

With C. Duan, & N. Balakrishnan. (2009)“Business Process Outsourcing: An Event Study on the Nature of Processes and Firm Valuation,” *European Journal of Information Systems*, Vol.18, 442-457.

Business Process Outsourcing (BPO) is a phenomenon that is rapidly increasing in both incidence and importance. This study empirically examines the value proposition of BPO with respect to the nature of the processes being outsourced. Using the event study methodology, we employ the value chain position and existing ownership of a business process as our primary independent variables, and the stock abnormal return in response to the BPO announcement as the dependent performance variable in our research model. The study was conducted on 298 BPO announcements from 1998 to 2005. Results support the argument that outsourcing is valuable for both primary and supportive business processes. However, we found that BPO announcements on primary processes yield higher abnormal returns than supportive processes. Although existing process ownership was not found to be a powerful differentiator for BPO performance, its interaction with value chain position provides important insights into the timing of outsourcing. The evidence suggests that internal cultivation of processes is important for BPO success, particularly when BPO is applied to primary processes.