One of the primary antecedents of problems in and failures of outsourcing relations is uncertainty in and around outsourcing activities. We specifically study the impact of uncertainty on the negotiation behavior of the partners and on the possibilities to make the outsourcing relationship work for the benefit of both partners. The adverse effects of uncertainty can be mitigated by control mechanisms that guide the outsourcing negotiations. One control method is the provision of more detailed information that allows negotiation partners to identify value enhancing opportunities and tradeoffs. Another control method is monitoring partner behavior during the negotiation process in order to encourage cooperative behaviors and deter opportunistic behaviors. These instruments, as well as repetitive bargaining experience may create the conditions for trust to emerge in the outsourcing relation between partners.

We exploit the advantages of both transaction cost economics theory and social exchange theory in order to develop a more comprehensive understanding of the complex relations among uncertainty, information, control, behavior, and trust during multi-stage of interfirm exchange. The negotiation stage is instrumental in this respect, as this presents the first stage of intensive interactions between exchange partners that also sets the stage for future behavior during the collaboration. We conduct a laboratory experiment as a research method to validate our argument that refined accounting information and monitoring control help alleviating the negative effects of uncertainty on negotiation behavior and trust in a dynamic model.

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