**HITA: Portfolio Management Applications**

**Term Paper**

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**Introduction**

HITA, harmonious information technology affordances, is a concept of what an organization could accomplish given its information technology infrastructure, and is comprised of several components: harmony, information technology, and IT affordances; the first component is harmony, which is a measurement how well different IT components within an organization’s overall IT infrastructure, the second component is IT referring to information technology and its various components, the tangible artifacts such as mobile devices, computers, data centers, servers, and the intangibles such as software and IT expertise, and the final component of HITA is IT affordances, broken down into capabilities, and appropriations (Chatterjee et. al. 2020).

After the concept of HITA is understood, the second step to understanding how HITA plays a role within an organization is the concept of actualization, actualization being the result of utilizing IT for a given purpose. In *Information technology and organizational innovation: Harmonious information technology affordance and courage-based actualization* (Chatterjee et. al. 2020) the focus of actualization process is innovation. Anderson & Robey in *Affordance potency: Explaining the actualization of technology affordances* focus on the fulfillment of organizational objectives as the result of actualization (Anderson & Robey 2017).

The purpose of this paper is to propose that understanding HITA can be useful outside of an organizational context, that HITA can be used by a party external to an organization, an investor for example, and be used to determine how an organization, in this case, a publicly traded company, can actualize HITA, is currently actualizing HITA, and how this actualization process can provide enhanced returns and mitigate risks within an organization, and by extension, enhance returns and reduce risk within a portfolio of investments.

**Motivation, Importance, and Literature Review**

HITA is currently measured by using a system of surveys submitted to leaders at various organizations, the responses are then used to make assessments of the various IT affordances that the organization has, particularly three specific affordances: collaborative affordances, organizational memory affordances, and process management affordances; In *The nonlinear influence of harmonious information technology affordance on organisational innovation* the researchers then take the HITA measurement of an organization, and see how it in turn produces innovation, finding three important areas: first, a vertex where innovation is zero or close to zero as a result of HITA being close to zero, a state where the status quo reinforces the status quo, and then two areas to the left and right of the vertex where innovation is fostered due to two key differences, in the case of negative HITA, an area left of the vertex, innovation is driven due to dissonance and creative tension, and positive HITA, an area right of the vertex where innovation is driven as a result of harmony and synergy within the organization’s IT infrastructure (Chatterjee et. al. 2021).

Organizational Agility is discussed in *Agility in responding to disruptive digital innovation: Case study of an SME. Information Systems Journal* (Chan et. al. 2019). Agility is described as the ability for an organization to adjust to various forms of disruption, and in the case studied in the research paper, the effect of disruptive digital innovation on smaller technology companies is the area being focused on (Chan et. al. 2019).

Actualization Potency is discussed in *Affordance potency: Explaining the actualization of   
technology affordances. Information and Organization* (Anderson & Robey, 2017) which describes how effective an IT affordance is to productivity toward actualizing an organizational objective. Anderson & Robey discuss information technology affordances within a healthcare context using an urban hospital going through the process of digitalization and various other technology upgrades and how these new technologies can effective or ineffective, or potent, depending on how users interact with the technology that is available to them; Anderson & Robey provide a series of anecdotes of user interactions with new note taking technologies to illustrate how user interactions with these new technologies effect the hospitals objective of keeping better patient records in order to improve patient care; mobile computers, a kind of laptop on wheels was used for record keeping, but some users had issues typing, and some patients perceived that they weren’t being paid attention to while their nurse was taking notes on the computer, a shorter note system was implemented, which saved time, but there were issues with the accuracy and level of details that users, an audio recording system was also used, but there were issues with locating specific information held in the audio recordings, and the audio recordings were time consuming (Anderson & Robey, 2017). In the paper *Strategic relevance of organizational virtues enabled by information technology in organizational innovation* (Chatterjee et. al. 2015) IT affordances are conceptualized as being comprised of two components: IT capabilities, and appropriations; Anderson’s concept of Actualization Potency ties into Chatterjee’s HITA framework either as subordinate to affordances generally or subordinate via appropriation affordances, or complimentary to appropriation affordances.

