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Abstract

In this study, we integrate tenets of the behavioral theory of the firm and neo-institutional theory to identify four recurring search mechanisms that are expected to influence hospital managers’ IS investment decisions. To account for the critical role of regulation in healthcare, we hypothesize senior managers’ reliance on each of these four search mechanisms to be contingent upon their hospital’s regulative legitimacy. Our analyses of panel data from all 153 public non-specialist hospital organizations in England reveal that hospital managers invest in IS not only to find solutions to performance shortfalls (problemistic search), but also to achieve continuity and predictability in resource allocation (institutionalized search) and signal conformity with external norms and expectations (mimetic search). We find that the desire to make adequate use of uncommitted financial resources (slack search) is salient only among hospitals with low levels of regulative legitimacy. These new insights into the motives that trigger—and constrain—senior managers’ IS investment decisions will help IS managers to strengthen their case for IS investment and guide policy makers in how best to allocate resources to IS in healthcare and possibly beyond.

Keywords: Decision making, IS investment, business value of IT, behavioral theory of the firm, institutional theory, regulative legitimacy