TRUST, CULTURE AND THE BOUNDARIES OF THE FIRM: A META-ANALYSIS ON OUTSOURCING ANNOUNCEMENTS

ABSTRACT

If trust would be essential for the performance in hybrid cooperations then trustworthy buyers would rather be able to choose “buy” instead of “make”, thereby avoiding the – from the TCE perspective least desirable – internal organization. And if the cultural background would predict trustworthiness, then it should as well predict the right choice for the boundaries of the firm. Culture should therefore be an antecedent of outsourcing announcements as well as a predictor of its success.

Applying meta-analytic techniques on 5.136 outsourcing announcements from 44 samples derived from 34 studies we shed some light on currently existing mixed results and find out, that culture explains so far unexplained inter study variance. We show that the lower the levels of assertiveness and individualism – both dimensions often claimed to negatively affect the development of trust – the higher the chances of successfully swapping internal organizations for an external solution.

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INTRODUCTION

Williamson called the "make" option the *"organization form of last resort"* (Williamson, 2008). Whenever possible, governance should be accomplished by market competition instead of internal governance. But when is it possible – or, when is it in the best interest of the shareholder?

Outsourcing can be interpreted as a measure capable of swapping internal organizations for markets, thereby reconfiguring the scope and scale of a firm. Announcing such a strategic decision might have direct impact on shareholder value. Loh and Venkatraman (1992) conducted the first widely recognized event study analyzing capital market reactions on outsourcing announcements. The number of event studies is increasing since then, mostly delivering positive relations (e.g. Lee and Kim, 2010; Oh, Gallivan and Kim, 2006; Raassens, Wuyts and Geyskens, 2012), but there are negative (e.g. Gewald and Gellrich, 2007; Kalaignanam, Kushwaha, Steenkamp and Tuli, 2013) or indifferent results (e.g. Daniel, Kodwani and Datta, 2009; Prezas, Simonyan and Vasudevan, 2010) too. However, since more recent event studies tend to focus on moderators of outsourcing success exclusively within certain samples, mixed overall results have not been discussed extensively.

Interestingly, little research has so far considered the impact of trust and buyer supplier relationship characteristics on outsourcing success. Raassens et al. (2012) examine how environmental uncertainties determine the type of governance best suited in buyer supplier relationships. They therefore analyze announcements of outsourcing of new product development. Without explicitly considering the role of trust Duan (2007) found outsourcing announcement aiming for strong relational governance (operationalized by announcements including words such as "partnership", or "partner", or "alliance") result in better stock

market performances. Lee and Kim (2010) examine the impact of contract duration on outsourcing success, arguing that long term relationships signal confidence in the outsourcing decision and reduce uncertainties as well as opportunistic behavior. They find stock market reactions to be positively related with the contract duration. However, other studies did not find significant relations of contract duration and stock market reactions (e.g. Benson, Davidson III, Duesing and Gilley, 2010; Gewald and Gellrich, 2007; Oh and Gallivan, 2004).

Country specific characteristics have barely been considered at all. In fact there are only two studies addressing this issue. Wilkens and He (2010) compare Germany and UK regarding the market reactions on outsourcing announcements and find the results to differ significantly across countries, which they argue depends on the corporate governance systems. Daniel et al. (2009) use a sample of US and UK based companies, when analyzing market reactions on offshoring announcements. They test cross country variance and find no significant difference.

However, there is reason to consider cultural differences to affect the ability to develop trust and therefore the expected benefits from swapping internal for external organizations.

Using meta-analytic procedures we show capital market reactions on outsourcing announcements differ significantly per country. Stock market reactions are significantly correlated with cultural dimensions often claimed to predict the propensity of trust such as individualism and assertiveness. This and other findings explain currently existing inter study variances.

THEORETICAL BACK GROUND AND HYPOTHESES

Outsourcing event studies mainly rely on the theory of Transaction Cost Economics (TCE) (e.g. Loh and Venkatraman, 1992; Juma'h and Wood, 2003; Jiang et al., 2007; Daniel et al., 2009; Benson et al., 2010; Pouder, Cantrell and Daly, 2011; Butler and Callahan, 2014; Han and Lee, 2012), which was initially developed by Coase and later extended by Williamson to

explain the choice for scale and scope of firms (Coase, 1937; Williamson, 1975, 1979). Rather recently Williamson concerned himself more intensely with outsourcing and make or buy decisions. According to Williamson (2008) the ideal transaction takes place in the absence of dependencies, letting the competition take over the governance function. If customer specific assets are involved, creating any level of dependency and requiring safeguards, the transaction mode moves towards long term hybrid organization. Ultimately, if safeguarding is getting too costly, preventing external solutions, the internal supply – the "make" option – remains as the last and least efficient solution (Williamson, 2008). This results in a continuum, where a service can be located somewhere between 100% market competition and 100% internal governance, mainly depending on the degree of asset specificity.

