laudon has testified as an expert before the United States Congress. He has been a researcher and consultant to the Office of Technology Assessment (United States Congress) and to the Office of the President, several executive branch agencies, and Congressional Committees. Professor Laudon also acts as a consultant on systems planning and strategy to several Fortune 500 firms.

Ken Laudon's hobby is sailing.



**Jane P. Laudon** is a management consultant in the information systems area and the author of seven books. Her special interests include systems analysis, data management, MIS auditing, software evaluation, and teaching business professionals how to design and use information systems.

Jane received her Ph.D. from Columbia University, her M.A. from Harvard University, and her B.A. from Barnard College. She has taught at Columbia University and the New York University Graduate School of Business. She maintains a lifelong interest in Oriental languages and civilizations.

The Laudons have two daughters, Erica and Elisabeth.

*Management Information Systems: New Approaches to Organization and Technology* reflects a deep understanding of MIS research and teaching as well as practical experience designing and building real world systems.

**for Erica  
and Elisabeth**

*Management Information Systems: New Approaches to Organization and Technology (Fifth Edition)* is based on the premise that it is difficult—if not impossible—to manage a modern organization without at least some knowledge of information systems—what information systems are, how they affect the organization and its employees, and how they can make businesses more competitive and efficient. Information systems have become essential for creating competitive firms, managing global corporations, and providing useful products and services to customers. This book provides an introduction to management information systems that undergraduate and MBA students will find vital to their professional success.

## The Information Revolution in Business and Management: New Approaches to Organization and Technology

Globalization of trade, the emergence of information economies and the growth of the Internet and other global communications networks have recast the role of information systems in business and management. Companies can use information technology to design global business organizations linking factories, offices, and mobile sales forces around the clock. The Internet is becoming the foundation for new business models, new business processes, and new ways of distributing knowledge. Accordingly we have changed the title of this text to *Management Information Systems: New Approaches to Organization and Technology* because we believe these changes are creating new approaches to organization and management.

## New to the Second Edition

This edition maintains the strengths of earlier editions while showing how the Internet and related technologies are transforming information systems and business organizations. The fifth edition was reworked from start to finish to integrate the issues surrounding the growing use of the Internet more fully into the MIS course. This new direction is reflected in the following changes:

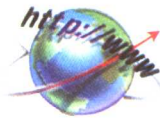
**The Internet and Electronic Commerce:** The Internet and electronic commerce are introduced in Chapter 1 and integrated throughout the text and the entire learning package. A full chapter on the Internet and enterprise-wide networking (Chapter 10) describes the underlying technology, capabilities, and benefits of the Internet, with expanded



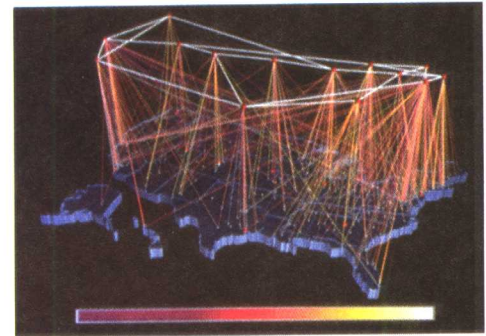
treatment of electronic commerce and Internet business models. The Part II case study is “Electronic Commerce Strategies: A Tale of Two Companies.”

**Internet Integrated into Every Chapter:** Every chapter contains a Window On box, case study, or in-text discussion of how the Internet is changing a particular aspect of information systems. Intranets, extranets, “push” technology, Java software, intelligent agents, Internet-based group collaboration, and Internet security are among the topics given detailed coverage.

