

Relevance of Management Information System in Business

*Dr N.Prasanna Kumar
**K .Durgamalleswara Rao

*Assistant Professor, Dept of Internationals Business Studies, Acharya Nagarjuna University Guntur-AP-522510

**Research Scholar, Dept of commerce and business Administration, Acharya Nagarjuna University Guntur-AP-522510

Abstract

The concept of the Management Information System (MIS) has evolved over a period of time comprising many different facets of the organizational functions. MIS provides information for the managerial activities in an organization. MIS is the key factor to facilitate and attain efficient decision making in an organization. It provides accurate and timely information necessary for decision-making and enables the organizations to plan, control and operate in an efficient way. It is a necessity of all the organization. It is basically concerned with processing data into information and is then communicated to the various departments in an organization for appropriate decision-making. MIS is a subset of the overall planning and control activities covering the application of humans, technologies, and procedures of the organization. The information system is the mechanism to ensure that information is available to the managers in the form they want it and when they need it. The MIS, therefore, is a dynamic concept subject to change, time and again, with a change in the business management process. It continuously interacts with the internal and the external environment of the business and provides a corrective mechanism in the system so that the change needs of information are with effectively. The present paper made an attempt as a conceptual study to highlight about Management Information System and its implications in Business.

Keywords: Management Information Systems (MIS), Information Technology, Decision Making

Introduction

In this competitive business environment, whether a retailer, manufacturer, or service provider, every company requires information that helps them stay on top of their business. The instantaneous access and up-to-the-minute view of the business is must, so as to respond to customers faster and grow the business more profitably.

Objectives

- * To understand the concepts of developing Information Systems for Business
- * To know how Management Information Systems can help small and medium scale Business
- * To understand the new concept of MIS called Knowledge Management

Developing Information Systems for Business

The actions that are taken to create an information system that solves an organizational problem are called system development (Laudon & Laudon, 2010)". These include system analysis, system design, programming, testing, conversion,

production and finally maintenance. System analysis is accomplished on the problem the company is facing and is trying to solve with the help of information systems. System design shows how the system will fulfill the requirements and objectives laid out in the system analysis phase. The designer will address all the managerial, organizational and technological components the system will address and need. Programming entails taking the design stage and translating that into software code. This is usually out sourced to another company to write the required software or company's buy existing software that meets the systems needs. The key is to make sure the software is user friendly and compatible with current systems. Testing can take on many different forms but is essential to the successful implementation of the new system. Conversion is the process of changing or converting the old system into the new. This can be done in four ways:

- * Parallel strategy
- * Direct cutover
- * Pilot study
- * Phased approach

Parallel strategy – Both old and new systems are run together until the new one functions correctly (this is the safest approach since you do not lose the old system until the new one is "bug" free).

Direct cutover – The new system replaces the old at an appointed time. Pilot study – Introducing the new system to a small portion of the operation to see how it fares. If good then the new system expands to the rest of the company.

Phased approach – New system is introduced in stages. Anyway you implement the conversion you must document the good and bad during the process to identify benchmarks and fix problems. Conversion also includes the training of all personnel that are required to use the system to perform their job. Production is when the new system is officially the system of record for the operation and maintenance is just that. Maintain the system as it performs the function it was intended to meet.

How MIS Can help a Business

Business environment is prone to changes and this factor makes business planning very complex. Some factors such as the market forces, technological changes, complex diversity of business and competition have a significant impact on any business prospects. MIS is designed to assess and monitor these factors. The MIS design is supposed to provide some insight into these factors enabling the management to evolve some strategy to deal with them. Since these factors are a part of the environment, MIS design is required to keep a watch on environment factors and provide information to the management for a strategy formulation. Strategy formulation is a complex task based on the strength and the weakness of the organization and the mission and goals it wishes to achieve. Strategy formulation is the responsibility of the top management and the top management relies on the MIS for information.

MIS is supposed to give a status with regard to whether the business is on a growth path or is stagnant or is likely to decline, and the reasons thereof. If the status of the business shows a declining trend, the strategy should be of growth. If business is losing in a particular market segment, then the strategy should be a market or a

product strategy. The continuous assessment of business progress in terms of sales, market, quality, profit and its direction becomes the major role of MIS. The business does not survive on a single strategy but it requires a mix of strategy operating at different levels of the management. For example, when a business is on the growth path, it would require a mix of price, product and market strategies. If a business is showing a decline, it would need a mix of price-discount, sales promotion and advertising strategies.

The MIS is supposed to evaluate the strategies in terms of the impact they have on business and provide an optimum mix. The MIS is supposed to provide a strategy-pay off matrix for such an evaluation. In business planning, MIS should provide support to top management for focusing its attention on decision making and action. In the introductory phase, the focus would be on a product design and manufacturing. When the business matures and requires and requires to sustain or to consolidate, the focus would be on the post sales services and support. The MIS should provide early warning to change the focus of the management from one aspect to the other.

Evolving the strategies is not the only task the top management has to perform. It also has to provide the necessary resources to implement the strategies. The assessment of resource need, and its selection becomes a major decision for the top management. The MIS should provide information on resources, costs, quality and availability, for deciding the cost effective resource mix. When the strategies are being implemented, it is necessary that the management gets a continuous feedback on its effectiveness in relation to the objective which they are supposed to achieve. MIS is supposed to give a critical feedback on the strategy performance. According to the nature of the feedback, the management may or may not make a change in the strategy mix, the focus and the resource allocation.

