Speaker: Professor Anitesh Barua, Texas

Date: Friday, September 26, 2014

Time: 1:30 PM - 2:45 PM

Location: Room 1518

Title: Reexamining the Market Value of Information Technology Events*

Abstract:

The use of announcement period returns to assess the financial impact of Information Technology (IT) events implicitly assumes that the market can completely price IT investments in the short run. However, many IT events may be characterized by high information acquisition and processing costs of assessing either the potential of a new technology or the scope of organizational complements to the technology such as redesign of structures, processes and decision rights. These costs may impede accurate pricing of the IT event during the announcement period. To assess the validity of announcement period returns as a measure of value of IT events, we develop a framework involving the maturity of the event and the scope of required organizational complements. We posit that except for the case of events with high maturity and low scope, long-term market returns are an appropriate measure of event value. We empirically illustrate our framework using a sample of 645 outsourcing initiatives. From a theoretical perspective, our study helps assess when short- or long-term horizons may accurately capture the market value of IT events. For practitioners, our results connect IT decisions to shareholder value, and help bridge a chasm between the IT and finance function in firms.

*Under revision, Information Systems Research, joint work with Deepa Mani, Indian School of Business

Bio:

Anitesh Barua is the William F. Wright Centennial Professor of Information Technology, Stevens Piper Foundation Professor, Distinguished Teaching Professor, and Associate Director of the Center for Research in Electronic Commerce at the McCombs School of Business, the University of Texas at Austin. He received his Ph.D from Carnegie Mellon University. Dr. Barua’s research has been sponsored by the National Science Foundation, Cisco Systems, Dell
Inc., Ernst & Young, IBM Research, Intel Corporation, Sprint, Phillips and Sybase and VeriSign. Over seventy five of his research articles have appeared (or are forthcoming) in academic journals and refereed conference proceedings. His current research interests include outsourcing governance and its impact on long-term firm value, contractual alignment and performance of outsourcing service providers, and migration in online social networks. He serves on the Editorial Board of the Journal of MIS, and has served as senior editor and associate editor at Information Systems Research, and as associate editor at MIS Quarterly and Management Science. His recent research articles include the following: