

CRANFIELD UNIVERSITY

Nneka Nancy Lorraine Abulokwe

**From imposed to the co-developed governance processes in IT
captive offshoring engagements**

Cranfield School of Management
Doctorate in Business Administration (DBA)

DBA
Academic Years: 2008–2012

Supervisor: Dr Jonathan Lupson
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ABSTRACT

This thesis examines the impact of governance process development on engagements between onshore and offshore subsidiaries of multinational IT services organisations. Offshoring is a significant global phenomenon. Over the last decade, there has been substantial growth in the number of organisations setting up ‘captive’ (wholly owned subsidiaries) centres in offshore locations. The desired benefits of greater coordination, leveraging and sharing of knowledge have, in many instances, failed to materialise for these IT services organisations. These failures arise from a variety of causes including a lack of intra-organisational processes to coordinate and manage work, weak alignment between the parent organisation’s strategic objectives and those of the subsidiary, and the inability to navigate cross-organisational and cultural barriers.

This thesis comprises three interrelated projects. The first established that organisations develop offshore subsidiaries in order to obtain one or more of a number of complex and interrelated set of strategic objectives. The second project, through the use of grounded theory, demonstrates that within one IT services organisation, imposed governance processes do not facilitate communication and engagement between the onshore and offshore subsidiaries. Cross-cultural and organisational differences inhibited the engagement between the subsidiaries, thus contributing to the failure to achieve the desired benefits of offshoring. Organisations engaged in captive offshoring are faced with two apparently contradictory sets of issues: a set of highly desirable and interrelated strategic benefits and a variety of operational challenges that arise from the imposed nature of the governance processes. The third project, a case study of a similar IT services organisation, examines how these apparently contradictory issues were resolved. The results show that it is the co-development and implementation of governance processes based on the informal working practices of both the onshore and offshore teams that enable the operational challenges established in the second project to be resolved and thus provide reconciliation between these and the achievement of the strategic benefits that drive offshoring.

This thesis concludes that co-developed and implemented governance processes are a key factor in the mitigation of the deleterious effects of cross-organizational and cultural working and adds the notion of co-development and implementation of governance processes to the academic literature on the governance of outsourcing.

Keywords:

Captive offshoring, outsourcing governance, grounded theory, information technology

ACKNOWLEDGEMENTS

To my dear family

To my parents, Chief Sir and Lady J. O. Abulokwe, I thank you for blessing me with the thirst for knowledge and discipline, and for countless hours of love and support. To my five siblings Yvonne, Emeka, Juanita, Chinwe, Joy-Marie and their families', you made it possible for me to take a sabbatical, mid-career, and without that time, I would not have completed this journey. You also made me laugh along the way -- which was also important!

To Carline, Juliet, Sokari, Oluchi, Andy, Arif and Mitesh my dearest friends, you have kept me sane with your calm reassurance and much welcomed sense of humour. Also to my dearest aunt Dr. Jeanette Gibson, your help with the proofreading of my Thesis was invaluable, thank you.

To my Cranfield colleagues – especially Dr Jonathan Lupson (aka Craig), my supervisor; Professor Clare Kelliher and Dr Liz Lee-Kelly, my panel members – to all of you I owe a debt of gratitude for your extraordinary hours of support, reading, meeting, guidance and not forgetting the canings. Also to my fellow 08' cohort and to Barbara Birtles and Alison Wilkerson, programme managers, thank you for all your support.

To all those that have helped in the workplace, Flann, Narhari, Pradeep, Ursula, Haresh and Ashley, without your assistance I would not have completed my field work, thank you.

For the many unnamed informants of this thesis, thank you very much!

Finally, to our Almighty Lord for bestowing me with the grace and focus to stay the course of the DBA process which has at times has had its challenges, I remain eternally grateful and continue to count my blessings.

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Chapter 1 – Linking Document

Introduction

The purpose of this research is to examine the influence of the different means by which governance processes are developed in IT captive offshoring engagements. The Thesis begins with this linking document which draws together and synthesises the findings of the three projects undertaken describing the interrelationships between the projects in fulfilment of the DBA.

This linking document has seven sections:

1. The background and rationale for the research.
2. A summary of the research process for the three projects.
3. Research methods which include the research questions and an overview of the methodologies used for each project.
4. A summary of the key findings for each project.
5. A discussion of the research findings and contributions this study makes to knowledge.
6. Managerial implications of the research contributions.
7. A summary of the limitations of the study and identification of areas for further research.

1.1 Background and Rationale

This section defines the key terms used in this Thesis followed by the motivation for undertaking this doctorate and a discussion on the research problem. This is followed by the framing of the research and the context in which the research is set.

1.1.1 Key Terms

There are multiple, often confusing and interchangeable definitions of outsourcing, offshoring and offshore outsourcing. “Outsourcing” is often viewed as the contracting out of a business function (such as Information Technology) commonly previously carried out in-house, to an external provider. The outsourcing activity can be located either domestically (onshore) or in locations abroad (offshore) (Mol, van Tulder and Beije, 2005). When offshoring, a company relocates processes or production to foreign locations in the form of subsidiaries or affiliates, which in almost all cases are undertaken as IT projects. There are two types of offshoring arrangements which have been highlighted in the literature: “captive offshoring” described as a subsidiary of a parent company functioning offshore as an entity of its own while retaining the work and close operational ties within the parent company (Levina and Vaast, 2008); and “offshore outsourcing” where companies outsource their software services to third-party offshore vendors (Boedeker, 2007; Rooney, 2004; Stack and Downing, 2005).

In recent times, these two type of offshoring arrangements for the relocation and management of services are increasingly being seen as “modes of governance” (Ali and Green, 2012; Hutzschenreuter, Lewin and Dresel, 2011; Roza, Bosch and Volberda, 2011; Tate, Ellram, Bals and Hartmann, 2009). By adopting an internal (captive) governance mode, organisations not only benefit from the efficiency gains from information exchange and coordination, they can also reduce risking valuable proprietary knowledge becoming available to their competitors (Leiblein, Reuer and Dalsace, 2002). Additionally, organisations can exert full control over the wholly owned offshored entity without conflicts with external parties (Hutzschenreuter et al., 2011). The “captive offshoring” arrangement, in this case between the UK and Indian subsidiaries of global IT services organisations, is the focus of this doctoral Thesis. For the purpose of this Thesis, “captive offshoring” can be defined as a mode of governance in which the provision of IT services is from a wholly owned subsidiary usually in a lower cost location.

1.1.2 Motivation and Research Problem

The motivation arose from my role as an offshore delivery practitioner responsible for delivering IT projects using a captive offshore organisation in India. I worked for the UK subsidiary of a global IT services organisation with offshore operations in India. The offshore centre was set up to benefit from the availability of an inexpensive and highly skilled workforce that would deliver quality and cost savings and thus maintain the parent company’s competitive advantage within the market. I experienced the challenges of managing deliveries from the offshore location first-hand and sought solutions to these challenges.

My search of the academic and practitioner literature provided few answers to the many questions I had around the management of captive offshore arrangements. In my search, I observed that there was a significant imbalance in the focus of the literature. A disproportionate amount of research focused on offshore outsourcing (the use of third parties) with little focus on captive offshoring. This imbalance presented me with a potential gap in knowledge. The DBA offered an excellent avenue to fulfil two objectives: first, undertake research to address the gap I had identified with the limited literature on captive offshoring and second it afforded me the opportunity to contribute to the practitioner literature on captive offshoring.

1.1.3 The DBA Problem

Offshoring, as a business model, is a relatively recent practice that has seen significant growth since 2000. This growth has been fuelled by the proliferation of the Internet and the rising trend for organisations to outsource non-core functions. Prior to 2000, IT organisations used co-located traditional delivery practices with the client in close proximity or at least within the same country. As a result of growing competition, increasing cost pressures and imitative management practices, organisations increasingly moved to an offshore outsourcing model. As a result of this move,

revenues from the offshore outsourcing of information technologies (IT) were estimated to exceed \$US25 billion by 2008 and were projected to grow at an annual rate of 20% over the next five years (Oshri, Kotlarsky and Willcocks, 2007). For IT services providers and executives, this means that offshoring, either through a wholly owned “captive” unit or through an external third-party supplier “outsourcing”, had become a serious option.

Yet for many organisations, the expected benefits of IT offshoring have failed to materialise as half of offshore outsourcing initiatives (typically run as IT projects) “fail” or fall short of stated performance objectives (Nakatsu and Lacovou, 2009). Reasons for this include the failure to communicate effectively between offshore and onshore locations: to provide a clear, succinct statement of requirements and manage the process from afar (Couto, Mani, Lewin and Peeters, 2006). Also noted is the inability to establish effective governance processes between the onshore and offshore locations, navigate difficult organisational and cultural barriers, middle-management inexperience and the resistance to offshoring. In short, many outsourced projects are mismanaged and the risks of these projects are poorly understood (Nakatsu and Lacovou, 2009). Anecdotal evidence suggests that for offshore captive units to successfully deliver their business objectives, effective governance processes that facilitate the interaction between subsidiaries will need to be improved or developed. The captive governance arrangements may have significant advantages over offshore outsourcing due to the degree of control the organisation has over its foreign subsidiary. Penter, Pervan and Wreford (2009) argue that effective captive governance defines the means by which organisations coordinate, share and deliver benefits to their clients. These include sharing of intellectual property, capturing and leveraging knowledge including tacit knowledge, company trade secrets, and “cultural agility” in facilitating communication and promoting effective conflict resolution. These factors have been identified as contributing to the effective management of outsourcing arrangements.

When examining the nascent academic and practitioner literature on IT offshoring, it is striking how the majority of research focuses on offshore outsourcing arrangements with specific attention given to the strategic and economic rationales for offshore outsourcing (Dibbern, Winkler and Heinzl, 2008; Kotlarsky and Oshri, 2008; Lacity, Willcocks and Rottman, 2008; Mudambi and Venzin, 2010), with relatively little focus on captive offshoring arrangements. The challenge(s) associated with coordinating cross-border captive offshore arrangements is the focus of this thesis. This led to the framing of the DBA research question:

In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations?

1.2 Summary of Research Process

The four research stages (projects) for the achievement of the DBA Thesis are described in Table 1.

