

With K. S. Im & K. E. Dow. (2001) "A Reexamination of IT Investment and the Market Value of the Firm: An Event Study Methodology," *Information Systems Research*, Vol.12(1), 103-117.

Evaluating the effectiveness of Information Technology (IT) investments has always been an elusive but important goal of IS researchers. This study builds on a prior study that examined changes in the market value of the firm as reflected by the stock price in response to IT investment announcements. Data on stock prices were analyzed for 238 publicly traded companies. In addition to the stock price analysis, reaction of trading volume to the announcements was also examined to identify whether IT investment announcements affect investors' beliefs about IT value. Potentially confounding factors such as industry, size, and time lag effects were also analyzed. Size and time lag effects were found for all IT investment announcements. Reactions of price and volume were negatively related to firm size and became more positive over time. The positive excess return for smaller firms shows that smaller firms can leverage the lower price/performance ratio of new IT and reap greater rewards from IT investments than larger firms. Also, the result of time lag effect demonstrates that the stock market has recently begun to identify both tangible and intangible benefits of IT investments. For recent IT investment announcements, industry classification and firm size also affected the reactions of stock price to the announcements. This study provides optimism on the stock market reaction to IT investment announcements as well as further insight into the study of IT impacts on organizational performance.