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## Using IT Fashion Investments to Optimize an IT Innovation Portfolio`s Risk and Return

by

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# Using IT Fashion Investments to optimize an IT Innovation Portfolio's Risk and Return<sup>1</sup>

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## **Abstract:**

*IT Fashions are new emerging IT innovations that are going through a hyped phase. Consequently they are on the rise and by their proponents claimed to be a fundamental improvement offering solutions to real or perceived problems with IT. Naturally, IT Fashions are characterized by both, high risk and high expected returns. Hitherto, suitable methodologies to quantify the impacts of IT Fashions are virtually absent. Decisions on IT Fashion engagements (ITFE) are often made following a gut feeling or jumping on the bandwagon. Research within this area provides mainly empirical or argumentative results emphasizing the importance of academic engagement with IT Fashions. To support business decision on IT innovations and to demonstrate the importance of steady ITFE within an IT innovation portfolio, this paper aims on a model that provides the optimal share of ITFE within an IT innovation portfolio under risk/return aspects. Through a real world example from the financial industry, we obtain first results and recommendations for the role of ITFE within an IT innovation portfolio. We find that the engagement with risky IT Fashions cannot only be used to maximize the value of an IT innovation portfolio but even to minimize its overall risk.*

**Keywords:** *IT Fashion, IT innovation, Adoption of IT, Risk, Return, Optimization Model, Portfolio Theory, IT portfolio management*

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