**Laudon & Laudon Web site** [<http://www.prenhall.com/laudon>] The Laudon & Laudon Web site has been enhanced to provide a wide array of capabilities for interactive learning and management problem-solving: They include:



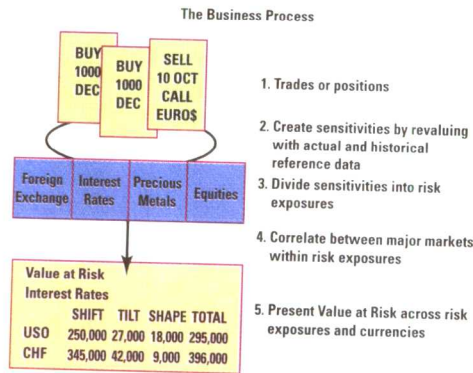
- **The Internet Connection and Interactive Internet Projects.** The **Internet Connection** can be found in each chapter. The Internet Connection interactively shows students how to use the Internet for research and management problem-solving and helps professors integrate the Internet into the MIS course. The Internet Connection icon in the text directs students to various sites on the World Wide Web of the Internet where they can find interactive projects, additional case studies, or resources related to topics and organizations discussed in the chapter.
- **Interactive Electronic Commerce Projects.** The Web site features six interactive electronic commerce projects covering problems in international marketing, pricing, sales support, sales planning, customer support, logistics planning, and investment portfolio analysis. Students are presented with a problem requiring them to use interactive features of a Web site to develop a solution. They will be able to obtain the information required by the solution by inputting data on-line and using the software at that Web site to perform the required calculations or analysis.
- **A Virtual Tour of Electronic Commerce Sites:** Students are presented with a tour of electronic commerce sites where they can explore various Internet business models and electronic commerce capabilities. Students can use what they have learned on the tour to complete a more comprehensive electronic commerce project.
- **Additional case studies:** The Web site contains additional case studies with hyperlinks to the Web sites of the organizations they discuss.
- **Technology Updates:** The Web site provides technology updates to keep instructors and students abreast of leading-edge technology changes.
- **International Links:** Links to Web sites in Canada, Europe, Latin America, Asia, Australia, and Africa are provided for professors wishing more international coverage.
- **Interactive Study Guide:** The interactive study guide provides students with instant feedback as they take chapter by chapter quizzes of multiple choice, true/false, and matching exercises. The feedback includes hints and relevant page references to the text when students miss questions.



**New leading-edge topics.** The text includes up-to-date coverage of topics such as:

- Intranets and extranets
- Internet business models
- Network computers
- Java and the software revolution
- “Push” technology
- Internet security, firewalls, and electronic payment systems
- Internet privacy issues
- Supply chain management
- Systems for knowledge management
- Virtual organizations
- On-line analytical processing (OLAP) and multidimensional data analysis
- Intelligent agents
- Data mining and knowledge discovery

Expanded treatment of business processes, business models, and their relationship to information technology. Business processes and business models receive new emphasis throughout the text. Chapter 11 presents an expanded discussion of business process redesign and reengineering. The text concludes with a Business Process Redesign Project. Throughout the text are examples of how the Internet has helped organizations redesign their business processes and create new business models.

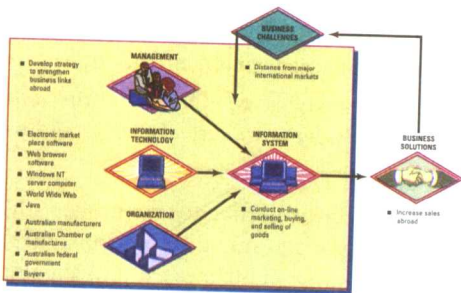


**Management Wrap-Up** sections at the end of each chapter summarize key issues using the authors’ management, organization, and technology framework for analyzing and describing information systems.

### Unique Features of This Text

*Management Information Systems: New Approaches to Organization and Technology (Fifth Edition)* has many unique features designed to create an active, dynamic learning environment.

- **Integrating Technology with Content:** The textbook is the only MIS textbook that provides a full array of interactive support tools for integrating technology into the MIS course. The text is accompanied by a CD-ROM and the Laudon Web site, providing an integrated learning system for the student. Highlights



A special diagram accompanying each chapter-opening vignette graphically illustrates how management, organization, and technology elements work together to create an information system solution to the business challenges discussed in the vignette. The diagram can be used as a starting point to analyze any information system problem.



