IT Valuation in Turbulent Times\textsuperscript{1}

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Abstract

The IT productivity paradox has largely been resolved at the industrial level. At the firm level however, there is still much to understand regarding how IT contributes to firm performance. This paper investigates the performance impacts of two modes of IT valuation – efficiency and KM (Knowledge Management), by taking two external environmental factors – dynamism and hostility – into account. A survey of IS managers was conducted to assess the conditions under which one mode of valuation or the other becomes more salient; examining their joint and differential effects on performance. Results suggest that despite the apparent emphasis on knowledge management in the new economy, IT managers generally emphasize the traditional orientation of efficiency and cost-reduction for improving the performance of their organizations. This tendency persists even in highly dynamic and hostile industrial environments. Interestingly however, when those environmental factors are controlled, KM-based IT valuation clearly pays off for both perceptual and financial organizational performance. Moreover, the highest reported organizational performers in these turbulent contexts are those that ascribe to KM-based IT value. IT payoffs vary widely across firms. This study examines these firm-level differences by investigating the contributions of both internal organizational perspectives and characteristics of the external environment to IT payoffs. This stream of research offers practical as well as theoretical insights into achieving IT value for the firm.
REFERENCES