An outsourcing decision for a particular service will most likely be triggered by a change of position within the make-buy continuum placing this service closer to the "market" corner. The reasons therefore might be changes in the environment or the company itself, such as the commoditization of certain services – resulting in lower asset specificity. In any case, the resulting announcement ought to be interpreted as the ability of the management to react to changing conditions, even if it means to reduce the scope and scale of their firm and thereby its own sphere of direct influence. Considering M&A related theories, there must be strong economic indications for outsourcing, as managers seem to overestimate their own capabilities ('hubris'; Roll, 1986) and to link their standing and reputation with firm size ('empire building theory'; Mueller, 1969), thereby also becoming "x-inefficient"(Leibenstein, 1966). Thus, we state the following hypothesis.

> *Hypothesis 1: Outsourcing in general will have a positive impact on company performance.*

Outsourcing will most likely not result in an anonymous form of supplier buyer relationship. Since outsourcing only concerns services initially provided internally, it is unlikely that they are completely free of the need for specific investments and perfectly suited for 100% market organizations. If the specific services were commodities the initial decision would have been “buy” instead of “make”. If the causal change in conditions did not lead to a complete relocation of the service right to the outer “market” corner, the outsourced service will be located somewhere in the hybrid region of the market-governance-continuum, thereby resulting in a non-anonymous long term relationship between buyer and supplier.

The less an indicated buyer supplier relationship can be described as an anonymous market relationship the more important trust and the styles of negotiating and mediating in intercompany relationships become (Williamson, 2008).

The relationship between the propensity of trust based cooperations and culture has been analyzed extensively. Early researchers focused on Japan, arguing its culture supports high levels of trust (Ouchi, 1981; Sullivan and Peterson, 1982; Sullivan, Peterson, Kameda and Shimada, 1981; Dyer and Singh, 1998), leading to lower transaction costs (Dore, 1983; Hill, 1995). Later researchers studied cultural dimensions and their impact on organizational performance more broadly (Huff and Kelley, 2003; Dyer and Chu, 2003; Bstieler and Hemmert, 2008; Ketkar, Kock, Parente and Verville, 2012). While most studies argue trust should be correlated with collectivism, Huff and Kelley (2003) cannot find support for this hypothesis. Dyer and Chu (2003) analyzed automaker-supplier relationships in Japan, Korea and the USA regarding the amount of trust suppliers put in their clients. They find evidence for a higher level of trust in Japan than in the USA but with Korea at a comparable level with USA. Bstieler and Hemmert (2008) find higher levels of trust in Austrian R&D partnerships as in their Korean counterparts. Ketkar et al. (2012) analyze the buyers trust in suppliers in the USA and Brazil and do not find any correlation between collectivism and trust.

Mixed overall results as well as the various definitions of trust indicate a more thorough consideration of how trust can be developed.

Doney, Cannon and Mullen (1998) carry together a variety of studies linking cultural dimensions and propensity of opportunistic behavior. They find several arguments why individualism and assertiveness should give rise to opportunism, (e.g Lindsay, 1983; Hofstede, 1984; Earley, 1989; Singh, 1990; Kale, 1991; Kale and Barnes, 1992; Ueno and Sekaran, 1992). Though all authors explicitly mention Hofstede's masculinity dimension, they mainly refer to the assertiveness element within this dimension.

In collectivistic cultures, in which group values and collective interests are of importance (Hofstede, 1984; Singh, 1990), people are less motivated by self-interest (Earley, 1989; Ueno and Sekaran, 1992) and social sanctions for pursuing individual interests raise costs of opportunistic behavior. Doney et al. (1998) argue that given the pattern of nurture and a tendency towards less aggressive and more cooperative behavior, self-serving behavior is less likely in – less assertive – feminine cultures. Contrary individualistic and more assertive masculine cultures promote self-serving behavior and expect people to maximize their individual gains from any possible opportunity, which is also reflected in value placed on personal accomplishment, resulting in little if any costs of self-serving behavior (Singh, 1990; Kale, 1991; Kale and Barnes, 1992; Hofstede, 1984; Earley, 1989; Doney et al., 1998).