Each chapter opens with a vignette illustrating the themes of the chapter by showing how a real-world organization meets a business challenge using information systems.



include audio/video overviews explaining key concepts in the text, simulations, interactive Web exercises hyperlinked from the CD to the Web site, an interactive study guide for students supporting the chapter objectives, technology updates, additional cases, and more.

- **An integrated framework for describing and analyzing information systems.** An integrated framework portrays information systems as being composed of management, organization and technology elements. This framework is used throughout the text to describe and analyze information systems and information system problems.
- **Real-World Examples:** Real-world examples drawn from business and public organizations are used throughout to illustrate text concepts. More than 100 companies in the United States and over 100 organizations in Canada, Europe, Australia, Asia, and Africa are discussed.

Each chapter contains three Window On boxes (Window On Management, Window On Organizations, Window On Technology) that present real-world examples illustrating the management, organization, and technology issues in the chapter. Each Window On box concludes with a section called *To Think About* containing questions for students to apply chapter concepts to management problem solving. The themes for each box are:



**WINDOW ON MANAGEMENT:** Management problems raised by systems and their solution; management strategies and plans; careers and experiences of managers using systems.



**WINDOW ON TECHNOLOGY:** Hardware, software, telecommunications, data storage, standards, and systems-building methodologies.



**WINDOW ON ORGANIZATIONS:** Activities of private and public organizations using information systems; experiences of people working with systems.



- **Attention to small businesses and entrepreneurs.** A SMALL BUSINESS icon identifies designated chapter-opening vignettes, Window On boxes, and ending case studies highlighting the experiences and challenges of small businesses and entrepreneurs using information systems
- **Pedagogy to encourage active learning and management problem-solving.**

*Management Information Systems: New Approaches to Organization and Technology* contains many features that encourage students to actively learn and to engage in management problem-solving.

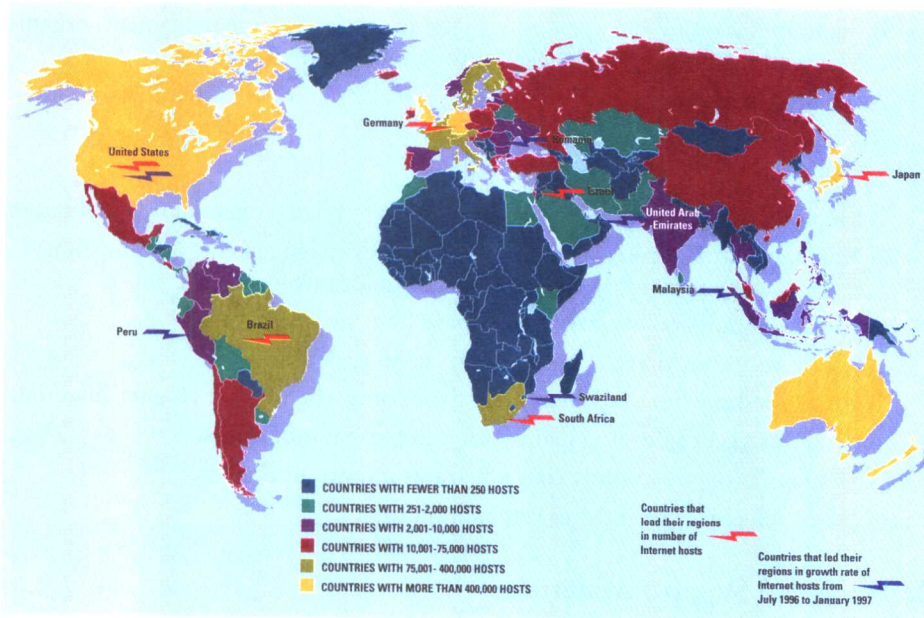
*Group projects:* At the end of each chapter is a group project that encourages students to develop teamwork and oral and written presentation skills. For instance, students might be asked to work in small groups to analyze a business and to suggest appropriate strategic information systems for that particular business or to develop a corporate ethics code on privacy that considers E-mail privacy and monitoring employees using networks.

