**MIS 9003 – MIS Doctoral Seminar – Spring 2016**

Article Brief\_ Week 1

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We live in a world of remarkable change in Information Technology (IT). The last few decades have seen a phenomenal rise in IT investment, especially during the 1990s. This week’s topic covers the business value of IT. Many studies measure the value of IT by focusing on how much value is added rather than on the mechanisms that drive value addition and investment in IT and implications for firm performance are central issues in the IT payoff literature. Since the year 2000 (Y2K) caused various errors concerning, Anderson et al. (2006) proposed that efforts companies made to renew and upgrade their IT may have positioned them to IT. Y2K was a problem for both digital (computer-related) and non-digital documentation and data storage situations that resulted from the practice of truncating a four-digit year to two digits (From Wikipedia.com).

Anderson et al. (2006) performed a logit analysis of Fortune 1000 companies based on whether they were included on SAP’s best customer list in early 2000. And their analysis is aimed at the question of whether companies can create value by making innovative investments in IT. Based on the previous research that classified strategic roles of IT across industries into three categories as *automate*, *informate* and *transform*, the hypotheses were built as the following:

H1: There is a positive association between shareholder value and Y2K spending.

H2: There is greater positive association between shareholder value and Y2K spending for firms in the informate industries than for firms in the automate industries.

H3: There is greater positive association between shareholder value and Y2K spending for firms in the transform industries than for firms in the informate and automate industries.

H4: There is a negative association between shareholder value and the industry level of spending on Y2K.

By using ordinary least squares (OLS) analyzing, Anderson et al. (2006) presented all results in the OLS estimation highly support the hypotheses. Anderson et al. (2006) demonstrated payoffs to investing in IT. And the study contributes to the debate of whether IT matters. Their analysis shown that companies that spent more during the Y2K period increased in value and improved their earnings performance.

**References**

<https://en.wikipedia.org/wiki/Year_2000_problem>

Anderson, M. C., R. D. Banker, S. Ravindran. 2006. Value implications of investments in information technology. Management Sci. 52(9) 1359–1376.