Realizing the Value from IT: Lessons from Empirical Data

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The Issues

- Does IT investment/expenditure pay?
- If yes, what are necessary conditions?

- Variables:
  - IT investment/expenditure
  - Organisational capability (Organisational IQ)
  - Firm performance
Data Sets

- 100 Best IT Management Cases (100 Best Cases, hereafter)
  - 2005, METI
  - 105 SMEs
  - 2003-05, METI, Teikoku Databank, proprietary questionnaire
  - 64 listed and/or larger firms

Variables: 100 Best Cases

- IT investment/expenditure
  - IT expenditure per sales (3 year average)
  - IT expenditure per employee (3 year average)
- Organisational IQ
  - Text analysis of the report
- Performance
  - Recurrent profit per sales (3 year average)
Variables: Information Processing Practices

- IT investment/expenditure
  - IT expenditure per sales (2004, 05 average)
  - IT expenditure per total assets (2004, 05 average)
- Organisational IQ
  - Proprietary questionnaire
- Performance
  - Recurrent profit per total assets (2003-05 average)
  - Net profit per total assets (2003-05 average)

Organisational IQ


- External information awareness (EIA)
- Internal knowledge dissemination (IKD)
- Effective decision architecture (EDA)
- Organisational focus (OF)
- Continuous innovation (CI)

- Correlated with performance
- The faster the industrial clock, the stronger the correlation
IT expenditure vs Performance

• 100 Best Cases

IT Expenditure vs Performance

• Information Processing Practices
IT Expenditure * Organisational IQ vs Performance

• 100 Best Cases

![Chart]

IT Expenditure * Organisational IQ vs Performance

• Information Processing Practices

![Chart]
Summary of Results

- IT expenditure is correlated with performance, but not significant
- Organisational IQ is correlated with the return on IT expenditure
- The higher the level of IT expenditure, the stronger the above relationship

Evaluation of Results

- Totally different data sets
  - Firms
  - Measurements of organisational IQ
- Similar results
- Compatible with US researches
- Validity
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Thank you!

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