*Management Challenges Section:* Each chapter begins with several challenges relating to the chapter topic that managers are likely to encounter. These challenges are multifaceted and sometimes pose dilemmas. They make excellent springboards for class discussion. Some of these Management Challenges are finding the right Internet

business model, the organizational obstacles to building a database environment, or agreeing on quality standards for information systems.

*Case studies:* Each chapter concludes with a case study based on a real-world organization. These cases help students synthesize chapter concepts and apply this new knowledge to real-world problems and scenarios. Major part-ending case studies, international case studies, and electronic case studies at the Laudon & Laudon Web site provide additional opportunities for management problem-solving.

- **A truly international perspective:** In addition to a full chapter on Managing International Information Systems, all chapters of the text are illustrated with real-world examples from over one hundred corporations in Canada, Europe, Asia, Latin America, Africa, Australia, and the Middle East. Each chapter contains at least one Window On box, case study or opening vignette drawn from a non-U.S. firm, and often more. The text concludes with five major international case studies contributed by leading MIS experts in Canada, Europe, Singapore, and Australia—Len Fertuck, University of Toronto (Canada); Helmut Krcmar, Stephen Wilczek and Gerhard Schwabe, University of Hohenheim (Germany); Donald Marchand, Thomas Vollmann, and Kimberly Bechler, International Institute for Management Development (Switzerland); Boon Siong Neo and Christina Soh, Nanyang Technological University (Singapore); and Peter Weill and J.B. Barolsky, University of Melbourne (Australia).



## Book Overview

The five parts of the book are designed to be relatively independent of each other. Each instructor may choose to emphasize different parts.

Part One is concerned with the organizational foundations of systems and their emerging strategic role. It provides an extensive introduction to real-world systems, focusing on their relationship to organizations, management, and important ethical and social issues.

Part Two provides the technical foundation for understanding information systems, describing hardware, software, storage, and telecommunications technologies. Part Two concludes by describing how all of the information technologies work together in enterprise-wide networking and internetworking with other organizations through the Internet.

Part Three focuses on the process of redesigning organizations using information systems, including reengineering of critical business processes. We see systems analysis

and design as an exercise in organizational design, one that requires great sensitivity to the right tools and techniques, quality assurance and change management.

Part Four describes the role of information systems in capturing and distributing organizational knowledge and in enhancing management decision-making. It shows how knowledge management, work group collaboration, and individual and group decision making can be supported by the use of knowledge work, artificial intelligence, decision support, and executive support systems.

Part Five concludes the text by examining the special management challenges and opportunities created by the pervasiveness and power of contemporary information systems: ensuring security and control and developing global systems. Throughout the text emphasis is placed on using information technology to redesign the organization's products, services, procedures, jobs and management structures, with numerous examples drawn from multinational systems and global business environments.

## Chapter Outline

Each chapter contains the following:

- A detailed outline at the beginning to provide an overview.
- An opening vignette describing a real-world organization to establish the theme and importance of the chapter.
- A diagram analyzing the opening vignette in terms of the management, organization, and technology model used throughout the text.
- A list of learning objectives.
- Management challenges.
- Marginal glosses of key terms in the text.
- An Internet Connection icon directing students to related material on the Internet.
- A Management Wrap-Up tying together the key management, organization, and technology issues for the chapter, with questions for discussion.
- A chapter summary keyed to the learning objectives.
- A list of key terms that the student can use to review concepts.
- Review questions for students to test their comprehension of chapter material.
- A group project to develop teamwork and presentation skills.
- A chapter-ending case study that illustrates important themes.
- A list of references for further research on topics.

## Instructional Support Materials

### Software

A series of optional management software cases called *Solve it! Management Problem Solving with PC Software* has been developed to support the text. *Solve it!* consists of 10 spreadsheet cases, 10 database cases and 6 Internet projects drawn from real-world businesses, plus a data diskette with the files required by the cases. The cases are graduated in difficulty. The case book contains complete tutorial documentation showing how to use spreadsheet, database, and Web browser software to solve the problems. A new version of *Solve it!* with all new cases is published every year. *Solve it!* must be adopted for an entire class. It can be purchased directly from the supplier, Azimuth Corporation, 124 Penfield Ave., Croton-on-Hudson, New York 10520 (Telephone 914-271-6321).