Table 1– Summary of the DBA Research Process

| Project | Objective(s) | Purpose |
|-------------------------------------|--|---|
| a) Project 1 (systematic review) | A systematic review of the relevant literature with methodological rigour (Tranfield, Denyer and Smart, 2003). Establishing the “gaps” in the current field of knowledge. Developing research questions for further study with a view to making a contribution to knowledge and/or practice. | A systematic review of the literature that explores the strategic reasons for organisations moving their operations offshore. |
| b) Project 2 | Based on Project 1; conducting an empirical research project aimed at illuminating the research question. | A qualitative study that examines the problems faced by IT suppliers’ managers, resulting from the imposed nature of the governance process, when working with their captive offshore organisation. |
| c) Project 3 | Based on the findings of Projects 1 and 2; conducting a further empirical research project aimed at illuminating the research question. | A qualitative study that examines how the apparent contradictions between the strategic rationales (Project 1) and the operational challenges (Project 2) are resolved. |
| d) Linking Document | A summary of the research process, findings, and contributions to knowledge and practice to answer the DBA question. | Overview of the research process, findings and contributions. |

1.2.1 Project One

Project 1 (found in Chapter 2 of this Thesis) was a systematic review of the literature that examined the reasons why multinational organisations move their operations offshore. Offshoring to cheaper locations remains a viable and attractive value proposition for multinationals seeking to lower their operating costs while maintaining their competitive advantage. Organisations are taking advantage of the ‘death of distance’ (Cairncross, 1997) with the introduction of the Internet and expanding their operations to hitherto unfamiliar geographic locations as part of the disaggregation of their operational value-chains. The sharp decline in the costs of data transmission has

encouraged multinational enterprises (MNEs), especially those delivering IT-enabled services (ITES), to explore different outsourcing models, thus setting up captive offshore centres for the remote delivery of the software services.

The economic logic and rationale behind offshoring become clear once MNEs begin to look critically at the way business services are organised and distributed. They have access to lower waged, skilled, English-speaking workers in offshore locations, in the emerging markets such as Brazil, India and China, to mention a few. This emergent and burgeoning trend has motivated MNEs to move their operations offshore. This trend has been fuelled by organisations seeking to bring innovation to their customers by developing unique and sustainable ways of maintaining their market position, given the highly competitive and globally dynamic environments in which they operate. In addition to the growth and economic rationales, imitative behaviours (DiMaggio and Powell, 1983), i.e. following the example of their competitors that appear to have successfully exploited the benefits of moving their operations offshore is a further motivating factor.

Project 1 began with a scoping study of the literature on the rationale behind offshoring and revealed that offshore outsourcing was most prevalent in the International Business (IB), Information Technology (IT) and Strategy literature domains. The literature establishes that offshoring is typically undertaken by MNEs due to their scale and size (Grossman and Helpman, 2005). Each of the domains examined offers a vast range of different theories that at times provide conflicting views on the rationale behind offshoring. There still remains a lack of clarity on the motivating factors behind organisations moving their operations offshore. Due to the complexity and multidimensional nature of the various theories of offshore outsourcing, a systematic review of the literature was deemed necessary to answer the following review question: “Why do multinational organisations choose to move information technology (IT) services offshore?”

The systematic review was undertaken by systematically identifying, appraising and synthesising all relevant studies, from each of the chosen literature domains. The specific purpose of undertaking a systematic review of the literature was, by adhering closely to a set of methods, to answer the review question posed. Developing a systematic review allowed for the adoption of a replicable, scientific and transparent review process. In addition, the systematic review minimises bias, providing an audit trail of the decisions, procedures and conclusions (Tranfield et al., 2003). The value of a systematic review is that it provides a robust synthesis of studies in the area and the current state of knowledge, and clarifies what remains to be known (Petticrew and Roberts, 2006).

The methodology section of the systematic review clearly outlined the objectives, background and the review process to be followed. Tranfield et al. (2003) define the systematic review process as having five stages: planning; identifying and evaluating

studies; extracting and synthesising data; reporting; utilising the findings. The data sources, types of literature, search terms, search strings and search processes were outlined and the inclusion and exclusion criteria for all studies were clearly defined. This was done to provide transparency, full traceability and repeatability for the review undertaken. From the full database search using the search strings, 703 papers were identified. A further filter was applied using the predefined exclusion criteria which resulted in 48 papers that met the inclusion criteria. Following review and analysis, a detailed descriptive analysis of the 48 papers were provided which included: literature domains, year of publication vs. number of publication, distribution of publications by literature domain, publication types (peer reviewed, academic/scholarly, trade or book), study types (empirical, conceptual or practitioner) and periodical types (by journal type).

The analysis technique was not predefined. The 48 papers were imported into NVivo, a qualitative data analysis tool. The constant comparison process from grounded theory (Glaser and Strauss, 1967) and more recently (Corbin and Strauss, 2008; Strauss and Corbin, 1998) was adopted. In this process, the data arising from the literature were constantly compared and contrasted with each other throughout the analysis process, the result of which was that a series of conceptual categories that captured the themes in the literature was developed. Ten themes emerged that provided answers to the review question: location, human capital, strategic focus, supplier services, competitive advantage, outsourcing model, innovation, operational efficiencies, cost reduction and trade liberalisation. The complexity of the interrelationships between these factors was evident; MNEs enter into offshoring arrangements for all, or a combination, of the ten factors. Trade liberalisations that resulted in freer markets in lower cost locations facilitated the access to cheaper and well-trained human capital and high-quality infrastructure for the delivery of remote IT services. In addition, adopting supplier services that utilise the “best fit” outsourcing model can lead to innovation, increasing operational efficiency while enabling client organisations to focus on their core competencies and to maintain their competitive advantage.

1.2.2 Project Two

Project 2 (found in Chapter 3 of this Thesis) was a qualitative study that explored the governance arrangements in the engagement between the onshore and captive offshore teams by examining the UK managers’ perceptions of the differences when managing captive offshore projects from India. The organisation under study’s captive offshore governance model retained the project and client management in the UK, with the technical software development activities undertaken by the captive offshore organisation in India. The offshore engagement developed more slowly than originally anticipated, with ongoing resistance from the UK organisation to sending work offshore. To seamlessly integrate the relocation of work to the captive offshore location in India, an engagement process was developed and imposed by the UK parent organisation. The process consisted of an intra-organisation framework comprising

guidelines that attempted to define the interaction and working practices between the two locations; i.e. high-level process diagram and team level detailed process flows.

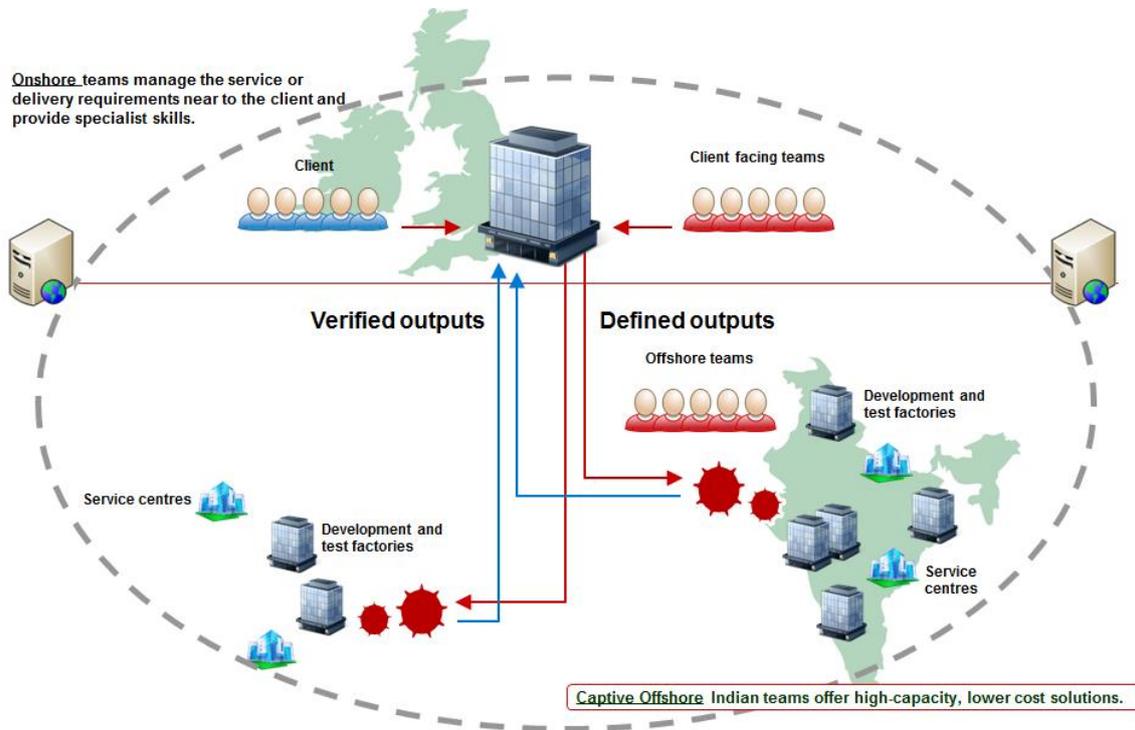


Figure 1 – Delivery Engagement Process Flow – Level 1

Figure 1 is a diagrammatic illustration of the high-level engagement process of the information exchange between the onshore and offshore teams within the captive arrangement. The onshore team were responsible for: defining the governance arrangements, project management, day to day client management, functional and technical specifications, and the management of the relationship with the offshore location. The offshore team provided the technical expertise for the project with responsibility for the software detail design, development and testing activities. On completion of these activities the output (software) was sent onshore. The engagement process was developed and imposed by the onshore team for three reasons: first, to define a clear set of intra-organisation rules of engagement; second, to support the management of work sharing activities; and third, to minimise the effect of organisational and national cultural differences on project delivery.