**Theory, Development, and Conceptualization**

The development of a HITA based index starts with the concept of HITA and attempts to use various parts of a company’s publicly available financial statements to create a measurement of HITA. Chatterjee established a method for ascertaining HITA in *Information Technology and organizational innovation: Harmonious information technology affordance and courage-based actualization* (Chatterjee et. al. 2020), however, HITA is an important enough conceptual framework that additional methods for assigning a HITA metric to an organization. HITA has value outside of a management and research-based context, and this is an attempt to apply HITA to portfolio management.

Intangible assets, a balance sheet item, is being used as a proxy for the IT Infrastructure that an organization has at its disposal. Although it might be more appropriate to use an actual balance sheet item that indicates the actual value of an organization’s information technology infrastructure, there are a number of problems with this approach, first is that IT infrastructure would fall within the plant, property, and equipment line item on a balance sheet, but plant, property, and equipment isn’t always broken down into a more granular way that would allow an investor to see specifically what an organization owns in terms of Information Technology, the second issue is that an organization may either lease IT services and equipment from IT services provider, or they may pay subscription fees to a cloud computing services provider, in which case the organization’s IT capabilities aren’t captured as an asset on the balance sheet, but rather as an expense on the income statement, and here too the expenses aren’t always broken down in granular detail that would allow an investor to see exactly what an organization is spending on information technology services.

Revenue, or gross sales, an income statement item, is being used as a proxy for Actualized Affordances. Although it might be possible to use a different metric such as earnings, or some variation of the earnings metric to determine Actualized Affordances, revenue might be perfectly suitable for the purposes of this paper. Profitability is important, and it’s what most people are interested in, but the amount of profit extracted from a given amount of revenue has more to do with cost control than with the variables that are being considered in this paper.

The Harmony aspect of HITA will be inferred by taking the distance between an organization’s revenue to intangible assets ratio, a proxy for how an organization is actualizing its information technology affordances, then comparing that ratio to the revenue to intangible assets ratio of the sample mean. A value of zero for any company within the sample would suggest that the company would have a HITA value of zero, and thus produce zero innovation relative to the sample. A high positive value would suggest a high positive HITA value as a result of having high level of Harmony, and a high negative value would suggest a high negative HITA value as a result of a high level of dissonance.

**Selection**

Three different selection groups of publicly traded companies were selected for analysis. The first group was selected using a random number generator, with a randomly generated number from 1-500 corresponding to a company on the S&P 500. Although the group of companies selected randomly was selected randomly with the hope to get a representative group of companies, it seems to have not done that, over half are healthcare related, Hologic Inc being a healthcare technology company specializing in medical imaging technology, and the rest being pharmaceutical companies depending on how a person looks at Abbot Laboratories.

The second group of companies was selected according to a set of criteria; first, the companies had to be considered large cap companies, and they were selected in a way such that sector diversity was an aim of the group selection, and a sector leader was chosen. During the selection process there were a few substitutions, XOM was a sector leader for Energy, and it was also selected during the random selection process as well, but they seem to have nothing listed as an intangible assets on their balance sheet, which is something that is more of an accounting related flaw, rather than an actual truth, XOM, Exxon Mobile, at the very least, has a notable brand, which is an intangible asset. CTRA was also removed during the random selection process for the same reason as XOM, and it seems to be a convention, or some kind of accounting convention among energy companies that they don’t list intangible assets on the balance sheet, or the group them in plant, property, and equipment, which is also considered fixed assets.

During the criteria-based selection process there were a few other removal and replacements, LTMAY, LATAM Airlines Group S.A. was the global leader in the industrials sector, however, LTMAY was not selected because it is not traded on a major stock exchange, GE, General Electric Aerospace was not selected due to recent changes in their corporate structure. LLY was already selected during the random selection process, so it was skipped during the criteria-based selection process, and NVO was selected over UNH to increase representation of international organization in the sample selection group.