### Instructor's Manual

The Instructor's Manual, written by Dr. Glenn Bottoms of Gardner-Webb University, features an in-depth lecture outline and answers to key terms, review

and discussion questions, case studies, and group projects, as well as additional Internet Resources.

### Test Item File

New to this edition is a separate expanded Test Item File, written by Dr. Bindiganavale Vijayaraman of the College of Business Administration, University of Akron. This edition includes true/false, multiple choice, fill-ins and essay questions. Each question is section-referenced and rated according to difficulty level.

### Video Cases

Video cases based on real-world corporations and organizations are available to adopters. The video cases illustrate the concepts in the text and can be used for class discussion or written projects.

### Powerpoint Slides

Over 100 electronic color slides created by Dr. Edward Fisher of Central Michigan University are available to adopters. The slides, which illuminate and build upon key concepts in the text, can be customized to suit class needs.

### Transparencies

One hundred full-color transparency acetates are also available to adopters. These transparencies, taken from figures in the text, provide additional visual support to class lectures.

### Web Site

Please visit this book's Web site at <http://www.prenhall.com/laudon>. The site contains the instructor materials cited above, as well as an interactive study guide for students. Also available for students are additional cases not found in the text, links to Web resources for each chapter, interactive electronic commerce projects, and technology updates.



### Acknowledgments

The production of any book involves many valued contributions from a number of persons. We would like to thank all of our editors for encouragement, insight, and strong support for many years. We are grateful to our editors, David Alexander and Jo-Ann DeLuca for their energy in guiding the development of this edition and to PJ Boardman and Richard Wohl for supporting the project. We thank Audrey Regan for directing the preparation of ancillary materials and commend Katherine Evancie for overseeing production of this text. We continue to be grateful to Nancy Evans for her outstanding marketing work. Special thanks to Patti Arneson for her focus group and market research work for this edition.

We remain deeply indebted to Marshall R. Kaplan for his invaluable assistance in the preparation of this edition. Special thanks to Dr. Glenn Bottoms of Gardner-Webb University and Dr. Bindiganavale Vijayaraman of the College of Business Administration, University of Akron for their work on supporting materials.

The Stern School of Business at New York University and the Information Systems Department provided a very special learning environment, one in which we and others could rethink the MIS field. Special thanks to Professors Edward Stohr, Jon Turner, Vasant Dhar, Ajit Kambil, and Stephen Slade for providing critical feedback and support where deserved. Professor William H. Starbuck of the Management Department at NYU provided valuable comments and insights.

Professors Al Croker and Michael Palley of Baruch College and NYU, Professor Kenneth Marr of Hofstra University, Professor Gordon Everest of the University of

Minnesota, Professor Sassan Rahmatian of California State University, Fresno, and Dr. Edward Roche provided additional suggestions for improvement.

The late Sara Tykol of Croton-on-Hudson, New York and the late Professor James Clifford of the Stern School made important contributions to the text. Sara helped us with the preparation of boxes, case materials and multimedia content. Jim offered valuable recommendations for improving our discussion of files and databases. Both Sara and Jim were wonderful colleagues and friends and we miss them deeply.

One of our goals was to write a book which was authoritative, synthesized diverse views in the MIS literature, and helped define a common academic field. A large number of leading scholars in the field were contacted and assisted us in this effort. Reviewers and consultants for *Management Information Systems: New Approaches to Organization and Technology* are listed in the back end papers of the book. We thank them for their contributions. Reviewers for the new edition are: Murray Jennex, University of Phoenix; Anthony Hendrickson, Iowa State; Carolyn Jacobson, Marymount University; John Tarjan, California State University at Bakersfield; Christopher Kimble, University of York, United Kingdom; Michel Benarcoh, Syracuse University; Charles Van Der Mast, Delft University of Technology, Netherlands; David Scanlan, California State University at Sacramento; Leah R. Pietron, University of Nebraska; Mats Daniels, Uppsala University. It is our hope that this group endeavor contributes to a shared vision and understanding of the MIS field.