However, processes that are imposed form two principal drawbacks: first, these processes exacerbate and throw into sharp relief the cultural differences between the regions and are not an effective panacea for addressing the intra-organisation and national cultural differences. As posited by Avison and Banks (2008), the lack of universally applicable models that address these cultural challenges is a key challenge for offshoring, even when supplemented with cross-cultural awareness training. Second, ethnographic studies such as those of Brown and Duguid (1991) on workplace practices

establish that the way people actually work usually differs fundamentally from that described by organisations in models, manuals, training programmes or even engagement processes. They argue further that “these conventional descriptions of jobs and processes mask not only the way people work, but also the organisational learning and innovation generated in the informal communities of practice in which they work” (p. 40). Furthermore, these one-sided imposed processes may hide how the individual managers leading these captive offshore projects learn to manage the effect of the cultural differences and the challenges they pose. As the literature remains silent in this area, a grounded theory approach was used for this project to examine the nature of the problems faced by UK managers when managing offshore projects.

The findings from this study arise from the imposed nature of the governance processes, arguably the Western view of what governance should be which, in this instance, denied the onshore and offshore teams the shared space to develop and operationalise their own meanings of governance in practice. These findings fall into three broad types of implementation challenges; first the differences as a result of the different organisational structures; second, the peculiarities of the different national cultures; and finally, the differences in style and use of language. At a broader level this study identifies the significant implementation challenges that managers are likely to encounter, due to the imposed nature of the governance processes when managing cross-cultural captive offshore engagement. As a result the study adds novel insight to the seminal cultural dimension studies and makes a contribution to the body of knowledge on culture. It also helps to illuminate the discussion on the distributed projects literature which has been largely supported by live examples from managers in a distributed project setting.

As previously stated in Table 1, the purpose for undertaking Project, 1 a systematic review of the literature, was to review the relevant literature with methodological rigour (Tranfield et al., 2003) and establish the “gaps” in the current field of knowledge. With this in mind, this study has provided empirical evidence of the operational challenges faced by UK managers when dealing with their Indian offshore counterparts. Furthermore, this study established that externally imposed prescriptive governance processes did not always effectively address intra-organisational and national cultural differences. These findings are in support of the studies of Brown and Duguid, (1991, 2000) who posit that model and process differ from the informal working practices that obtain in the workplace. In addition, the findings provide support for Stoker (1998) who postulates that good governance is concerned with creating the conditions for both collective action and ordered rule which cannot be externally imposed; the logical conclusion then becomes that if governance cannot be imposed, then it has to be collectively and collaboratively developed. This collective action was absent from the imposed one-sided governance processes in this project; had these processes been developed in collaboration with the captive offshore organisation, the experiences of the managers may have been different and the resultant cultural differences minimised.

Project 1, in exploring the rationale from the literature for multinationals moving operations offshore, suggested that the ten factors that drive the decision to offshore were complex and highly interrelated. If every organisation is offshoring with a view to achieving competitive advantage, then offshoring as a strategy in itself is no longer a source of competitive advantage. This source of competitive advantage is the focus of Project 3.

1.2.3 Project Three

Project 3 (found in Chapter 4 of this Thesis) was an empirical study that combined the findings of Projects 1 and 2 in the following research question: “How do organisations achieve the strategic benefits of offshoring while overcoming the operational challenges of captive offshore project delivery?” Competitive advantage should, in theory, go to those IT services organisations that can manage the interplay between two apparently opposing strands: the operational implementation challenges of offshore working and the realisation of the strategic objectives behind offshore working, thereby delivering greater value to both the IT services organisation and their clients. The two opposing strands can be viewed as first, reasoned justification, the strategic objectives for offshoring, and second, a strategic instrumental action, the ability to overcome the implementation challenges revealed in Project 2. For the delivery of an offshore project that achieves both the client’s and vendor’s objectives for the project, “there is a need for both reasoned justification for action and the realisation of that action. Such action requires the interplay between both reasoned justification (as in Project 1 of this thesis) and an instrumental rationality oriented to a practical mastery of the world and knowledge of the empirical conditions of action” (as revealed by Project 2 of this thesis) (Townley, Cooper and Oakes, 2003, p. 1047).

The resolution of this interplay is an empirical question. With effective process implementation, these conditions for resolution are, arguably, more likely to be met within a captive mode of governance. As Penter et al. (2009) argue, effective captive governance enables organisations to coordinate, share, capture, leverage knowledge and share tacit knowledge and company trade secrets and in addition, “cultural agility” in facilitating communication and promoting effective conflict resolution. These conditions are functions of captive governance that arguably, as demonstrated in Project 2, did not work with imposed governance processes. Evidently, imposed governance processes deny the spread of tacit knowledge, impeded the flow of communication and hampered conflict management. As Hofstede (2001, cited in Penter et al., 2009, p. 211) contends, “Cultural agility” is the “management capability to understand and work effectively within the parent company culture while also being able to function with similar dexterity in the business culture of the captive” – which was lacking in Project 2. Beyond Penter et al.’s (2009) argument is the notion of the co-development of governance; central to this notion of co-development of the governance process is the joint ownership of the development and application of the governance processes. As

revealed in Project 2, the challenges with local management models arose because of the need to develop a cadre of managers who exhibit “cultural agility”.

This process works in both directions. The parent organisation managers acquire insights into the skills and capabilities of staff in the captive operation and the captive staff acquire insights into the business processes and overarching strategic objectives of the parent company. As a result of this, with active interaction and engagement, there is a greater likelihood of shared and joint ownership of the process of governance development and implementation for the offshore engagement. Governance is ultimately concerned with creating the conditions for both collective action and ordered rule (Stoker, 1998). So, governance is the means by which this collective action is coordinated in order to co-develop processes that deliver the ordered rule necessary for the achievement of the strategic objectives. Robust governance practices support the delivery of corporate objectives and institutionalise good working practice at the project level.

There are various levels of governance. At the highest level, corporate governance is concerned with board composition, roles and characteristics, and organisational structure and process, in order to develop, implement and monitor corporate strategy (Bebchuk, Cohen and Ferrell, 2009; Hart, 1995; Korac-Kakabadse and Kakabadse, 2001). IT governance, due to its pervasive nature, is often viewed as an integral part of corporate governance. The primary goals of IT governance are to mitigate the risks that are associated with IT and to ensure that the investments in IT generate business value. This can be done by implementing an organisational structure with well-defined roles for the responsibility of information, applications, business processes and infrastructure. As Korac-Kakabadse and Kakabadse (2001) argue, central to IT governance is how IT creates value that seamlessly integrates with the overall corporate governance strategy of the organisation. The integration of the two forms of governance is highly desirable as it has been shown that factors (e.g. risks, security) that significantly impact on corporate governance will cascade to IT governance and vice versa.

This approach engages stakeholders in decision-making, creates a shared acceptance of responsibility for critical systems and ensures that IT related decisions are made and driven by the business and not vice versa. IT governance can be viewed from diverse perspectives: organisational capacity exercised by the board, executive management and IT management (Peterson, 2004); the requirement for governance as leadership (IT Governance Institute, 2003); achieving the fusion of business and IT (van Grembergen, 2002). Next is the Governance of Outsourcing (IT Governance Institute, 2005) which can be viewed as a subset of IT governance, and defined as: “the set of responsibilities, roles, objectives, interfaces and controls required to anticipate change and manage the introduction, maintenance, performance, costs and control of third-party-provided services” (p.7) – all of which integrate seamlessly to provide end-to-end governance to ensure operational activities satisfy the strategic objectives.

Given the growing trends, inherent challenges of offshoring and the various levels of governance, it becomes necessary to examine how IT and business activities are aligned to achieve organisational goals. A search of key databases such as ABI Inform Global (Proquest), Business Source Complete (EBSCO) and ScienceDirect, using search strings such as offshor*, outsourc* and governance found over 2,517 articles. Ordered by relevance, a review of the title and abstracts of the top 100 articles revealed a dearth of academic and practitioner literature on the governance of IT captive offshoring arrangements. In the absence of existing literature, Simon, Poston and Kettinger (2009) provide a meta-review of offshore outsourcing governance literature. Although they do not offer any explanation for captive arrangements, they provide an initial template from which to broaden their research to captive offshoring arrangements. Their study provides nine attributes of outsourcing governance: “Type of Relationship, Type of Contract, Communication Methods, Vendor Staff Location, Trust Building Methods, Work Coordination Methods, Information Flow, Communication Challenges Experienced and Value Delivered” (Simon et al. (2009, p. 112). Through the use of a single case study and the use of grounded theory, Project 3 uses governance as a theoretical lens through which to examine the working practices of a captive offshore engagement.

The findings show that a novel type of governance, “governance as coexistence”, the coexistence of apparently opposing factors: balancing the needs of the onshore and offshore teams; demonstrating dual (client and supplier) business value, and facilitating the creation of ideas and intervention points while implementing good working practice for the smooth running of the project. This conceptualisation of governance is somewhat different from the other types that have obtained before in the literature, as it provides some measure of balance and cohesion between two somewhat opposing and dichotomous factors. Governance on the project was operationalised as a holistic set of end-to-end co-developed processes that redressed the apparent imbalances for the collective action of the teams, allowing for the delivery of greater business value.

1.3 Research Methods

This section discusses the research questions, the ontological and epistemological foundations and finally the chosen research designs.

1.3.1 Research Questions

With the aim of answering the overarching DBA research question, “In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations?” three linked projects were undertaken. Project 1, a systematic review of the literature sought to answer the following review question “Why do multinational organisations choose to move information technology (IT) services offshore?” This systematic review of the literature was undertaken by interrogating the three identified domains (International Business, Strategy and Information Technology) in which offshoring is

most prevalent, for the underlying reasons to offshore. The conclusion from this project was a list of 10 reasons for offshoring. To provide initial insights into the problems faced by UK managers, Project 2 examined the research questions “In the context of captive offshore IT projects what are managers’ perceptions of the differences when managing software development and software maintenance projects? What action do they take as a result of these differences?” The result of this was the operational implementation challenges of offshoring.

Based on the findings of Projects 1 and 2, Project 3 was an empirical study based on the question “How do organisations achieve the strategic benefits of offshoring while overcoming the operational challenges of captive offshore project delivery?” The aim was to examine the interplay between ‘reasoned justification’ (Project 1) and ‘strategic instrumental action’ (Project 2) thereby providing the answer to the Project 3 research question. The synthesis of the findings of the three research/review questions provides the answer to the overarching DBA question.

The ontological and epistemological foundations that underpin the empirical studies, Projects 2 and 3, will be discussed next.

