On Profiling the Superior IT Portfolio Characteristics

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Abstract

How is it possible to derive the superior IT investment portfolio? One main identified research objective in IT portfolio management (ITPM) is to manage a set of IT assets, similar to manage a financial portfolio to attain the superior return and risk. Among various IT assets, the investment in IT project is particularly critical. In finance, the concept of portfolio selectivity generally refers to the degree to which managers are able to select the superior set of assets to invest. Nonetheless, since IT project investments and financial assets seem to involve very different characteristics in many aspects, the research that investigates the mechanisms of leading to the selection of the superior IT project investment portfolios remains unclear in both literature and practice.

Accordingly, this study aims to investigate whether some sets of candidate IT project investments can be really superior to others and, if so, how to profile those critical characteristics? Next, this study defines the characteristics for profiling any set of candidate IT project investment in portfolio composition. First, the aggregated investment allocation specificity, as one characteristic, refers to the degree to which the overall candidate IT project investments involve specific use in portfolio composition. Second, the aggregated investment allocation granularity, as the other characteristic, refers to the degree to which the overall candidate IT project investments involve more than Yes/No decision making units in portfolio composition.

This study thus proposes the following profiles and argues that it is most likely to derive the superior IT portfolios from a set of candidate IT project investments with high investment allocation granularity and low investment allocation specificity (profile A) as compared to a set of candidate IT project investments with medium investment allocation granularity and medium investment allocation specificity (profile B); it is least likely to derive the superior IT portfolios from a set of candidate IT project investments with low investment allocation granularity and high investment allocation specificity (profile C).