K.C.L.  
J.P.L.

# International Case Studies

## *From Geelong & District Water Board to Barwon Water: An Integrated IT Infrastructure*

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Joel B. Barolsky and Peter Weill  
University of Melbourne (Australia)

## *Ginormous Life Insurance Company*

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Len Fertuck  
University of Toronto (Canada)

## *From Analysis to Interface Design-the Example of Cuparla*

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Gerhard Schwabe, Stephen Wilczek and Helmut Krcmar  
University of Hohenheim (Germany)

## *Citibank Asia-Pacific: Rearchitecting Information Technology Infrastructure for the Twenty-First Century*

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Boon Siong Neo and Christina Soh  
Information Management Research Center (IMARC)  
Nanyang Business School  
Nanyang Technological University (Singapore)

## *Heineken Netherlands B.V.: Reengineering IS/IT to Enable Customer-oriented Supply Chain Management*

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Donald A. Marchand, Thomas E. Vollmann, and Kimberly A. Bechler  
International Institute for Management Development (Switzerland)

### From Geelong & District Water Board to Barwon Water: An Integrated IT Infrastructure<sup>1</sup>

Joel B. Barolsky and Peter Weill, University of Melbourne (Australia)



*Joe Adamski, the Geelong and District Water Board's (GDWB) executive manager of information systems, clicked his mouse on the phone messages menu option. Two messages had been left. The first was from an IT manager from a large Sydney-based insurance company confirming an appointment to "visit the GDWB and to assess what the insurance company could learn from the GDWB's IT experience." The second was from the general manager of another large water board asking whether Adamski and his team could assist, on a consultancy basis, in their IT strategy formulation and implementation.*

The site visit from the insurance company was the thirty-fifth such request the Board had received since the completion of the first stage of their IT infrastructure investment strategy in January 1992. These requests were a pleasant diversion but the major focus of the GDWB's IT staff was to nurture and satisfy the increasing demands from the operational areas for building applications utilizing the newly installed IT infrastructure. The Water Board also faced the problem of balancing further in-house developments with external requests for consulting and demands from the GDWB's IT staff for new challenges and additional rewards.

#### ORGANIZATION BACKGROUND

The GDWB was constituted as a public utility of the Australian State of Victoria in July 1984 following an amalgamation of the Geelong Waterworks and Sewerage Trust and a number of other smaller regional water boards. The Board has the responsibility for the collection and distribution of water and the treatment and disposal of wastewater within a 1600 square mile region in the southwest part of the state. In 1991, the permanent population serviced by the Board exceeded 200,000 people, this number growing significantly in the holiday periods with an influx of tourists.

The GDWB financed all its capital expenditure and operational expenditure through revenue received from its customers and through additional loan borrowings. Any profits generated were reinvested in the organization or used to pay off long-term debt. For the financial year 1990–91 the Board invested over \$35.3 million in capital works and spent over \$25 million in operating expenditures. Operating profit for the year 1990–91 exceeded \$62.4 million on total assets of \$292.5 million.

In 1992, the GDWB was headed by a governing board with a state government-appointed chairperson and eight members, elected by the residents of the community, who each sat for a three-year term. Managerial and administrative responsibilities were delegated to the GDWB's Executive Group which consists of the CEO and executive managers from each of the five operating divisions,

namely Information systems, finance, corporate services, engineering development, and engineering operations. From 1981 to 1992, the number of GDWB employees across all divisions rose from 304 to 454.

The GDWB's head office, situated in the regional capital city of Geelong, housed most of the Board's customer service, administrative, engineering, IT, and other managerial staff. Complementing these activities, the GDWB operated five regional offices and a specialized 24-hour emergency contact service.

Commenting on the Board's competitive environment at the time, the GDWB's CEO, Geoff Vines, stated, "Although the organization operated in a monopolistic situation there still were considerable pressures on us to perform efficiently. Firstly, and most importantly, our objective was to be self-funding—our customers wouldn't tolerate indiscriminate rate increases as a result of our inefficiencies and we could not go cap in hand to the state government. Secondly, the amalgamation trend of water boards was continuing and the stronger the Board was the less likely it would be a target of a takeover. And thirdly, we did in a sense compare ourselves with private sector organizations and in some ways with other water boards. We had limited resources and we have to make the most of them."