1.3.2 Ontological and Epistemological Foundation

A step towards answering these questions and setting the context for the research method is to examine how research in the social sciences should be conducted and to understand the different theoretical explanations of how individuals interpret the differences in their social reality in relation to the offshoring phenomenon. Two contrasting approaches to social science research emerged: positivism and social constructionism (Easterby-Smith, Thorpe and Jackson, 2008). The central concept of positivism is that the social world exists externally and that knowledge is measured through objective methods. In contrast, the position of social constructionism (Berger and Luckmann, 1966), an interpretive approach, is that persons and groups interact within a social system form and over time, socially constructed representations of each other’s actions, and that these concepts eventually become habituated into reciprocal roles played by the actors in relation to one another.

The ontological and epistemological basis of this Thesis assumes that social reality is relative and that ideas are representational, as a result of which the perspective I have adopted within this Thesis is strongly biased towards social constructionism. With regard to my epistemological stance, it is my belief that the basis of knowledge is more interpretive and sociologically oriented towards the interpretive tradition in which social realities such as offshoring are assumed to be social constructs. My ontological foundation is relativism, which assumes multiple, apprehendable and sometimes conflicting social realities are the products of human intellect, as is the case in Projects 1 and 3, but may change as their constructs become more informed and sophisticated. As Brown and Duguid (1991, p. 40) suggest, “Practice is central to understanding work. Abstractions detached from practice distort or obscure intricacies of that practice.

Without a clear understanding of those intricacies and the role they play, the practice itself cannot be well understood.” So, in relation to the research questions for Projects 1 and 3, it is important to explore the ‘actors’ varying understandings of the captive offshoring phenomenon under investigation. Furthermore, the ontological and epistemological foundations have driven the chosen research method and conclusions which were reached by discovering the characteristics and interpretations of offshoring from the respondents.

1.3.3 Choice of Research Methods

This section discusses the research methods used for Projects 1 and 3. The choice of the research method for each of the projects is outlined in Table 2.

Table 2 – Research Method for Each Project

| Project | Research Method |
|----------------|--|
| Project 2 | Grounded theory |
| Project 3 | Grounded theory within a single case-based study |

1.3.3.1 Grounded Theory

As discussed in the preceding section, offshoring is assumed to be a socially constructed phenomenon which draws on the interpretive research tradition in which the social realities of the actors are explored. In addition, little research exists in the captive offshoring area (Prikladnicki, Audy, Damian and Oliveira, 2007; Prikladnicki, Audy and Shull, 2010; Ramamani, 2006), given that the purpose of this research is to develop theory, not to test it. The use of interpretive approaches within organisational and management science has increased substantially during the past three decades (Sandberg, 2005) and offers a number of methodological alternatives used to explore issues at either an individual or group level (Wolcott, 1992). These methodologies embrace ethnographic methods, discourse analysis and phenomenology which are suitable for understanding individual perceptions but poor at collective meanings; and case-based and grounded theory methods which are suitable for understanding collective meanings. Given the suitability of grounded theory for understanding the collective meaning, this led to its selection as the chosen research method for Projects 2 and 3 with minor variations in the application of grounded theory for each project, which will be discussed.

Grounded theory was developed by Glaser and Strauss (1967) as a practical method for conducting research that focuses on the interpretive process by analysing “the actual production of meanings and concepts used by social actors in real settings” (Gephart, 2004, p. 457). They argue that new theory could be developed by paying careful attention to the contrast between “the daily realities [what is actually going on] of substantive areas” (Glaser and Strauss, 1967, p. 239) and the interpretations of those daily realities made by those who participate in them (the “actors”). They reject positivist notions of hypothesis testing and falsification and instead describe an organic process of theory development. This is based on how well data fit conceptual categories

identified by the researcher, by how well the categories predict or explain ongoing interpretations, and the relevance of these emerging categories to the core issues being observed. Glaser and Strauss (1967) most significantly offer a middle ground compromise between extreme empiricism and complete relativism by articulating systematic data collection for theory development that reflects the interpretation of actors and their social surroundings. Corbin and Strauss (2008) go further to emphasise an elaborate process and terminologies for how researchers should gather field data and discover theory using a hierarchical structure of categories (axial coding). Two approaches to grounded theory have emerged, Glaserian and Straussian (Halaweh, Fidler and McRobb, 2008). Table 3 presents a summary of the differences between these two approaches.

Table 3 – Points of Disagreement between Glaser and Strauss (Easterby-Smith et al., 2008)

| | Glaser | Strauss (and Corbin) |
|-------------------|--------------------------------------|--|
| Researcher roles | Maintain distance and independence | Active interrogation of data |
| Theory | Emerges from data | Arises from theorist/data interaction |
| Ontology | World is “out there” | Reality and experience are constructed |
| Pre-understanding | Avoid literature from immediate area | Flexible approach, insight from many sources |

The Straussian approach was considered to be more suitable for Projects 2 and 3 for four reasons: first, their approach supports active interrogation of the data which was undertaken with highly iterative data collection and analysis processes on both projects. Second, the theory emerged from the interpretation of and interaction between the researcher and the data; in addition to which axial coding was used to make connections among categories and subcategories, represented in hierarchical structures. Third, the Straussian ontological foundation is consistent with that taken in this Thesis which assumes that captive offshoring is a socially constructed phenomenon. Finally, for Project 3, Strauss advocates a pre-understanding of the phenomenon under study. In this study, a template on outsourcing governance best practice (Simon et al., 2009) was used for initial data collection and analysis.

To enhance rigour, the systematic data collection and theory development processes were reported with transparent descriptions, particularly regarding how the theory was inducted from the data. Furthermore there was little directly relevant literature (Ramamani, 2006) for both empirical projects and the purpose of the research was to develop theory. An inductive approach taken for both studies is considered consistent with both the research goals and with the predominant methodology and assumptions used in similar studies (e.g. Isabella, 1990; Sutton, 1987).

1.3.3.2 Case study approach

Project 3 was a single case, single site study. “Case studies used to frame research in terms of the importance of a phenomenon are considered appropriate to use in projects such as this one”, i.e. captive offshoring, “where existing propositions do not exist” (Eisenhardt and Graebner, 2007, p.26). Furthermore, this research is concerned with the interpretation of the actors within a particular setting which strengthens the choice of the case study approach as the methodology. Case studies can involve either single or multiple cases (Yin, 2002). An exploratory single case study was adopted for this study for the following two main reasons: first, it is consistent with the epistemological approach adopted for this study, advocates of single cases generally come from a constructionist epistemology; those who advocate multiple cases usually fit with either a relativist or positivist epistemology (Easterby-Smith et al., 2008). Second, Stake (2006) advocates for qualitative case studies and distinguishes between instrumental (using specific cases to develop general principles) and expressive (cases purposefully selected for being information-rich, their unique features may be generalisable) studies. The latter is the interest of this study, theory generation from a single case study exploiting the unique richness of qualitative data from a specific information-rich organisation which may, or may not be generalisable to other contexts. The research required a highly targeted and focused approach that illuminated the discussion on governance in captive offshoring; therefore, it specifically focused on collating the individual perspectives. For these reasons, a single site case study approach to an information-rich organisation was advocated on the basis that the organisation is seen as a benchmark providing illuminative insights into the captive offshore governance practices, making the cases within it “critical” (Patton, 2002). The case study is used to support theory building in an exploratory way and, as Buchanan notes, is based “not on representativeness, but on opportunity or potential for learning” (Buchanan, 1999: p. 77).

Validity and Reliability

In a case study, an individual person or enterprise is seldom the target of a social enquiry. Unfortunately, it is such single objects that are usually thought of as “cases” (Stake, 1978). Often a case is thought of as a component member of a target population and since single members poorly represent whole populations, the case study is seen to be a poor basis for generalisation. The case can be whatever “bounded system” is of interest, it need not be a person or enterprise, as in this study, i.e. the interrelationship between the subsidiaries of the organisation. The boundaries are constantly kept in focus and they are characterised by giving great prominence to what is and what is not “the case”. What is happening and deemed important within those boundaries is considered vital and determines the content of the study. Generalising from qualitative research may well have good reason to be able to do so. Good reason means that if the generalised decisions are made on the basis of the soundness of the findings from the

qualitative research – i.e. when the findings are applied more generally – it may be found that the generalising proves to be valid and reliable (Stake, 1978).

1.3.3.3 Organisation Selection

The availability of access to target organisations was a key consideration for Projects 2 and 3. The DBA programme is specifically geared towards senior professionals who wish to undertake research that has the potential to address business issues, where possible, within the researchers' organisation. Project 2 was conducted within the organisation that I worked for at the time of the research and Project 3 was conducted in an organisation for which I had previously worked. I had been fully immersed in the offshoring phenomenon and as such could be regarded as an “insider” (Kemmis and McTaggart, 2000) due to my personal experiences of offshoring which was used as a basis for understanding events and activities as they unfolded. As an active participant and an offshore delivery manager, I was aware that my biases and assumptions about the phenomenon under investigation may influence my interpretations. Wherever possible systematic data collection and theory development processes were undertaken and reported with transparent descriptions, particularly regarding how the theory was inducted from the data. The purpose was to ensure rigour and to preserve the integrity of the experience of the respondents.

The selected organisation for Project 2 was a UK-based IT services organisation with a wholly owned captive offshore operation in India. As part of their strategic objective to reduce cost, improve efficiencies and competitiveness, the organisation had increased their captive offshoring operations. The organisation's aspirations were to, where possible, move existing and new client software services offshore. The UK was responsible for client management and project management and engaged the offshore subsidiary for the delivery of technical IT software services for their clients.

The case study for Project 3 was carried out in a different UK IT services organisation which employed 41,000 people globally with an annual turnover of £3.9bn. The selection strategy adopted an intensity sampling approach (Patton, 2002) seeking excellent or rich examples of the phenomenon under investigation. As a result of this, an information-rich organisation was selected that was capable of providing illuminative insights into its captive offshore governance practices and whose size and relative position in industry made the cases within it “critical” (Patton, 2002). The data for the case study were collected from a single major software services (development and maintenance) programme for a UK client. This client contract had been in existence for over ten years and recently received a third five year contract extension due to the client's satisfaction with the service provision. During the course of the contract, the client - vendor relationship had matured from a supplier into a strategic partnership. The account was run as a “managed service” in which the day-to-day IT management responsibilities were outsourced to the supplier as a method for improving operations.