For practicability reasons in the following we use individualism – the antithesis to collectivism – instead of collectivism itself in order to align the expected impact of both cultural dimensions and hypothesize the following:

Hypothesis 2: The impact of outsourcing on company performance is negatively related to the degree of assertiveness of the home country.

Hypothesis 3: The impact of outsourcing on company performance is negatively related to the degree of individualism of the home country.

As a client aggressively persuading its own goals becomes more dangerous to a dependent supplier the more individualistic these goals are, we believe the combination of assertiveness and individualism might be even better suited to predict the ability to cooperate in hybrid organizations and state the following hypothesis:

> *Hypothesis 4: The impact of outsourcing on company performance is negatively related to the degree of the combined dimension of assertiveness and individualism of the home country.*

METHODS AND SAMPLE

We use meta-analytic procedures on event studies, as it has been conducted before for example by Datta, Pinches and Narayanan (1992), King, Dalton, Daily and Covin (2004), Toschi, Bolognesi and Angeli (2007), Stahl and Voigt (2008), and Rahim, Goodacre and Veld (2012).

Strategic decisions by definition aim on long term benefits, approving for negative short term effects. Other than accounting based measures, which might take months or even years to react to a management decisions, stock prices ought to react immediately – given rationality and efficiency in the market place (Benston, 1982; MacKinlay, 1997). Thus, we limit our analysis to event studies, as we believe they are best suited to analyze the mid and long term performance impact of strategic decisions.

Meta-Analysis is a research synthesis technique allowing aggregation of statistical results from primary studies, while correcting for various statistical artifacts (King et al., 2004). It has been widely used in a variety of disciplines, such as marketing (e.g. Palmatier, Dant, Grewal and Evans, 2006; Sethuraman, Tellis and Briesch, 2011), international business (e.g. (Bausch and Krist, 2007) strategic management (e.g. Campbell-Hunt, 2000; King et al., 2004; Rosenbusch, Rauch and Bausch, 2013) and supply chain management (e.g. Leuschner, Rogers and Charvet, 2013; Golicic and Smith, 2013).

Similar to existing studies analyzing success factors of M&A respectively alliances, we rely on correlations between outsourcing announcement (binary) and cumulated abnormal return (CAR) (similar to e.g. King et al., 2004; Toschi et al., 2007) which represents our effect size for further procedures. The significance of the independent variable, the cultural dimension, can be analyzed by comparing the effect sizes via a moderator analysis as explained below.

As for Meta-Analysis it is crucial not to exclude samples, we conducted a systematic and exhaustive search as recommended by Hedges and Olkin (1985), Hunter and Schmidt (1990), and Lipsey and Wilson (2001). We limited our search to papers in English and used combination of keywords characterizing outsourcing (e.g. Outsourcing, BPO, ITO, Offshoring) and event studies (e.g. event stud*, capital market, stock, abnormal return, CAR, value, announcements, wealth, impact) on databases such as ABI/Inform, Ebsco, Worldcat and Google Scholar. We focused our search to short term effect event studies (up to event windows of 10 days) as long term effects do not represent the same outcome as short term effects and it became obvious in an early stage of the search process, that there were not enough long term effect event studies available for a separate Meta-Analysis. In a first step we included all studies which provided correlations involving outsourcing announcement and abnormal returns. The variables did not have to be the main focus of a study to be included in the Meta-Analysis, it was only necessary that a correlation between these variables was available in the article or derivable from it (Lipsey and Wilson, 2001; King et al., 2004).

The search yielded a total of 55 studies. In a next step, we had to exclude studies, which did not provide sufficient information or if samples had been used in more than one study. In the latter case, only one study was included to maintain the assumption of independence among correlations, which is fundamental for common forms of statistical analysis (Lipsey and Wilson, 2001). In most cases we included that study, which was published in a peer reviewed journal. If both were published, we included the earlier publication. 14 studies had to be

excluded due to multiple sample use and another 7 due to insufficient data even after contacting the authors, leaving 34 event studies for further procedures. 22 of these studies were published in peer reviewed journals. The remainder consisted of conference papers, working papers or PhD-dissertations. The inclusion of unpublished studies reduces the probability of a publication bias, but increases doubts regarding quality standards. Therefore we analyzed the applied event study procedures (e.g. applied market models, estimation periods, and significance tests) and controlled for moderating effects of publication.