MIS has certain other characteristics for the top management. It contains forecasting models to probe into the future-the business model for evaluation of the strategy performance by simulation business conditions. It contains functional models such as the model for a new product launching, budgeting, scheduling and the models using PERT /CPM technique for planning. MIS for the top management relies heavily on databases which are external to the organization.

The management also relies heavily on the internal data which is evolved out of transaction processing. Management uses the standards, the norms, the rations and the yardsticks while planning and controlling the business activities. They are also used for designing strategies and their mix. The MIS is supposed to provide correct, precise and unbiased standards to the top management for planning. We can summarize the role of the MIS in the top management function as follows. MIS supports by way of information, t

1. Decide the goals and objectives,
2. Determine the correct status of the future business and projects,
3. Provide the correct focus for the attention and action of the management,
4. Evolve, decide and determine the mix of the strategies,
5. Evaluate the performance and give a critical feedback on the strategic failures,

6. Provide cost-benefit evaluation to decide on the choice of resources, the mobilization of resources, and the mix of resources.

7. Generate the standards, the norms, the ratios and the yardsticks for measurement and control. Success of a business depends on the quality of support the MIS gives to the management. The quality is assured only through an appropriate design of the MIS integrating the business plan with the MIS plan.

MIS in Small and Medium Business

Unlike large business, small business is unique, with its own set of industry-specific practices and its own strategies for success. It is critical in today's competitive business environment for small and medium business to take timely decisions for growth. Robust yet flexible MIS is the first-step for Small and Medium Business(SMB) in this conquest for growth.

MIS challenges faced by SMBs are:

- * Limited manpower & IT resources
- * Limited IT Budgets
- * Disparate data sources
- * Current business climate pressure & competition
- * Ever changing Reporting needs with changing Business conditions
- * Dynamic Government Regulations & Compliance Reporting

MIS reports related to the core operations are:

- * Customer Relationship Management
- * Inventory and Distribution
- * Ordering and Delivery
- * Purchasing and Merchandising
- * Production and Manufacturing
- * Employees and Human Resources
- * E-commerce
- * Financial and Accounting

Small and medium business are capturing massive amount of information, but what they don't have is line of sight into their business, to make real-time decisions. Having limited budgets, MIS solution must leverage SMBs existing IT investments. Along with that, it should be intuitive for new users and to be flexible enough to support the organization as needs change. Business Intelligence (BI) helps small businesses extract meaningful information from the business data, increase productivity, and present a more professional image to customers. SMBs too like large enterprises require integrated system to extract data and create critical business MIS across all business functions.

Reporting challenges faced by SMBs

- * Reporting tools are too complicated for users to create customized reports
- * It's difficult to generate comprehensive reports without technical assistance because data resides in different applications
- * Querying: It's too difficult to run reports on detailed business data without technical assistance
- * It's difficult to modify existing software so users are able to see only the reports that are important and relevant to their jobs
- * Reports from multiple systems on critical business data such as sales bookings, stock levels, and cash flow are inconsistent
- * Difficult to generate accurate, relevant reports Instant access to one version of your business data is too required. The business users of SMBs should get greater visibility and control by integrating business-critical information, freeing it from various, unconnected applications to conduct MIS across every aspect of your business.

Knowledge Management

Knowledge management (KM) is a relatively new form of MIS that expands the concept to include information systems that provide decision-making tools and data to people at all levels of a company. The idea behind KM is to facilitate the sharing of information within a company in order to eliminate redundant work and improve decision-making. KM becomes particularly important as a small business grows. When there are only a few employees, they can remain in constant contact with one another and share knowledge directly. But as the number of employees increases and they are divided into teams or functional units, it becomes more difficult to keep the lines of communication open and encourage the sharing of ideas. Knowledge management is a way of using technology to facilitate the process of collaboration across an organization. A small business might begin sharing information between groups of employees by creating a best-practices database or designing an electronic company directory indicating who holds what knowledge. Many companies have installed intranets—or enterprise-wide computer networks with databases all employees can access—as a form of KM. A number of software programs exist to facilitate KM efforts. Some of the leaders in the field include Lotus Notes, Microsoft Exchange Server, and a variety of systems based on XML.

Conclusion

Management information systems are usually customizable to each company. This allows business owners and business managers to create specific reports that will automatically run once the system gathers all necessary information. Using an Internet-based information system companies can gather the information from several regional or international locations. Through the MIS, the information can be used as strategic weapon to counter the threats to business, make business more competitive and bring about the organizational transformation through integration. A good MIS also makes an organization seamless by removing all the communication barriers. Thus the overall purpose of MIS is to provide profitability and related information to help managers and staffs understand business performance and plan

its future direction and also allow the companies to correct negative situations quickly and minimize financial losses.

References:

Newman, J. (2001). Some observations on the semantics of "information". *Information Systems Frontiers*, 13(2), 155-167.

Laudon, K.C. and Laudon, J.P. (2003). *Management Information Systems: Managing the Digital Firm* (Upper Saddle River, NJ: Prentice Hall).

O'Brien, J (1999). *Management Information Systems – Managing Information Technology in the Internetworked Enterprise*. Boston: Irwin McGraw-Hill.

The fourth resource : information and its management / edited by David P. Best. - Aldershot : Gower, 1996. - 166p. ; 23cm. - ISBN 0 566 07696 9

Information in organisations: directions for information management / Joyce Kirk. - Information Research, Volume 4 No. 3 February 1999

An information model of organization / David Kaye. - *Managing Information*, June 1996, vol.3, no.6, p.19-21.