Over time the delivery of software services and associated activities were transitioned to the supplier's offshore location.

1.3.3.4 Respondent Selection and Data Sources

For Projects 2 and 3, the data provided by the respondents were critical to developing the theoretical contribution. To this end, informed respondents were selected for both studies. The data collection method employed was consistent with the grounded theory approach. However, necessitated by their differences in research design, the interview format was different for both studies.

For Project 2 the participants were UK managers from four different organisational levels involved in managing projects with the captive unit in India, nominated by the head of the delivery management group. The managers were selected based on the appropriateness of their contribution and for the reliability of their account (Partington, 2002). Each nominee was subsequently contacted by phone or email to gain their consent, from which 12 respondents representing 80% of the organisations' UK managers agreed to participate in the study. An open-ended interview format was used as the data collection mechanism for two reasons: first, the lack of supporting documentation within the organisation and second, the absence of literature in this area to illuminate the research question. Conducting the interviews early in the study enabled full immersion in the data and heightened sensitivity to what was important to the respondents, since the overall purpose was to understand the world from the respondents' point of view (Partington, 2002). A highly structured interview format was rejected in favour of open-ended interviews due to the constraints it would put on the exploration of the key concepts, which would be inappropriate for this type of research (Kvale and Brinkmann, 2009). The open-ended interview format provided the opportunity to open up the dialogue between the respondents and myself, to help elicit information and also to encourage reflection on the part of the respondents. The interviews were recorded using a digital voice recorder and handwritten notes were captured on an ongoing basis during the interviews. An interview protocol was created around the two main research questions with three follow-on catch-all questions to provoke reflection on the part of the respondents (see Appendices A and B for the open-ended interview protocols).

For Project 3, a key factor in selecting the programme was that it represented the organisation's onshore/offshore delivery model under very challenging cost, time and value delivery pressures. In order to gain a rich selection of data, an even spread of key offshore and onshore respondents from different managerial levels within the specific programme were nominated by the onshore programme manager. This was done via an introductory email to gain their consent to participate in the study and also to introduce me to them. The nominees were subsequently contacted by email and phone, all of whom agreed to partake in the study. Further access to respondents was gained through what Arber (2001) describes as network or snowball sampling, where access was gained

through personal recommendation of the interviewees to another member of the population of interest. In total, 14 respondents representing 92% of the programme's managers took part in the study.

The data were collected from a variety of data sources. A semi-structured interview format was chosen as the primary data collection mechanism for three reasons: first, its suitability for use with the themes from the preliminary template from Simon et al. (2009) which were used to develop the nine main questions in the interview protocol (see Appendix C for the semi-structured interview protocol); second, to open up the dialogue exploring new themes within a loose structure; and finally, to fully explore the offshoring phenomenon. Other supplementary data sources included over 300 pages of project documentation and handwritten observation notes. Meeting observations were requested but this request was declined so, as an alternative, meeting notes were provided as part of the project documentation. The data analysis process is briefly outlined next.

1.3.3.5 Data Analysis Method

In accordance with the chosen method for Projects 2 and 3 and for robustness, the data collection, coding and analysis were carried out as an ongoing iterative process with the data analysis beginning after the second interview was conducted. The process was driven by the Straussian grounded theory approach which specifies that the data collection and analysis are carried out simultaneously. Emerging themes were constantly compared with existing data and follow-on points were explored during subsequent interviews. The audio files were professionally transcribed “verbatim” into an electronic written form using Microsoft Word format and each transcript was meticulously reviewed while listening to the audio files. The transcripts were edited for accuracy and context in instances where industry jargon had not been understood by the transcriber or in some cases where the accents had not been clearly decipherable (Kvale and Brinkmann, 2009). This process was repeated for all transcripts to get closer to the data, listening for inflections in the tone of the voice to provide greater context. Edited transcripts were sent to the respondents providing them with the opportunity to review their contributions, to preserve the integrity of their original accounts, no changes or amendments were requested.

In Project 3, the supplementary project documentation and handwritten notes were reviewed in conjunction with the transcripts to provide a deeper context. In cases where the documentation was found to be incomplete, further documentation or clarification was requested from the programme director. The reviewed transcripts and project documentation were then imported into NVivo, a qualitative data analysis tool, with each transcript and each document representing a “source” file. Preliminary categories (referred to as nodes) were organised into loose groups to capture all themes. For Project 3 the nine attributes from the initial template formed the preliminary nodes which were expanded upon, allowing the new attributes that related specifically to

offshoring to inductively emerge from the analysis of the data. As patterns and relationships began to emerge, the nodes were subsequently organised into tree node structures. The nodes were continuously modified, merging some and relating some to others using axial coding (Corbin and Strauss, 2008).

As the data analysis progressed, some nodes, originally thought to be relevant, appeared to trail off into nowhere and were deleted as they were not relevant to the research question or had been highlighted in other themes and areas. The signals of theoretical saturation were indicated after the tenth and twelfth interviews in Projects 2 and 3 respectively by the repetition of data, confirmation of existing conceptual categories and no new themes or concepts emerging from the data. The findings from the study will be discussed next.

1.4 Synthesis of Findings and Contribution to Knowledge

When addressing the overarching findings of this DBA research project, it was necessary to look at the individual findings of Projects 1, 2 and 3, then to integrate them in a meaningful way. To integrate and synthesise the findings from these three studies, I referred back to the research questions to provide a structured approach to the discussion.

| # | Research questions |
|------------|--|
| DBA | In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations? |
| 1 | Why do multinational organisations choose to move information technology (IT) services offshore? |
| 2 | What are managers' perceptions of the differences when managing software development and software maintenance projects? |
| 3 | How do organisations achieve the strategic benefits of offshoring while overcoming the operational challenges of captive offshore project delivery? |

What follows is a discussion of the synthesised findings, structured against the research questions. For specific and supporting data references, please refer back to the findings in Projects 2 and 3 (Chapter 3 and 4 of this thesis).

1.4.1 In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations?

The findings and contributions of the three projects are synthesised as a collective body of work to provide the answer to the overarching DBA research question. Central to this thesis are captive offshoring arrangements which, as suggested by the findings, present a significant depth of cross-cultural challenges when compared to traditional collocated projects. The peculiarities of captive offshoring include the degree of control the parent organisation has over its foreign subsidiary with both the onshore and offshore teams

belonging to the same organisation. Arguably, within such arrangements, there is a greater likelihood of a shared or at least similar organisation culture, with the shared overarching corporate objectives and jointly developed processes that together provide the interrelationships that underpin the governance model in the absence of a formal contract. As Penter et al. (2009) contend, effective captive governance is the means by which organisations coordinate, share and deliver benefits to their clients, including: the capturing and leveraging of knowledge, “cultural agility” in facilitating communication and promoting effective conflict resolution, and sharing of intellectual property. Consequently, informal working practices are allowed thrive and innovative ideas developed in an environment with limited constraints, thereby enabling the implementation of effective governance.

Of vital importance to the discussion in this thesis is the collaborative co-development of the governance process, which has been demonstrated to be more effective than imposed governance, thereby having a greater likelihood of delivering the strategic benefits identified in Project 1 while minimising the operational challenges of Project 2. These operational challenges that were experienced resulted from the nature of the governance processes development which was top-down and imposed. Evident from the findings is that Western management practices do not easily translate to other settings, even when supplemented with cross-cultural training. Given the challenges of cross-cultural working and the co-development of governance processes, of significant importance are the mechanisms and means by which these governance processes are developed and implemented. As argued by Stoker (1998), governance is concerned with creating the conditions for both ordered rule and collective action which cannot be externally imposed, therefore we have no option but to co-develop governance processes to achieve some form of reconciliation to meet the strategic objectives while minimising the cross-cultural effects. The main contribution of this collective body of work is the addition of the notion of the co-development of governance within captive offshore arrangements to Simon et al.’s (2009) governance of outsourcing.

Of significance is balancing this notion of co-development of governance with the strategic rationale outlined in Project 1. As demonstrated in Project 2, there must be a shift away from imposed processes because adopting such an approach was demonstrated not to work and neither does it serve to deliver the strategic benefits outlined in Project 1. In general, managers cannot simply worry about project outcomes without attempting to seamlessly integrate holistic processes that deal with these unique and real cross-cultural differences presented in order to achieve project success. As evident from the findings in Project 2, the imposition of governance processes resulted in cultural differences at national, organisational and project levels that were found to be too abstracted from real life experiences, difficult to operationalise and not wholly aligned to the larger cultural dimension studies (Hofstede, 1980; House, Javidan and Dorfman, 2001). Such delivery methods demand a heightened level of sensitivity to the cultural and geographic challenges of captive offshoring, referred to in the literature

(Gregory, Prifling and Beck, 2009; Penter et al., 2009) as cultural intelligence or cultural agility.

As revealed in this study, captive offshoring as a mode of governance (Ali and Green, 2012; Hutzschenreuter et al., 2011; Roza et al., 2011), is primarily about the management of the interaction between the onshore and offshore teams and ultimately the relationships. It is not simply about the engagement process but rather that central to the governance processes are the 'conditions' for process development and implementation. These are: first, the early engagement and development of the relationships between the onshore and offshore teams, suggested in the findings in Project 3 as the core building block for the offshore engagement; second, the joint responsibility for the co-development of people-centric governing processes; and third, the intelligent implementation of these holistic sets of processes not only to overcome the cultural implementation challenges but also for the co-creation of value. Therefore, of vital importance is finding the middle ground or the point of reconciliation between the opposing tensions, the interplay between the implementation challenges and the strategic objectives, as posited by Townley et al. (2003), thereby realising business value for both supplier and client alike.

Drawing on the Western versus Eastern notion of interdependent opposites in a "both/and" and similar to the "Yin" and "Yang" framework which when applied fosters reconciliation of the apparent polarities of such dichotomies as achieving the strategic objectives and the ability to overcome the operational implementation challenges. This would lead to the suggestion that establishing the relationship between the teams and the co-development of the processes becomes critical to achieving the objectives of the collective action. The operationalisation of effective governance was a set of holistic co-developed intelligently applied people-centric processes that originated from the collective action of the actors (onshore and offshore teams) and based on their working practices. This is consistent with Brown and Duguid's (1991) workplace practices which argue that working practices have a greater likelihood of effectiveness if they evolve from informal working practices and are thus easier to implement. Consequently informal practices thrive and innovative ideas flow in an environment with limited constraints.

