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# Effects of IT-Based Connectivity on Firms' Innovation Capability and Performance

Victor Law  
*University of Oklahoma*

Shaila Miranda  
*University of Oklahoma*

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## **Effects of IT-Based Connectivity on Firms' Innovation Capability and Performance**

*Victor Law and Shaila Miranda, University of Oklahoma*

Firms have been investing in portal technologies to enhance employee operations, internal communication, supplier interactions, and customer service. However, the benefits of this expensive enterprise technology have yet to be quantified and the manner of their impact on organizations yet to be understood. Drawing upon social capital theory and the IT investments literature, we propose that firms' investments in portal features that support connectivity internally, and with customers and suppliers enables the firms to develop their innovation capability, which, in turn, enhances firm performance. We test this model using data collected from announcements of firms' portal investments.