**Conclusion**

Discuss results

Discuss Opportunities for further refinement of the model

**Randomly Selected**

395 Packaging Corp of America PKG

Revenue: 7,802,000,000

Intangible: 1,154,000,000

9 Eli Lilly & Co. LLY

Revenue: 34,124,000,000

Intangible: 11,846,000,000

443 The J.M. Smucker Company SJM

Revenue: 8,529,000,000

Intangibles: 9,646,000,000

156 Air Products & Chemicals, Inc. APD

Revenue: 12,600,000,000

Intangibles: 01,196,000,000

49 Pfizer Inc. PFE

Revenue: 061,996,000,000

Intangibles: 132,683,000,000

40 Abbott Laboratories ABT

Revenue: 40,109,000,000

Intangibles: 32,494,000,000

463 C.H. Robinson Worldwide, Inc. CHRW

Revenue: 17,596,000,000

Intangibles: 01,620,000,000

18 Johnson & Johnson JNJ

Revenue: 85,159,000,000

Intangibles: 70,733,000,000

368 Hologic Inc HOLX

Revenue: 4,030,000,000

Intangibles: 4,170,000,000

190 Metlife, Inc. MET

Revenue: 66,905,000,000

Intangibles: 11,793,000,000

300 Dollar Tree Inc. DLTR

Revenue: 30,604,000,000

Intangibles: 03,064,000,000

**Criterion Selected**

Energy: CVX CHEVRON CORP

Revenue: 196,913,000,000

Intangibles: 004,722,000,000

Materials: LIN LINDE PLC

Revenue: 32,854,000,000

Intangibles: 39,150,000,000

Industrials: CAT CATERPILLAR INC

Revenue: 67,060,000,000

Intangibles: 005,872,000,000

Con. Disc.: AMZN AMAZON.COM INC

Revenue: 574,785,000,000

Intangibles: 030,476,000,000

Con. Stap.: WMT WALMART INC

Revenue: 645,737,000,000

Intangibles: 032,213,000,000

Health Care: NVO NOVO NORDISK A/S

Revenue: 34,445,000,000

Intangibles: 08,958,000,000

Financials: JPM JPMORGAN CHASE & CO

Revenue: 236,311,000,000

Intangibles: 064,381,000,000

Info. Tech.: MSFT MICROSOFT CORP

Revenue: 211,915,000,000

Intangibles: 077,252,000,000

Comm. Serv.: META META PLATFORMS INC

Revenue: 134,902,000,000

Intangibles: 021,442,000,000

Utilities: NEE NEXTERA ENERGY INC

Revenue: 28,114,000,000

Intangibles: 06,783,000,000

Real Estate: PLD PROLOGIS INC

Revenue: 8,428,000,000

Intangibles: 1,950,000,000

**Criterion Selected**

Energy: SUN SUNOCO LP

Revenue: 23,068,000,000

Intangibles: 02,143,000,000

Materials: ATR APTARGROUP INC.

Revenue: 3,487,000,000

Intangibles: 1,247,000,000

Industrials: HII HUNTINGTON INGALLS INDUSTRIES INC

Revenue: 11,454,000,000

Intangibles: 03,509,000,000

Con. Disc.: SN SHARKNINJA INC

Revenue: 4,254,000,000

Intangibles: 1,312,000,000

Con. Stap.: ELF E L F BEAUTY INC

Revenue: 579,000,000

Intangibles: 250,000,000

Health Care: TFX TELEFLEX INC

Revenue: 2,978,000,000

Intangibles: 5,416,000,000

Financials: JEF JEFFERIES FINANCIAL GROUP INC

Revenue: 7,498,000,000

Intangibles: 2,036,000,000

Info. Tech.: U UNITY SOFTWARE INC

Revenue: 2,187,000,000

Intangibles: 4,573,000,000

DLB DOLBY LABORATORIES INC

Revenue: 1,300,000,000

Intangibles: 0576,000,000

Comm. Serv.: NWSA NEWS CORP

Revenue: 1,300,000,000

Intangibles: 00576,000,000

Utilities: BEP BROOKFIELD RENEWABLE PARTNERS LP

Revenue: 5,038,000,000

Intangibles: 1,959,000,000

Real Estate: REXR REXFORD INDUSTRIAL REALTY INC

Revenue: 798,000,000

Intangibles: 159,000,000

CUBE CUBESMART

Revenue: 1,056,000,000

Intangibles: 00002,000,000

JLL JONES LANG LASALLE INC

Revenue: 20,761,000,000

Intangibles: 05,372,000,000

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