Editor's Comments

In this fast-moving period of change in IS technology and the business environment, new opportunities for IS research continually evolve. I believe that such an opportunity has now appeared in the field of management control architecture. Management control architecture is the organization of a company into a mix of cost centers, profit centers, and investment centers with transfer pricing between them. In the design of management control architecture, a key issue is how to provide appropriate, goal-congruent incentives for decentralized managers. How do we encourage them, as they move in their own self interest, to also move in the overall interest of the corporation. There is a mature field of thought on the issues in this area. These thoughts, however, developed in a different era of technology. Structures appropriate for one time may be inadequate given today's expanding opportunities.

The first is the opportunity to design *incentive systems which are better aligned with the overall goals of the corporation.* For example, one of our major insurance companies has a captive mutual fund complex. The funds are sold by the insurance company's sales force on a load basis. The salesman receives a commission upon the initial sale of one of the funds to a customer; thereafter he has no incentive to ensure that the customer remains invested in the funds or, if dissatisfied with a particular fund, that money is moved elsewhere within the company. The company, however, is very concerned that if a fund holder becomes disenchanted with one investment the salesman discovers it and helps the customer move his money to another of the firm's products rather than taking his money elsewhere.

Currently each product of the insurance company is accounted for on a separate basis. Each has its own master customer file and, in the case of mutual funds, monthly statements are mailed to each fund holder. It is impossible for the company or the salesman to quickly find out any clients total holdings. In the coming months, the following three-stage program will be executed:

1. An integrated fund statement will be prepared so that both the client and the salesman can quickly see the customer's current position in the company's total fund complex.
2. Five or six months later, a two- to three-page report will be prepared for each customer of the insurance company which has all the current relationships of the customer clearly displayed.
3. Shortly thereafter, the company's incentive system will be modified to reduce the load paid to a salesman for the sale of new products and an additional incentive will be created for maintaining and growing assets under control during the year.

This different incentive system will allow an entirely different set of pressures to be brought on the sales force. These incentives are far more aligned to the company's goals. Such an incentive system would have been impossible to install until the massive effort of integrating all formerly disparate data files had been completed. Visualizable many years ago, this new control structure was only made possibly by today's technology.

A second opportunity relates to the control system needed to *offer new services.* A major bank, for example, is trying to initiate a relationship banking service. Its salesmen, however, are finding that on their sales calls they are unaware of major elements of the bank's relationship to a customer; consequently they look foolish and the entire program is currently in jeopardy. To offer such a product requires an integrated customer database, currently not in place. In contrast, another major bank now has such a control system in place. This system allows them to offer an override discount on fees based on the total breadth of a customers' relationship with the bank. By the time a customer has seven relationships with the bank, it can ill afford not to have all its relationships with the same bank. In this case, the bank's relationship banking product has been a dramatic success.

A third opportunity relates to the possibility of *reversing the flow of information in the company to better realign customer service to company goals.* A major elevator company used to handle all service phone calls through its 120 branch offices. Each office received all calls and dispatched the appropriate repair representatives. As a result, in a weak office, major customer problems could endure for months before people at corporate headquarters became aware of them. This could be a very serious problem, given the potential damage to company reputation by a disgruntled customer. Their new system now routes all service telephone calls in the United States to a central switchboard at corporate headquarters. A group of 60 people man the telephone lines 24 hours a day, 7 days a week, 365 days a year. These people are supported by an online database which details all last year's service on each elevator. Looking at this data, the central operators not only dispatch the local service man but also tell him what additional things to do to ensure that future maintenance problems are minimized. Reports now reach the President's desk within a week on any elevator account or product where they are encountering significant difficulties so appropriate action can be taken, including CEO to CEO discussion. This level of information flow has dramatically impacted the company's service image and allowed them sto clearly and quickly identify weak service branches and troubled products.

In summary, these examples suggest that a quiet, unreported revolution is occurring in the field of management control. This revolution has enormous potential impact for both general managers and IS managers, with some firms moving more rapidly than others. All too often, people have not changed their assumptions concerning the art of the possible. For IS researchers this complicated, cross-disciplinary work is an unparalleled opportunity to provide meaningful guidance to the practice of management.

Correction: The June article, "Personal Computing Trends and Problems: An Empirical Study," by Tor Gruimaraes and Vasuden Ramanujam appeared to be missing Table 3. This table became the Appendix during our production process. Our apologies for any confusion this may have caused.

Our apologies, also, to author Cynthia Mathis Beath. Her name was misspelled in the March issue article "Competitive Information Systems in Support of Pricing."