Since some studies provided subsamples, we could in total rely on 44 samples with a total sample size of 5.136 announcements.

Some samples provided multiple correlations between outsourcing announcement and stock market abnormal returns – one for every reported event window. We ensured the assumption of independence among correlations by averaging the effect sizes as recommended (Lipsey and Wilson, 2001).

We tested hypotheses 1 by applying Hedges-Olkin-type meta-analysis (HOMA) when calculating mean effect sizes from correlations provided by primary studies (Hedges and Olkin, 1985; Lipsey and Wilson, 2001). When integrating effect sizes we corrected for skewness in the distribution by conducting the Fisher's Z transformation (Hedges and Olkin, 1985). Contrary to self-reported outcomes, which require correction for reliability when integrated, event studies are based on observed outcomes and therefore do not necessarily require a reliability correction (Lipsey and Wilson, 2001). However, to be conservative we applied a reliability coefficient of 0,8 as recommended and applied before (Dalton, Daily, Ellstrand and Johnson, 1998, 1999; King et al., 2004). The mean effect size was calculated by weighting each effect size with the inverse of its variance, thereby accounting for differences in precision (Hedges and Olkin, 1985; Lipsey and Wilson, 2001). For each effect size the homogeneity Q statistic was calculated to test, whether the variance of the sample was greater

than would be expected from sampling error alone, indicating further moderations (Lipsey and Wilson, 2001). We applied a random effects model, as it corresponds to current conventions (Geyskens, Krishnan, Steenkamp and Cunha, 2009).

To test hypothesis 2-4 we applied meta-analytic regression analysis (MARA; Lipsey and Wilson, 2001). We applied a mixed effects model WLS regression using the effect size as the dependent variable. We accounted for random effects by applying a maximum likelihood based estimate of the random effects, as compared to the method moments estimate it provides more accurate estimates (Lipsey and Wilson, 2001). The random effects variance components were then combined with the fixed effects variance component used as weight for the WLS regression. We used a macro published by Lipsey and Wilson (2001) to prevent statistic software from interpreting weights as "representing multiple effect sizes rather than weightings of single effect sizes" (Lipsey and Wilson, 2001) as it has been applied before (e.g. Carney, Gedajlovic, Heugens, van Essen and van Oosterhout, 2011).

The relation between dependent and independent variables can be described as:

$$\textit{Effect Size} = b_1\ \textit{assertiveness} + b_2\ \textit{individualism} + b_3\ \textit{assertiveness \& individualism} + b_4\ \textit{uncertainty avoidance} + b_5\ \textit{liberal market economy} + b_6\ \textit{IT} + b_7\ \textit{year} + b_8\ \textit{publication} + b_9\ \textit{type of event window}$$

As for the cultural dimensions we rely on the GLOBE study (House, 2004) rather than on Hofstede (1980) for several reasons. Regarding collectivism/individualism there are mainly two reasons: GLOBE distinguishes between in group collectivism and institutional collectivism, whereas Hofstede combines both aspects in one dimension of collectivism (Brewer and Venaik, 2011). Hofstede's understanding of collectivism might still best be described by "*a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty*" (Hofstede, 2007). The GLOBE understanding of institutional

collectivism on the other hand is described as "*the degree to which organizational and societal institutional practices encourage and reward collective action*" (House, Javidan, Hanges and Dorfman, 2002). Since, first, our arguments are based on social costs arising from self-centered behavior in collectivistic cultures and, second, the relevance of in group collectivism between two companies – even though in a hybrid organization – might be spurious, we focus on institutional trust and therefore on the GLOBE dimension. Regarding assertiveness, we rely on GLOBE, since Hofstede does not provide assertiveness by itself; he combines it with gender egalitarianism. Doney et al. (1998) refer to Hofstede's masculinity dimension, but explicitly base their propositions on the assertiveness element within this dimension. However our hypothesis is based on assertiveness, which is by itself only provided by the GLOBE study, which thus provide the dimension best suited for our purposes. We calculate the institutional individualism by subtracting the institutional collectivism score from 7 as the GLOBE dimensions range from 1-7.

If samples included announcements from different countries without detailed information about the country composition, they were excluded from the regression. If detailed information on the country composition were given, we calculated a sample specific weighted average for the cultural dimensions.

