

The Impact of Outsourcing on Firm Value: New Insights **4**

With 82% of large and mid-size firms outsourcing all or parts of activities, calculating the effects of outsourcing on firm value would seem an obvious need. Previous research generally has determined that outsourcing decisions are driven by opportunities to reduce costs or gain strategic advantages. The effects of each motivation on firm value have been examined, but not the effects of both combined. To help fill this gap using the CARs measure (cumulative abnormal returns of stock prices), outsourcing announcements were analyzed for a 14-year period ending in 2004 to assess stock price movements vis a vis the announced outsourcing rationale. Results showed that announcements citing both cost reduction and strategic motives positively affected firm value, and that citing a desire to focus on core competence further increased firm value.

Richard W. Pouders, R. Stephen Cantrell, and Joseph P. Daly

Supply Chain Manager Competencies **23**

Building on the concept of logistics, supply chain management (SCM) has become a recognized discipline of increasing importance in our global economy. Competence in managing the supply chain often affects and can determine the bottom line. But business and management programs do not produce enough people with the necessary SCM skills. As part of a leadership development program, an SCM professional organization has developed a model describing the competencies needed for designing SCM-related positions as well as training and educating individuals to fill them.

Robert J. Vokurka

Managing Internal Consulting Units: Challenges and Practices **14**

What are the pros and cons of establishing and operating internal consulting units (ICUs) within a large organization? And how do ICU differ essentially from independent consulting firms? After identifying four key challenges for ICUs—formulating a strategy, building credibility, controlling performance, and attracting and motivating employees—the authors examined them in the context of four multinational organizations based in Sweden. The results yielded three major precepts for ICU managers to follow: build credibility with a limited stock of external assignments and a central organizational position; maintain operational autonomy; and attract and motivate professionals with a different, alternative employee offer.

Markus Ejenäs and Andreas Werr

A Micro Level View of the Self-Reinforcement Process **29**

Every employer would like employees to become increasingly committed to their jobs, to their organization, and to excellence. Self-reinforcement and positive self-image appear to bolster such commitment, whereas self-justification tends to moderate it. The authors' model—coupled with an extensive literature review—explains the complex interactions among these attributes plus the effects of organizational and national cultures on “escalation of commitment.” A deeper understanding of the processes that establish and contribute to behavioral tendencies should benefit managers.

Matrecia S. L. James and Mohamad Sepehri

Outsourcing in Higher Education: A Survey of Institutions in the District of Columbia, Maryland, and Virginia 38

Academics may not like to think they are employed by businesses, but they are. Institutions of higher education must compete for students and with other institutions while remaining financially sound. Increasingly, they are adopting "best practices" from the business world, including outsourcing. But what do they generally outsource, and why? A survey of mid- to senior-level management tested 10 hypotheses and found that most outsourced services were non-core to academic missions; that improved quality was the main factor in decisions to outsource, but that reduced operating costs was the main benefit.

Behnaz Z. Quigley and Lizelle R. Pereira

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