Abstract: This paper shows that the trend towards flatter hierarchies in large US firms since the mid-80’s has been accompanied by increased centralization of activities at the top of the organization. In particular, the number of functional managers (e.g., Chief Financial Officer or Chief Marketing Officer) reporting directly to the CEO has increased relative to the number of general managers. Using panel data on senior management positions in large US firms (1986-1999) and exploiting variation within firms over time and across position types, we document how the centralization of functional activities relates to the firm’s IT investments and business diversification. Centralization increases with IT intensity for “administrative” functions (e.g., finance, law, HR); yet, the same relationship only holds for “product” functions (e.g., marketing, R&D) in firms with related businesses. Firms in related businesses are more likely to centralize product functions, but less likely to centralize administrative functions. We also document how pay changes with firm structure for the different types of managers. These findings suggest that the nature of the information associated with the different functions is an important force driving the centralization decision.