We control for uncertainty avoidance as strategic changes might be perceived more skeptical by uncertainty avoiding market participants and the cultural background of certain companies and its stock owners might be correlated. Additionally uncertainty avoidance might also moderate certain trust building processes (Doney et al., 1998).

We control for the variety of capitalism, since Wilkens and He (2010) found corporate governance systems to be of relevance for stock market reactions on outsourcing announcements. Countries were classified as coordinated market economies (CME), liberal market economies (LME) or as not classified, according to Soskice (1999) and Hall and

Soskice (2001). One worldwide consisted to more than 90% of announcements from liberal market economies; therefore it was coded as LME. The other worldwide sample consisted to 67% of liberal, to 26% of controlled market economies and 7% not classified countries. We tested both, LME and neutral/unclassified, for this sample. Results did barely differ at all, so we coded it LME for practicality reasons, as we therefore we have no neutral/unclassified samples.

We control for the type of service, since it has been argued, IT services are more commodity like than most other services and should therefore yield higher returns if outsourced, which has been empirically supported by Lee and Kim; 2010).

We control for the time the study has been conducted, since the increasing number of announcements and research articles correspondingly might have provided a learning curve to market participants with unpredictable impact on valuation of outsourcing announcements.

We also control whether the study has been published (dummy; 1 = published; 0 = unpublished) and whether the sample only provided CAR for the 4 most common event windows (dummy; 1 if all event window ranks are between 1 and 4; 0 if at least on event window is > 5).

RESULTS

Table 1 shows the integrated effect sizes for the correlation of outsourcing announcements and CAR. In a first step only the 10 most common effect sizes based on CARs for identical event windows were integrated separately. For each effect size the number of samples (*k*) and the total sample size (*N*) is provided. We tested significance and whether further moderation was indicated applying fixed and random effects assumption.

Insert Table 1 about here

As expected, the fixed effects assumption cannot be hold for the first 5 windows, as a Chi^2-test on the Q level (df = number of samples - 1) indicate variance cannot be explained by

sampling error alone. Therefore we only interpret the random effects results. Most of the event windows show positive and significant results. For 5 event windows the integrated correlation is positive and significant, but further moderation is still indicated for [-1, +1].

For further procedures (Table 2) the 4 most common and similar event windows – [0, 0], [-1, 0], [0, +1], and [+1, +1] – taken from 40 samples were integrated together. In order to maintain the assumption of independence, we averaged the correlations whenever more than one event window was reported per sample. Similar procedures have been conducted by (King et al., 2004) and (Rahim et al., 2012). To rely on a larger sample for the MARA we ranked event windows according to their frequency of appearance and in a second step also included event windows up to the rank 20 [-10; +10]. Thereby we added only another 4 samples as most studies reported CAR for one of the 4 most common event windows. 2 of these samples were drawn from the UK and 2 from the USA, which helps to reduce the dominance of US samples.

Insert Table 2 about here

As expected the results for the averaged first 4 event windows become more significant (p = 0,56%) further supporting our first hypothesis. Also moderation becomes highly indicated, which will be conducted by the MARA procedure. A bit surprising for the 20 event windows taken from all 44 samples the mean correlation becomes smaller (*mean* r = 0,059) and less significant (p = 1,13%). This is not caused by the selected announcements of the additional 4 samples, but rather the less commonly reported event windows. A separate test (not depicted) for the 20 most common event windows taken only from the first 40 samples – which also provide at least one of the 4 most common event windows –results in even slightly lower mean correlation (*mean* r = 0,058, p = 1,66%). This is in line with controlling for the quality of the event window when conducting the regression analysis.

As explained above, hypotheses 2-4 have to be tested by a moderator analysis applying a WLS regression, treating each sample as one observation and the effect size – which have been integrated to test H1 – as the dependent variable. Table 3 shows the composition of the samples included in the regression. As outlined above US samples represent the vast majority. Table 4 provides the correlations between the variables included in the regression.

Insert Table 3 and 4 about here

We face multicollinearity for individualism, which is not too surprising given the relatively small number of countries and the large share of US samples. The individualism dimension is correlated with assertiveness, uncertainty avoidance, with the variety of capitalism dummy for a liberal market economy, and also slightly with the event window dummy. The assertiveness dimension does not face any multicollinearity. The combined dimension, the average of both dimensions individualism and assertiveness, is correlated with assertiveness and uncertainty, which we had to keep in mind when fitting the regression models and interpreting results.

