We examine the effect that investments in information technology (IT) have on downside risk profiles of companies that made public announcements of their investments in technology. Given the limitations of financial and decision theory perspectives on risk, we adopt the strategic management perspective that stresses downside risk as an important alternative measure of firm performance. We examine whether different types of IT investments have a differential impact on firm downside risk. Drawing on the resource-based view of the firm and the real options perspective, we find evidence that IT investments and their timing influence organizational downside risk. Transformational and informational IT investments lead to a reduction in downside risk only if they lead to strategic IT investments in the industry. For competitive necessities such as IT investments that automate business functions, a reduction in downside risk is realized by investing in parity with industry participants. Our study contributes to the literature by offering an alternative perspective on the benefits of IT investments, particularly where no apparent incremental financial results may be evident. It also generates insights on IT investment strategies that may help firms keep up with or stay ahead of the competition.