In an environment with limited constraints, the essence of governance is the focus on mechanisms that do not rest on predetermined imposed processes, punitive action, recourse to authority and sanctions. Of greater importance are less prescriptive, more organic development processes derived from the teams' collective action and subject to improvements and modification over time. In comparison, the management processes for Project 2 were imposed, prescriptive and top-down; while in Project 3 the processes were co-developed from the bottom-up to suit the working practices of the engagement. The data suggest that the cultural implementation challenges experienced in Project 2 in organisation, national culture and communication differences were practically non-existent or seldom experienced in Project 3. Where these challenges occurred, the co-

developed processes had been tailored to limit the impact of these challenges with a keener focus on “active engagement” between the teams. This created a one team spirit in which there was greater collaboration and joint ownership for the outcome of the project delivery. The “cultural agility” was high and by implementing a working culture that encouraged a “one team” spirit (not a client/supplier relationship), empowering their offshore colleagues and building client intimacy, they were able to overcome the cultural nuances experienced in Project 2.

This conceptualisation and operationalisation of governance in captive offshore arrangements would suggest that it is closer in spirit to Kooiman and Van Vliet (1993) and Stoker’s (1998, p. 17) notion of “the creation of a structure or an order which cannot be externally imposed”. The logical conclusion then becomes that if governance cannot be imposed, then it has to be developed and in the case of captive offshore engagements it is co-developed. It is also significantly different from the other types of governance mentioned in the previous section and more multifaceted when compared to offshore outsourcing. Corporate governance is more concerned with guiding and constraining the controls and decision-making/implementation processes (Pound, 1995). It is concerned with processes that develop, implement and monitor corporate strategy (Korac-Kakabadse and Kakabadse (2001). “It allows organisations to work productively and efficiently, minimising corruption and providing managerial accountability; purveyors of finances get their entitled profits” (Shleifer and Vishny. 1997, p. 742). In addition, corporate governance can be seen to promote an ethical environment (Abraham, 2012). The various views and definitions of corporate governance apply some measure of control and constraint for the strategic good with a somewhat limited focus on the influences of the collective action of the actor engaged in governing. The differences can be attributed to three key peculiarities of the captive offshoring engagements: first, the teams belong to the same parent organisation with similar/shared objectives; second, the absence of a formal contract between the subsidiaries breaking down geographic and organisational boundaries; and third, the governance implementation is closely tied to and underpinned by a non-intrusive jointly owned process. Arguably the combination of these three peculiarities increases the likelihood of achieving some measure of consensus between the teams (actors) engaged in the collective actions, as suggested by Brown and Duguid (1991).

Given the above, an effective engagement for captive offshore arrangements can be described as the implementation of governance processes that gain some form of reconciliation between hitherto diametrically opposing factors. This is achieved with the co-development of governance processes through the collective action of the actors involved in the captive offshore engagement, processes that are suited to their working practices. These captive offshore engagements are heavily dependent upon the interrelationships between the actors for the achievement of the objectives of the collective action, and thus they must exchange resources and negotiate shared understandings of their delivery goals. Together these provide cohesion and the point of

reconciliation between the implementation challenges and strategic objectives while co-creating value for the benefit of client and supplier alike.

The findings support previous studies (Sharma, Stone and Ekinici, 2009; Weill, 2004; Willcocks, Feeny and Olson, 2006) which suggest that successful implementation of IT governance processes is a major contributor to the success of IT projects. The success of IT and project governance is also dependent on senior management's participation and good project management ability, thereby leading to the appropriate application of governance and processes. As Sharma et al. (2009, p. 44) found, "project management, project governance and IT governance are not the same thing; it is possible to have strong project management and weak project (and indeed IT) governance". The findings also support the idea that changing how offshore projects are governed with the implementation of an appropriate process plays a significant role in effective engagements. "This seems a better approach than relying on accidental success to deliver competitive advantage or by ignore unless there is a problem, then review and criticise!" (Johnstone, Huff and Hope, 2006, p.23).

The main contribution of this collective body of work is that it offers new and novel insight into the co-development of governance processes in addition to the construct of "governance as coexistence", presenting a new lens through which governance can be viewed and as such makes a contribution to the outsourcing governance literature. This is a pioneering study that utilises the theoretical knowledge of governance of outsourcing, paying specific attention to the emergence of captive offshoring attributes for governance, thereby providing empirical evidence for captive offshoring. A further contribution is to the body of knowledge on culture. As discussed in sections 1.2.2 and 1.4.3, it is evident from the very real-life cross-cultural differences managers experienced between India and the UK that the findings were at odds with those of the cultural dimension studies and were not wholly supported by the findings of this research. The typologies from the cultural dimension studies were found to be too abstracted, not applicable in some cases and ultimately difficult to operationalise in practice.

1.4.2 Why do multinational organisations choose to move information technology (IT) services offshore?

This project contributes to answering the DBA by providing the rationale for MNEs offshoring through a systematic review of the literature. The findings suggest that organisations move IT services offshore for ten reasons which have been found to be complexly overlapping with a considerable amount of interrelationship, as illustrated in Figure 2.

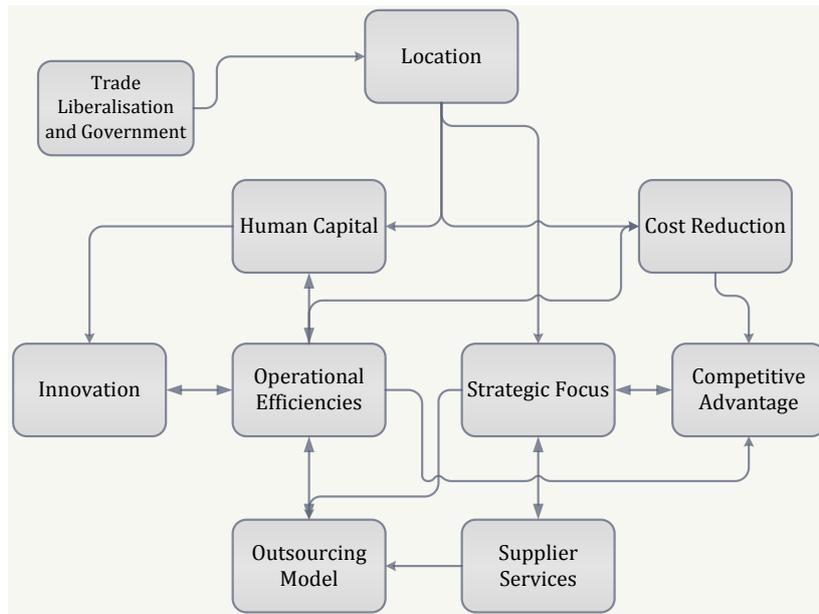


Figure 2 – Interrelationship between Factors

In order to attract foreign direct investment (FDI) and MNEs, developing countries have liberalised their trade and government policies (Joshi and Mudigonda, 2008; McCann and Mudambi, 2004); global companies have come to rely on India and other developing countries as the primary locations. “The location decision should be viewed as one in which firm’s trade off competing factors, seeking the best combination of cost reduction and other productive inputs such as the availability of infrastructure” (Doh, Bunyaratavej and Hahn, 2009, p.926); Dossani and Kenney, 2003; McCann and Mudambi, 2004; Tang and Trevino, 2010). MNEs have been shown to go offshore to gain access to prime cheaper locations in the emerging markets (Joshi and Mudigonda, 2008; Lacity et al., 2008) this provides them with access to cheaper and abundant “human capital” (Chandrasekaran and Ensing, 2004; Demirbag, Mellahi, Sahadev and Elliston, 2012; Henley, 2006). Organisations also choose to diversify by growing their global footprint as they prefer not to put all their eggs in one basket (Jain, 2011). The global footprint of the outsourcing vendor is critical for clients balancing their risk with value, flexibility and also maintaining competitive advantage (Hahn, Doh and Bunyaratavej, 2009; Javalgi, Dixit and Scherer, 2009).

Given the shift in outsourcing models from domestic outsourcing to overseas (Kedia and Mukherjee, 2009; Simon et al., 2009) offshoring has become an essential strategic tool for organisations worldwide as they strive to improve the quality of their processes while simultaneously managing their bottom lines (Dossani and Kenney, 2003). With outsourcing becoming a common phenomenon, factors such as operational efficiencies (Dhar and Balakrishnan, 2006; Nachum and Zaheer, 2005), cost reduction (Brandel, 2007; Kedia and Mukherjee, 2009), innovation (Lewin and Peeters, 2006), ability to maintain strategic focus (Giroud and Scott-Kennel, 2009; Koong, Liu and Wang, 2007) and concentrating on core competencies (Dhar and Balakrishnan, 2006; Kotabe and Murray, 2004) are some of the benefits. Dhar and Balakrishnan (2006) and Nachum and

Zaheer (2005) argue that knowledge seeking and efficiency seeking are the two most important explanations for international activity in information-intensive industries. Bhalla, Sodhi and Son (2008) find that large Western organisations have led the movement to offshore ITES to India and other countries in South East Asia.

This literature review synthesises the insights from these works by providing what appears to be the first comprehensive assessment of the reasons that influence or motivate MNEs to move their IT operations offshore. Much of the research in offshoring to date has been conceptual (e.g. Javalgi et al., 2009; Joshi and Mudigonda, 2008; Kotabe and Murray, 2004) or practitioner oriented (e.g. Brandel, 2007; Lacity, 2005; Ramachandran et al., 2004), with some of the empirical studies taking either a more case study-based approach (e.g. Dossani and Kenney, 2003; Levina and Su, 2008; Levina and Vaast, 2008), or relying on survey research in relatively small, focused populations.

In conclusion, MNEs may choose to enter into captive offshoring arrangements for all or some of the complex web of reasons or at any point in Figure 2. Though conceptually distinct, these traits of today's competitive landscape are somewhat related and can affect business operations. To sustain their business and competitive advantage, multinationals in various industries are restructuring the various activities in their value-chain by redeploying crucial resources to core areas of their business while gaining much needed flexibility and core focus.