As the mean year of the time frame is highly correlated with the IT dummy, we dropped the IT dummy, as it is also highly correlated with the uncertainty avoidance dimension, which we also had to keep in mind. Table 5 shows the result of the WLS regression.

Insert Table 5 about here

We tested different models and accounted for multicollinearity by calculating the maximum variance inflation factor (VIF) for each model. As a rule of thumb a VIF of 5 or higher is cause for concern (Mason, Gunst and Hess, 1989; Menard, 2002; Marquaridt, 1970; O'brien, 2007). All but model 1 (VIF = 2,24) have a VIF below 2. So multicollinearity is not an issue. We started with model 1 including only the combined dimension of assertiveness and individualism as moderator and all control variables. We then successively excluded the least significant variables until the model significantly explains (Q_{model}) and does not leave

unexplained variance ($Q_{residual}$). While the assertiveness-individualism-dimension is significant (*p* = 1,1%) and the explained variance for model 1 (Q_{model}) signals statistical significance for the model overall (*p* = 1,3%), the residual variance ($Q_{residual}$) is too high, signaling more inter study variance than can be explained by sampling error alone (*p* = 4,3%). Model 2-4 all produce highly significant results (*p* < 1%) for the cultural dimension as well as for the explained variance of the models, but still leave slightly too much unexplained variance (*p* < 10%). All dropped variables were highly insignificant (*p* = 92,5%, 69,0%, 64,3%, and 44,8%). Model 5 finally shows the best fit with the cultural dimension (p = 0,02%) and the model overall (*p* = 0,07%) being highly significant and leaving no unexplained variance. This strongly supports hypothesis 4.

We then used this model, with the mean year of the time frame as the only control, to test hypothesis 2 and the impact of the individualism (model 6) as well as hypothesis 3 and the impact of assertiveness (model 7). Additionally for a better interpretation we also tested the impact of uncertainty avoidance (model 8).

Model 6 and 7 support our hypotheses 2 and 3, with less significant coefficients for assertiveness (*p* = 1,33%) than for individualism (p = 0,06%) and model 7 explaining more variance (*p* = 0,19%) than model 6 (p = 3,35%). Still model 5 shows the best fit and the combination of assertiveness and individualism is the most significant coefficient.

The model including uncertainty avoidance does not explain any inter study variance (*p* = 52,8%) and the coefficient does become significant (*p* = 41,1%).

DISCUSSION AND CONCLUSION

In this study we examined the impact of trust related cultural dimensions on the performance of firms which boundaries have been adjusted by outsourcing. Applying meta-analytic techniques we therefore analyzed 5.136 outsourcing announcements.

We find outsourcing announcements in general to generate shareholder value. This supports our theory that managers tend to “build empires” and only reduce their direct influence, when it is economically highly indicated.

More important our meta-analysis contributes to the existing outsourcing research by explaining so far existing mixed findings on outsourcing announcements and the resulting stock market reactions: As hypothesized results differ systematically per country.

We find strong evidence for the cultural dimensions of institutional individualism and assertiveness to negatively influence company performance measured as shareholder value. The more assertive and individualistic a cultural background can be considered, the lower the chances of successfully reducing the scope of the firm and focusing on its specific advantages. This not only supports our theory of the propensity of trust predicting the ideal choice of the boundaries of the firm. It also supports the theory of cultural background predicting the propensity of trust, which has often been stated but so far lacked empirically underpinnings.

As we argue this might best be explained by companies from individualistic and assertive backgrounds being less capable of relying on hybrid organizations. All else equal, services involving a certain level of specificity should be provided externally only for a trustworthy buyer being able to reduce dependencies and rely on hybrid organizations, while should be provided internally for an untrustworthy buyer creating a higher level of dependencies. Higher levels of dependencies create more need for costly safeguarding mechanisms making the external solution inefficient.

Though, we face some multicollinearity issues assertiveness, institutional individualism and even more the combination of both dimensions best explain existing inter study variance.

These results strengthen the often stated but barely empirically supported theory of higher level of trust in collectivistic countries (e.g. Ouchi, 1981; Sullivan and Peterson, 1982;

Sullivan et al., 1981; Dyer and Singh, 1998; Dore, 1983; Hill, 1995; Dyer and Chu, 2003; Bstieler and Hemmert, 2008; Ketkar et al., 2012).

As the cultural background of the investors might also affect stock market reactions it is a bit surprising, that uncertainty avoidance does not have a significant impact. Given the negative correlation between uncertainty avoidance and the IT dummy this is even more surprising, as we have indications for IT outsourcing to outperform the outsourcing of other services (Lee and Kim, 2010).

