First-Mover (Dis)Advantages of Investment in Innovative IT Applications: Lesson from ERP Adoption

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Abstract

As new information technologies emerge every day, it is essential for firms to decide whether to be first adopters or later adopters of innovative IT applications. In the previous generation of information system development, early investment in complex information systems generated competitive advantage. However, as the costs of developing information systems decrease rapidly in the Internet age, the business value from early investment in innovative IT applications is unlikely to be associated with durable profitability. Therefore, by looking at the investment in ERP from 2006 to 2009, this study examines whether early investment in innovative IT applications can lead to first mover advantages in the Internet age. While the early adopters of ERP showed better business performance in 2006, their advantages didn't last long; they performed worse than the control group in 2009. These mixed results are puzzling and create more questions than answers, and we discuss possible follow-up studies as well as the implication of this study.

Keywords

First mover advantages, FMA, first mover disadvantages, IT investment, ERP adoption, timing effects