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Abstract
Now, investment in information technology (IT) is increasing significant for enterprise, but IT investments information can't present on tradition accounting process. IT investments may also increase information risk. Although many literatures show IT can bring value, academics find the risk when they research. It means IT can make the analyst forecast uncertain and increase evaluation risk. and cost of capital. It will increase information asymmetric between the business manager and inventor. So the incentive to this paper is to investigate what does IT bring?
According to the analysts' forecasted data, selected 228 IT investment companies ,through T-test and empirically evidence and shows: High IT spending does increase earnings forecast dispersion and error. Increased dispersion and error might affect the marker value of the firm. Furthermore the research shows that larger firms have a better information environment, the effect of information risk due to IT spending diminishes. We further examine the relationship between IT investment and organizational performance by market-based model. Our finding suggest IT investment increase market value. Company with better financial health will increase value.
This research highlights the importance for IT-intensive companies to find ways to decrease information risk through other forms of communication with market participants, and make investors to do the best decision. Smaller firms should let investors understand information environment in different ways, so help firms gain market value.
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