Though the results are only slightly significant, we find indications for the impact of outsourcing announcements on shareholder value to be decreasing over time. This could be explained by studies focusing on the risks of outsourcing (Tadelis, 2007; Williamson, 2008) and their impact on shareholder's perception of outsourcing announcements. Depending on the future developments and depending on whether this trend will continue, we might be able to better understand this development.

As any meta-analysis our study is limited to previous analysis. We can only analyze what has been tested before or can be derived from comparing existing studies. Given the small group of countries, we face statistical limitations when trying to identify relevant cultural dimensions conclusively. Our sample is dominated by US outsourcing announcements and suffers multicollinearity regarding cultural dimensions. This is a limitation, which calls for further primary research on outsourcing announcements based on specifically composed samples.

Additionally, future research might shed some light on how the management can not only accept the propensity of trust predicted by its cultural background, but be able to influence the propensity of trust given its specific cultural background. More nuanced theories might have to be developed to test the moderating impact of cultural dimensions on trust building processes as proposed by Doney et al. (1998).

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Table 1: HOMA results separately for each event window [a]

DV (CAR at EW…)	k	Total N	Fixed Effects Mean r	-95% CI	+95% CI	Q	Moderation indicated	Random effects Mean r	-95% CI	+95% CI	Q	Moderation indicated
[-1, +1]	22	2.913	0,068***	0,033	0,103	65,10***	yes	0,0716**	0,003	0,140	32,65*	yes
[+0, +0]	18	2.372	0,069***	0,030	0,107	50,96***	yes	0,0688*	-0,007	0,145	18,84	no
[-1, +0]	19	2.301	0,049**	0,009	0,088	47,14***	yes	0,0615*	-0,010	0,133	23,48	no
[+0, +1]	21	2.479	0,055***	0,017	0,093	78,02***	yes	0,0601	-0,021	0,141	26,00	no
[+1, +1]	15	1.607	0,044*	-0,003	0,091	25,31**	yes	0,0616*	-0,008	0,132	15,25	no
[-1, -1]	14	1.445	-0,045*	-0,095	0,004	19,66	no	-0,0393	-0,107	0,028	15,72	no
[+2, +2]	8	751	0,075**	0,006	0,143	7,413	no	0,0775**	0,005	0,150	7,16	no
[-2, -2]	8	751	0,012	-0,057	0,080	3,512	no	0,0116	-0,057	0,080	3,51	no
[+4, +4]	7	721	0,005	-0,065	0,075	2,846	no	0,0047	-0,065	0,075	2,85	no
[+3, +3]	7	721	-0,009	-0,079	0,061	8,953	no	-0,0174	-0,113	0,078	5,69	no

[a] EW = event window; CAR = cumulated abnormal return; *k* = number of effect sizes; *N* = total number of sample size; Mean *r* = estimated population correlation; -95%/95% CI = upper/lower limit of 95% confidence interval; *Q* = Cochran's homogeneity test statistic

* $p < 10\%$ ** $p < 5\%$ *** $p < 1\%$

Table 2: HOMA results for averaged event windows [a]

DV (average up to EW rank…)	EW	k	Total N	Fixed Effects Mean r	-95% CI	+95% CI	Q	Moderation Indicated	Random Effects Mean r	-95% CI	+95% CI	Q	Moderation Indicated
1	[-1, +1]	22	2.913	0,068***	0,033	0,103	65,104***	yes	0,072**	0,003	0,140	32,65*	yes
2	[-1, +0]	31	3.987	0,065***	0,035	0,095	89,57***	yes	0,072**	0,015	0,129	40,03	no
3	[+0, +0]	33	4.263	0,062***	0,034	0,091	88,51***	yes	0,067**	0,014	0,120	42,64*	yes
4	[+0, +1]	40	4.671	0,070***	0,042	0,097	124,82***	yes	0,076***	0,022	0,130	52,77*	yes
20	[-10, +10]	44	4.844	0,058***	0,031	0,085	99,44***	yes	0,059**	0,013	0,104	54,13	no

[a] EW = event window, EW ranked according to frqeuncy of appearance; *k* = number of effect sizes; *N* = total number of sample size; Mean *r* = estimated population correlation; -95%/95% CI = upper/lower limit of 95% confidence interval; *Q* = Cochran's homogeneity test statistic

