

# Does IS/IT Investments Impact on Firm Financial Performance: “Stakeholder” *versus* “Shareholder” Orientation

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## Abstract

This research project addresses a central question in the IS business value field: Does IS/IT investments impact positively on firm financial performance?

IS/IT investments are seen as having an enormous potential impact on the competitive position of the firm, on its performance, and demand an active and motivated participation of several stakeholder groups. Actual research conducted in the Information Systems field, relating IS/IT investments with firm performance use transactions costs economics and resource-based view of the firm to try to explain and understand that relationship. However, it lacks to stress the importance of stakeholder management, as a moderator variable in that relationship. Stakeholder theory in its instrumental version, argues that if a firm pays attention to the stakes of all stakeholder groups (and not just shareholders), it will obtain higher levels of financial performance.

With this premise in mind, the aim of this research project is to discuss and test the use of stakeholder theory in the IS business value stream of research, in order to achieve a better understanding of the impact of IS/IT investments on firm performance (moderated by stakeholder management).

**Keywords:** IS/IT Investments, Impacts, Financial Performance, Stakeholder Orientation.

## 1. Introduction

The introduction of IS/IT in organizations is likely to have a significant impact within the organization. IS/IT can be used in restructuring organizational activity, in strengthening the competitive position of the firm [Ward & Peppard, 2002], and to transform entire business processes [Al-Mudimigh et al 2001; Brynjolfsson & Hitt, 1998].

In the 1980s IS/IT was heralded as a key to competitive advantage [McFarlan, 1984; Porter & Millar, 1985]. Porter and Millar [1985] concluded that IS/IT has affected competition in three ways: it has led to changes in industry structure and competition, it was used to support the creation of new business and companies using IT outperformed their competition. Earl [1989] suggests that IS/IT has the potential to be a strategic weapon.