#### KEY PROBLEM AREAS

Relating the situation up until the mid-1980s, Vines said that the Board faced

a major problem in collectively identifying its largest assets—the underground pipes, drains, pumps, sewers, and other facilities. He explained that most of these facilities were installed at least two or three meters below the surface and therefore it was almost impossible to gain immediate physical access to them. The exact specifications of each particular asset could only be ascertained through a thorough analysis of the original installation documentation and other geophysical surveys and maps of the area.

The limitations on identifying these underground facilities impacted operational performance in a number of key areas:

- Most of the maintenance work conducted by the Board was based on reactive responses to leaks and other faults in the systems. It was difficult to introduce a coordinated preventative maintenance program because it was not possible to accurately predict when a particular pipe or piece of equipment was nearing the end of its expected life span.
- Only a limited number of hard copies of this facility information could be kept. This significantly reduced the productivity of the engineering and operations staff, especially in remote areas where they had to request this information from the central record-keeping systems. Backlogs and inaccuracies in filing also impacted efforts to repair, upgrade, or install new piping, pumps, and other equipment. On numerous occasions changes would be made to one set of plans without the same changes being recorded on the other copies of the same plans. Engineers designing improvements to existing facilities were often confronted with the problem of not being sure whether they were using the most up-to-date information of the facilities currently installed in the area concerned.

- The Board could not place realistic replacement values and depreciation charges on these underground assets.

With over 100,000 rateable properties in its area of responsibility, the GDWB maintained a centralized paper filing system containing more than a billion pages of related property information. The documents, most of which were of different sizes, quality, and age, were divided into 95,000 different files and sorted chronologically within each file. Access to the documents was made difficult as larger documents were cumbersome to copy and older documents were beginning to disintegrate. Having only one physical storage area significantly increased the potential exposure to fire and other risks and limited the wider distribution and sharing of the information. In the early 1980s, it was commonplace for a customer request for a statement of encumbrances placed at one of the GDWB's regional offices to take in excess of four weeks. The delays usually centered on finding the appropriate documents at the Property Services' central files, making the necessary copies, and transferring the documents back to the regional offices.

### THE INFORMATION SYSTEMS DIVISION

In 1985, PA Consulting was commissioned to conduct a comprehensive review of the Board's strategy, management, operations structures, and systems. One recommendation made by the consultants was that the Board should institute a more systematic approach to strategic planning. A major outcome of the planning process that followed was to create a new division for computing services and to recruit a new manager for this new area who reported directly to the CEO. The EDP Division was created with the objectives of "satisfying the Board's Information System needs through the provision of integrated and secure corporate computer systems and

communication network." Vines said that the Board needed a stand-alone information services group that could be used as a resource center for all users and that could add value to the work conducted by each functional group within the Board.

In April 1987, Joe Adamski was employed to fill the new position of EDP manager (later changed to executive manager of information systems). At the time of his arrival, only a small part of the GDWB's work systems were computerized, the main components of which included:

- a "low-end" IBM System 38, primarily to run financial and other accounting software and some word processing applications. The system ran an in-house developed rate collection system which kept basic information on ratepayers including property details and consumption records;
- 19 "dumb" terminals—none of the Board's regional offices had terminal access to the central computer systems;
- a terminal link to the local university's DEC 20 computer to support the technical and laboratory services; and
- four stand-alone PCs, running some individual word processing packages as well as spreadsheet (Lotus 1-2-3), basic CAD, and data base applications.

Computer maintenance, support, and development was allocated to the finance division and delegated to an EDP supervisor (and three staff) who reported to the finance manager. Adamski noted, "The computer set-up when I joined was pretty outdated and inefficient. For example, the secretarial staff at Head Office were using the System 38's word processing facility and had to collect their dot matrix printouts from the computer room situated on the ground floor of the five-story building. In the technical area, some water supply network analysis data was available through the use of the DEC 20 system; however, hard



copy output had to be collected from the University which was over five kilometers away. Most of the design engineers were using old drafting tables with rulers, erasers, and pencils as their only drafting tools."