1.4.3 What are managers' perceptions of the differences when managing software development and software maintenance projects?

Given the complexity of strategic reasons for offshoring as established in 1.4.2, this project contributes to answering the DBA question by examining the nature of the problems faced by UK managers when working with their captive offshore organisation in India. In so doing, the influences of the imposed nature of governance process in captive offshore engagements were explored. The study revealed cultural differences that were somewhat different from those described by the larger, seminal, cultural dimension studies, such as those of Hofstede (1980) and House et al. (2001). The findings presented the reality and a detailed picture of the managers' experiences in a captive offshoring organisation and can be grouped into three main categories: first, the differences at an organisation level – organisation structure, subcontractor relationships, non-co-location; second, differences associated with national culture – work ethic, skill level, empowerment; and finally, the differences in communication – language, face-to-face communication and formal written communication. These findings provide confirmation of the critics of the cultural dimension studies as being too high level, not grounded in reality, and too abstract to be operationalised (Avison and Banks, 2008; McSweeney, 2002; Wilson, 2005). Some of the cultural dimensional differences, such as larger power distance within the Indian culture and the stronger tendency of Indians towards uncertainty avoidance, have been supported by the themes in this study. At

odds with the cultural dimension studies was the finding that the Indians were less collective with shared objectives and common goals. There was no evidence from the data of any gender egalitarianism, attitude to time or long-term versus short-term thinking; these dimensional differences listed were not supported. The strong work ethic and career orientation of the Indians was one of the truly distinctive themes to emerge from the data of which there was no reference in any of the cultural dimension studies.

In addition, the data suggest that new forms of management and structures within loosely coupled global organisations have placed much of the intra-organisational interpretation responsibilities such as managing subsidiary relationships, directly in the hands of the managers. The data also suggest that implementation challenges experienced by managers in offshoring were not dissimilar to the concerns of implementation anywhere, in that structures need to be created, decisions made and communication channels established. This study has highlighted that the people who are selected to manage these cross-national relationships are also of prime importance as the executors of the corporate strategic objectives. Managing successful relationships requires a new breed of managers (Leiblein et al., 2002; Oza, Hall, Rainer and Grey, 2006). In fact, offshoring is still about project management but in a different way, with different ways of engagement and process implementation, different sets of skills, cultural agility and greater strategic awareness – all of which need to be recognised at the executive level where strategic decision-making is made.

In summary, the findings of the study present the operational implementation challenges that result from the imposition of governance processes as experienced by UK managers when managing captive offshore projects, which are the indicators of the mechanisms and means of the processes' development. Captive offshoring as a delivery strategy, and more recently a mode of governance, for software services poses unique implementation challenges for global organisations. The imposed set of governance processes by the onshore organisation serve to mask the informal working practices of those engaged in the offshore project. This notion is supported by Brown and Duguid (1991, 2000) who posit that both model and process differ from the informal working practices that obtain in the workplace. These findings have gone some way towards answering the research questions and presenting a real life, non-abstract representation of what obtains in practice. The organisational and national cultural differences will persist and remain an ongoing challenge until organisations are able to recognise and effectively manage the project level interaction between the regions, encourage cultural agility and provide the support for management practices of offshoring as a delivery strategy. This study makes a contribution to the body of knowledge on national culture; the findings have in a few cases supported some of the major cultural dimensions, and provided some novel additions in addition to challenging the findings of these dimensional studies by confirming that their typologies may not be universally applicable.

1.4.4 How do organisations achieve the strategic benefits of offshoring while overcoming the operational challenges of captive offshore project delivery?

Project 3 contributes to the DBA question by setting out an empirical question that resolves the interplay between the opposing strands of the strategic objectives for offshoring (Project 1) and the implementation challenges (Project 2) associated with the management of a captive offshore engagement. This empirical question was resolved by implementing collaboratively developed people-centric processes that enabled the two opposing strands – the operational implementation challenges and the strategic objectives – to coexist. Behind this conception of “governance as coexistence” is the argument that rationalisation comprises two strands: reasoned justification – the strategic objectives for offshoring; and a strategic, instrumental action – the ability to overcome the operational implementation challenges that result from imposed governance processes, as revealed in Project 1 (Townley et al., 2003). The resolution of the interplay between these two opposing strands is achieved in the coexistence of the strategic objectives behind offshore working and the implementation challenges of offshore working.

This type of governance “Governance as coexistence” between the operational implementation challenges and strategic objectives was derived from the collective meaning of governance by senior project personnel. Their description of governance centred on the coexistence of apparently dichotomous factors: balancing the needs of the onshore and offshore teams; demonstrating dual (client/supplier) business value and facilitating the creation of ideas and intervention points while implementing good working practice for the smooth running of the project. Governance on the project was operationalized by the implementation of a holistic set of co-developed people-centric processes that redressed the apparent imbalances of the collective action of the teams, allowing for the delivery of greater dual (client/supplier) business value. The dichotomous factors were seen as interdependent and coexisting, bringing some measure of cohesion to the engagement. Consistent with Chen’s (2002) “middle ground” approach, two opposites (such as “self” and “other”) may be interdependent in nature and constitute a totality (“integration”). This is a means of transcending the conventional Western conceptualisation of exclusive opposites versus Eastern thinking of mutual coexistence. It suggests how the concept of interdependent opposites in a “both/and” similar to that of “Yin” and “Yang” framework can be applied to foster reconciliation of the ostensible divergences of such dichotomies as the strategic objectives and implementation challenges. Given that the interdependent opposites achieve some form of reconciliation, governance as coexistence can be viewed as identifying the power dependence or interplay involved in the relationships between those actors engaged in collective action for the collective good.

The main contribution of Project 3 is this “middle ground” contextualisation of governance, providing a novel addition to the outsourcing governance literature as, to date, the literature has remained silent on the contextualisation of governance in captive

offshoring arrangements. The various typologies of governance in the literature include the following: structure and order; Kooiman and Van Vliet (1993) and Stoker (1998) posit that governance is ultimately concerned with creating the conditions for collective action and ordered rule which cannot be externally imposed; public effectiveness: new management practices by which governance theory is put into action (Mathiasen, 1996; Peters and Pierre, 1998); controlling and alignment: IT governance as an integral part of corporate governance due to the alignment with business activities (Ko and Fink, 2010; Korac-Kakabadse and Kakabadse, 2001); steering and monitoring: Pierre (2000) state–society relations in the larger social system “steers” and society and the economy through political brokerage, defining goals and making priorities.

A discussion on the overarching research findings and contributions will follow next.

1.5 Discussion of Research Findings and Contribution to Knowledge

When addressing the overarching findings of this DBA research project in the previous section, it was necessary to examine the individual findings of the three Projects and then to integrate them in a meaningful way. What now follows is a discussion on the synthesised findings and contributions, culminating in a discussion on effective engagement for captive offshore IT projects. For specific and supporting data references, please refer back to the findings in the Projects in chapters 2, 3 and 4 of this Thesis.

This excerpt from Kooiman and Van Vliet, (1993, p. 64, cited in Stoker, 1998) is central to this discussion:

“The governance concept points to the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors.”

Given the above statement, the findings suggest that modern forms of organisation and management structures have placed much of the intra-organisational interpretation responsibilities such as managing the relationships; as well as the operational challenges of the organisation, directly in the hands of the managers. They are the individuals within the organisation that provide the critical link in the captive offshoring engagements and are an invaluable part of the organisation’s value chain. In order that these middle managers can be more effective in their roles, greater focus is required on the onshore/offshore interaction with more exposure to the strategic rationale behind offshoring. Furthermore, these managers must be empowered to make more contributions to the organisational decision-making process and in essence given greater responsibility over the means by which the governance processes are developed and implemented.

In recent times, captive offshoring has been examined in the literature as a mode of governance (Hutzschenreuter et al., 2011; Roza et al., 2011) and pivotal to this mode of

governance is the management of the intra-organisation relationships for the engagements. “Organisations choose governance modes based on their institutional environment, the offshoring behaviour of similar firms in their reference group, firm-specific characteristics and objectives, and the particular setting of specific implementations” (Hutzschenreuter et al., 2011, p. 291). As demonstrated in this Thesis, captive offshoring as a delivery strategy and mode of governance for software projects poses unique implementation challenges for global IT organisations. As argued by Relihan (2002), a centralised ‘command and control’ of information may be an efficient model when all aspects of the organisation are under the same umbrella, but is less efficient when cross-border open exchange of data and resources is essential for success. As evident from Project 3, the role of the manager is first and foremost one of facilitating, building and maintaining relationships with various offshore units engaged in the co-development of governance, then delivery execution, while balancing the long-term strategic objectives of the organisation. For intra-organisation governance relationships, no single team (onshore/offshore) can easily command, although one team may dominate a particular process of exchange. In this instance the onshore team may seek to impose control, but there will be a persistent tension between the wish for hierarchical authoritative action and dependence on the commitment and collective action of others (Rhodes, 1996). As demonstrated, governance is a highly interactive process because no single actor has the resource capacity and knowledge to tackle problems unilaterally, rather the bilateral relationship(s) becomes of paramount importance.

Governance as an interactive process involves partnership. As highlighted by Stoker (1998), it is possible to distinguish between principal-agent relations, systemic co-ordination and inter-organisational negotiation. The principal-agent partnership, like offshore outsourcing arrangements is when one party contracts another to undertake a particular task (Broadbent, Dietrich and Laughlin, 1996). The systemic co-ordination form of partnership goes a step further and organisations develop a shared vision and joint-working capacity that leads to the establishment of a self-governing network. This form of partnership involves ‘games about rules’, rather than ‘games under rules’, the former resulting in intentionally designed, chosen and adopted governance orders or structures. The inter-organisation form, which is closely aligned to the findings of this study, involves organisations blending their capacities in the negotiation of joint projects in which they are better able to meet their own organisation’s objectives (Jessop, 1998).

