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Discovering Potential and Realizing Value from Information Technology Investments

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Abstract:

Information technology (IT) value has been measured at various levels of analysis, yet few authors would contend that the search for value has reached a point where practitioners and theoreticians are satisfied with its outcomes. We present a new perspective that emphasizes the importance of understanding where potential value lies and how best to relate it contextually to the measurement of the firm's realized value across multiple levels of analysis. We develop the idea that complementary assets (especially business process design and human capital) influence the firm's realization of value, using concepts such as locus of value and value conversion contingencies. Expanding beyond earlier process models of IT value, which begin with IT expenditure, our analysis of IT value emphasizes the consideration of potential value for an IT investment both in ex ante project selection, and ex post investment evaluation. We illustrate and validate the application of our framework using IT investments in a variety of business domains.

Key Words and Phrases:

business-process design | business value of information technology | conversion contingencies | decision-support systems | IT value | potential value | realized value

Additional information

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Michael J. Davern is an Assistant Professor of Information Systems at the Stern School of Business, New York University. He holds a Ph.D. in information and decision sciences from the University of Minnesota's Carlson School of Management, and a B.Com. (first class honors) from the University of Tasmania. His research seeks to understand managerial reliance on information from decision technologies. One aspect of this work considers the business value impacts of effective and ineffective use of such information, with a particular focus on revenue management decision making in the hospitality industry. Another stream builds on theories from the cognitive sciences and task/technology fit to explore the dynamics of decision technology use. He has taught in two countries and at four universities. He has given invited research presentations in Australia, Canada, Hong Kong, New Zealand, and the United States.

Robert J. Kauffman

Robert J. Kauffman is an Associate Professor of Information and Decision Sciences at the Carlson School of Management, University of Minnesota. Before completing a Ph.D. in industrial administration at Carnegie Mellon University in 1988, he received degrees from Cornell University and the University of Colorado, Boulder. He has taught at New York University and the University of Rochester. His current research focuses on the study of emerging strategy and organizational performance issues in electronic commerce and electronic marketplaces. He continues to contribute to the development of new methods for measuring the value of information technology investments, using techniques from economics, finance and management science, as well as to the base of empirical research in this area. His research articles appear in Communications of the ACM' International Journal of Electronic Commerce, Information Systems Research, Journal of Management Information Systems, Decision Science, MIS Quarterly, Journal of Strategic Information Systems, IEEE Transactions on Software Engineering, and Information and Management.

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