Recognizing that some users required immediate solutions to problems they were facing, the Board purchased additional terminals, peripherals, and stand-alone microcomputers for the various areas thought to be in greatest need. Adamski said that these additional purchases further compounded some of the Board's computer-related problems. "We had a situation where we had at least four different CAD packages in use in different departments and we couldn't transfer data between them. There was a duplication of peripheral equipment with no sharing of printers, plotters, and other output devices. In addition, various managers began to complain that system expertise was too localized and that there was little compatibility between the various applications."

### PLANNING THE NEW ROLE FOR IT

In July 1988, Adamski initiated a long-term computing strategy planning process with the establishment of a special planning project team with both IT and user representatives. The team embarked on a major program of interviews and discussion with all user areas within the Board. They investigated other similar public utilities across Australia to assess their IT strategies and infrastructures and made contact with various computer hardware and software vendors to determine the latest available technologies and indicative costs.

The Project Team developed a comprehensive corporate computing strategy that would provide, as Adamski put it, the "quantum leap forward in the Board's IT portfolio." Adamski said that central to the devised computing strategy was that there should be as much integration and flexibility as possible in all the

Board's technical and administrative systems. "Linked to this strategy was the notion that we should strive for an 'open systems' approach with all our applications. This meant that each system had to have publicly specifiable interfaces or 'hooks' so that each system could talk to each other. From the users' perspective an open systems approach meant that all the different applications looked pretty much the same and it was simple and easy to cross over from one to the other. It also meant that if we weren't happy with one particular product within the portfolio or we wanted to add a new one we could do it without too much disruption to the whole system."

He continued, "A key decision was made that we should build on our existing IT investments. With this in mind we had to make sure that the new systems were able to use the data and communicate with the System 38. We wanted only one hardware platform using only one operating system and only one relational data base management system (RDBMS). We also wanted only one homogenous network that was able to cater to a number of protocols and interfaces such as the network system for the microcomputers, workstations, and the Internet connection. There also had to be a high degree of compatibility and interaction with all the data files and applications that were proposed. In view of this, we chose a UNIX platform with a client/server architecture."

In addition to specifying the software components of the system, the Project Team outlined the hardware that was necessary to run the new systems and the additional staff that needed to be hired. To achieve the stated computing strategies and benefits, the Team also recommended that implementation take place over three key stages, with a formal progress review instituted at the end of each stage.

### APPROVAL

In February 1989, the corporate computing strategy planning process was

completed and Adamski presented the key recommendations to the governing Board. In his presentation, Adamski stated that the infrastructure cost of implementing the strategy was estimated to be about \$5 million for the entire project (excluding data capture costs) and that the project would take up to the end of 1995 for full commissioning.

Vines stated, "From my perspective, the proposed IT strategy took into account the critical functions in the organization that needed to be supported, such as customer services, asset management, and asset creation. These were fundamental components of the Board's corporate objectives, and the computer strategy provided a means to realize these objectives and provide both short- and long-term benefits. There were some immediate short-term benefits, such as securing property services data that had no backup, and productivity gains in design and electronic mail. From a long-term perspective, I believe you can never really do an accurate rate-of-return calculation and base your decision solely on that. If you did you probably would never make such a large capital investment in IT. We did try to cost-justify all the new systems as best we could but we stressed that implementing IT strategy should be seen as providing long-term benefits for the entire organization that were not immediately measurable and would come to fruition many years later. Until all the information was captured and loaded on the IT facilities from the manual systems, the full benefits could not be realized."

Following an extensive and rigorous tendering process, it was decided that the Board should follow a multi-vendor solution as no one vendor could provide a total solution. Sun Microsystems was selected as the major hardware vendor and was asked to act as "prime contractors" in implementation. As prime contractors Sun was paid one project fee and then negotiated separate contracts with all other suppliers.