* $p < 10\%$ ** $p < 5\%$ *** $p < 1\%$

Table 3: Descriptive information on samples included in WLS MARA ((k = 35; N = 3.889) [a]

Region	k	N	Varieties of Capitalism	k	N	Service	k	N	Time frame mean year	k	N
USA	25	3.309	LME	32	3.729	IT	13	1.574	<=1995	8	773
UK	4	149	CME	3	160	others	22	2.342	>1995; <=2000	10	1.766
Worldwide 2	2	171							>2000; <=2005	15	1.278
Worldwide 1	1	100							>2005; <=2010	2	72
Korea	1	81							>2010	0	0
Switzerland	1	40									
Germany	1	39									

[a] k = number of effect sizes; N = total number of sample size; LME = liberal market economy; CME = controlled market economy; IT = sample only consists of IT outsourcing announcements; Worldwide 2 = sample provided by (Pouder et al., 2011); Worldwide 1 = sample provided by Raassens et al., 2012

Table 4: Pearson Correlation (k = 35; N = 3.889) [a]

		Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1)	Effect size	0,073	0,189									
(2)	Individualism	2,751	0,176	-0,381**								
(3)	Assertiveness	4,465	0,098	-0,327*	0,451***							
(4)	Individualism & Assertiveness	3,608	0,118	-0,418**	0,929***	0,749***						
(5)	Uncertainty Avoidance	4,277	0,350	-0,138	0,398**	-0,089	0,258					
(6)	Liberal Market Economy	Dummy		-0,092	0,381**	-0,080	0,250	-0,415**				
(7)	IT (as only service)	Dummy		0,211	-0,164	0,191	-0,043	-0,391**	0,090			
(8)	Year	1999,06	4,379	-0,169	-0,170	0,031	-0,113	0,188	-0,391**	-0,435***		
(8)	Publication	Dummy		0,099	-0,206	-0,224	-0,246	-0,289*	0,144	-0,116	-0,212	
(9)	Event window	Dummy		0,171	-0,292*	-0,093	-0,256	0,013	-0,308*	-0,057	0,081	0,230

[a] k = number of effect sizes; N = total number of sample size

* p < 10%; ** p < 5%; *** p < 1% (two tailed)

Table 5: Result of mixed effects WLS MARA (k = 35; N = 3.889) [a]

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Constant	21,8173*	21,8079*	21,2354*	19,0257	20,4587*	13,4744	20,676*	9,4795
	(12,5913)	(12,5915)	(12,5339)	(11,6524)	(11,5922)	(12,5788)	(11,9602)	(13,7481)
Moderators								
Individualism							-0,4526***	
							(0,1316)	
Assertiveness						-0,744**		
						(0,3006)		
Individual. & Assertiveness	-0,6654**	-0,6775***	-0,6548***	-0,6875***	-0,7411***			
	(0,2611)	(0,227)	(0,2201)	(0,2096)	(0,1987)			
Controls culture & governance								
Uncertainty avoidance	-0,0087							-0,0734
	(0,0928)							(0,0893)
Liberal market economy	-0,0434	-0,0388	-0,0421					
	(0,1032)	(0,091)	(0,0908)					
Controls sample characteristics								
Year	-0,0096	-0,0096	-0,0094	-0,0082	-0,0089	-0,005	-0,0097	-0,0046
	(0,0062)	(0,0062)	(0,0062)	(0,0057)	(0,0057)	(0,0063)	(0,0059)	(0,0069)
Publication	-0,0187	-0,0184						
	(0,0463)	(0,0461)						
Event window	0,0296	0,0296	0,0289	0,037				
	(0,0513)	(0,0513)	(0,0514)	(0,0487)				
R^2	0,2773	0,2771	0,2743	0,2702	0,2598	0,1454	0,233	0,0323
Q_{model}	16,1272**	16,1168***	15,8932***	15,4924***	14,6765***	6,7899**	12,5688***	1,2764
$Q_{residual}$	42,0337**	42,0391*	42,0525*	41,8343*	41,8247	39,8957	41,3668	38,2127
v	0,00497	0,00497	0,00503	0,00522	0,00548	0,00941	.00635	0,01368

[a] Unstandardized regression coefficients are presented for moderators, with standard errors in parentheses; k is the total number of effect sizes; N = total number of sample size; Q is the homogeneity statistic; v is the random-effects variance component

* p < 10% ** p < 5% *** p < 1%