For captive engagements to be successful there needs to be some form of collective action between the teams for the achievement of their common goals. The condition for effective governance is not only based upon the relationships and co-developed process; this research has demonstrated that of significant importance are the mechanism and means by which these processes are developed and implemented. This will ensure the co-creation of value for the benefit of not only the actors engaged in the action (captive

offshore engagement), thereby delivering the broader desired strategic benefits. These jointly owned processes, tailored to suit the working practices can reduce the impact of the cultural differences highlighted in Project 1 as well as providing alignment to achieving the strategic objectives of the supplier and the client. In this instance, governance is not about sanctions (Peters and Pierre, 1998; Rhodes, 1996, 1997; Stoker, 1998), neither is it about the superimposition of processes as was discovered in Project 1. The co-development of governance is about the power dependencies between, and the empowerment of the actors involved in the collective action to make the right decisions and take ownership of their decisions. This type of governance, although novel, bears some resemblance to the others forms of governance such as: (de)composition and co-ordination involving defining a situation, identifying key stakeholders and then developing effective linkages between the relevant parties; collibration and steering which are concerned with steering and influencing relationships to achieve the desired outcomes; finally, integration and regulation known as 'system management' (Stewart, 1996), involving thinking and acting beyond the individual sub-system, circumventing unwanted side effects and developing mechanisms for effective collective action.

In conclusion, imposed top-down processes (as was the case in Project 2) did not present an effective way of resolving the organisation and cultural challenges experienced. These challenges were unique to the engagement and required active engagement and tailored processes that engender "commitment" to the processes rather than mere "compliance". As demonstrated by this study, there is a much greater likelihood of gaining commitment to the process of governance, if there is ownership through the co-development of processes, i.e. processes that are suited to the working practices of the actors engaged in the collective action, consequently commitment to the joint objectives resulting in a higher chance of achieving strategic benefit. The main implementation challenges experienced in Project 2 were non-existent or significantly reduced in Project 3 as the Project 3 processes had overcome them. In the case of captive offshoring engagements, effective governance is not about superimposed processes, sanctions or punitive measures; it is about the co-development, relationship building and partnerships, empowerment and engendering the commitment of those engaged in the collective action to deliver the business value.

1.6 Managerial Implications

This section of the Linking Document draws together the findings of the DBA research projects and considers the insights for practice in a very concise set of points. With this new understanding of captive offshoring and list of practical insights, a précis of what has been presented in great detail within this Thesis is for IT services organisations and organisations engaged in captive offshoring arrangements:

Underlining the fact that events have evolved and organisations no longer offshore/outsource for just cost savings or competitive advantages, in seeking the

inherent benefits of offshoring, organisations should give careful consideration to the risks and associated downsides of entering into offshore arrangements:

- i. This study provides real life empirical evidence that imposed governance processes do not work. Attention should be given to the means and mechanisms by which the governance processes are co-developed for the engagement and achievement of the desired benefits. Critical to the success of the engagement is building the relationships between the regions at the project level but of greater importance is the means.
- ii. Attention should be given to address the alignment between strategy and operations i.e. the return on investment from IT projects. This can be achieved with the development and implementation of good governance that originates from the team. This is especially true when managing operations such as captive offshoring projects which go beyond the bounds of traditional projects and cross international boundaries.
- iii. As strategic decisions are usually made by the senior executives and the operations executed by middle management, there is a high likelihood of a misalignment between the strategic and operational layers. Therefore greater empowerment and engagement of middle managers becomes essential to implement governance practices that are more likely to satisfy the strategic objectives.
- iv. Competitive advantage is not achieved by outsourcing alone but by managing the outsourcing arrangement, i.e. the engagement process, most effectively. As argued by Chung, Yam and Chan (2004), the challenge of global sourcing is to have a sourcing model that is difficult to be imitated by competitors. Therefore unique competitive advantage is not the act of offshoring but rather how well the offshoring engagement is managed. Fundamental to the management of the processes is the engagement between the regions and the resultant relationships that are formed that will sustain the engagement and deliver the benefits and business objectives.
- v. There is a greater likelihood of achieving the business objectives if greater attention is given to the value of informal working practices of the actors involved in the engagement (Brown and Duguid, 1991), thereby allowing for greater ownership of the process development and intelligent implementation of the process. The findings from Projects 1 and 2, the known operational challenges in combination with an organisation's strategic imperative, illuminate our understanding and could inform the design and implementation of tailored people-centric processes that have a greater likelihood of success in the specific global engagement.
- vi. The importance of building sustainable intra-organisation relationships is critical to managing the engagement between the onshore and offshore teams. In

addition, proper implementation of holistic end-to-end processes is critical to achieving good governance. The chances of minimising the effects of the implementation challenges whilst achieving the strategic objectives are greatly improved if these processes are developed out of, and tailored towards, the working practices and peculiarities of the organisation and team members.

In conclusion, this Thesis provides a new and novel insight into the benefits of governance processes that are co-development as opposed to externally imposed processes. The findings of this Thesis present a good opportunity to apply this means of governance development to multinational engagements that are experiencing similar tensions in their offshoring and outsourcing operations. There needs to be the realisation and acknowledgement that in cross-border engagements there will be cultural differences which, if not carefully, managed can adversely affect the outcome of such engagements. These tensions can be resolved with the collaborative design and intelligent application of people-centric processes that are developed to suit the working practices of those involved in the collective action.

1.7 Limitations of the Study and Areas for Future Research

The limitation of the Thesis and directions for future research are discussed in this section.

1.7.1 Limitations of the Study

There are six main overarching limitations of this Thesis:

There is sometimes a confusing and interchangeable use of terms such as outsourcing, domestic outsourcing, offshoring and offshore outsourcing. The academic and practitioner literature consulted for this Thesis spans over 10 years during which time consensus on the definition of terms has slowly emerged. In this Thesis, every endeavour has been made to apply these terms in a consistent manner.

As an aspiring researcher, this Thesis represents an account of my interpretation of reality adopting an interpretive research stance where a notion of objectivity does not apply (Sandberg, 2005). As an active participant and an offshore delivery manager, my biases and assumptions about the phenomenon under investigation may have influenced my interpretations. The analysis represents my thinking at a point in time, my major consideration being the notions of honesty to the experience of those whom I have interviewed.

As I had previously worked with both organisations and was known to some of the respondents, there may have been assumptions that, due to my involvement in the initial offshore processes, I knew more than I did and consequently they did not go into as much detail as they might have. I sometimes had to remind respondents that no previous knowledge should be assumed.

This study was undertaken in two global IT services organisations with captive operations in India; therefore, it is possible they share similar points of views about offshoring. Furthermore, given that this study is highly UK and India specific, caution is advised about generalising these results to a wider context.

In Project 3 I adopted template analysis (King, 2004) in which an initial outsourcing governance template (Simon et al., 2009) was used as a preliminary template for data collection and analysis; however, I always remained open to unexpected and emerging themes. I adopted this approach to extend the existing body of work on outsourcing governance to captive offshoring and also to provide a basis to compare the findings with the outsourcing literature. Had I adopted a more inductive approach to the data collection and analysis, without the use of a template, the results may have been different.

Finally, in resolving the opposing strands, results from studies from two different organisations were compared. These organisations may have different structures which may not have been considered as part of the study. More research could be done across other organisations to obtain more representative results.

1.7.2 Areas for Future Research

It is hoped that this study will offer the avenue for others to undertake further research which will extend the body of knowledge into the captive offshoring domain. There are several areas and directions for future research:

Further research could be undertaken to extend this notion of the mechanisms by which governance processes are developed. This study examined two cases within the IT services industry, in order to extend and test the validity of the findings in this study further research could be undertaken across a wider sample to provide more representative findings.

Parts of this study were conducted from the perspective of UK offshore managers; in order to gain a more balanced view, further research with managers from other offshore subsidiaries should be undertaken.

Further research could also benefit from investigating the misalignment between corporate governance and project governance, looking beyond the bounds and thereby the principles of “governance as coexistence” in other areas outside outsourcing experiencing similar tensions.

The sample sizes of the empirical studies were conducted within two global IT services organisation. To gain a more representative view, a study could be undertaken that included a greater coverage of several IT services industries.

Further research could extend this single case study to a wider group of organisations thereby presenting results that are representative of the captive offshoring industry. More research could be undertaken adopting a similar interpretive study with a larger

sample size and the participation of a larger set of IT global organisations. Additional expansion of the proposed governance model through real-world cases that would provide verification.

1.7.3 Personal Learning and Reflections

The DBA process has been an enlightening and enjoyable journey. At the outset of the empirical research process in Project 2, I adopted a grounded theory approach unaware that the construct I was examining was governance; this was recognised later in the research process, at the point at which I engaged with the literature. The process was sometimes disorganised and demanded an advanced level of clarity of thought and focus which I sometimes feared that I had lacked. I have found the learning exercise a worthwhile endeavour that will see me in good stead for future qualitative research with a view to becoming a research professional. I have also learnt that it is important to establish my own identity, and to formulate my style, realising that the beauty of simplicity is imperative to my personal development.

1.7.4 End Note

Captive offshoring bears certain similarities to offshore outsourcing; however, as highlighted by this study, fundamental peculiarities remain which have not been appraised in the outsourcing literature to date. The novel findings of this Thesis support earlier studies that suggest that co-development of the process of governance, relationship and partnerships remains at the core of effective captive offshoring engagements. The study also supports the idea that changing how offshore projects are governed by taking into account the benefits of informal working practices thereby implementing people-centric process has a greater likelihood of achieving the team, project and organisational objectives. As Sharma et al. (2009, p.29) argue, “Whether this approach works or is advisable depends on the level of commitment and the stage at which this is implemented. This seems a better approach than relying on accidental success”.

Chapter 2 – Project 1

Why do multinational organisations choose to move information technology (IT) services offshore?

A Scoping Study and Systematic Review of the Literature

2.1 Part 1 – Scoping Study

2.1.1 Introduction

The overarching DBA question is: *In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations?* Offshore outsourcing appears to be a phenomenon that has its origins in some form of economic rationalism yet it has also run into fundamental cultural constraints that it has yet to overcome (Dibbern et al., 2008). It has become a popular trend in business over the last 10 years (Ramingwong and Sajeev, 2007). Offshore outsourcing also purports to offer organisations benefits, such as a qualified workforce at a lower cost, which can be advantageous in the highly competitive market for IT services. Given the increasingly global market for IT services, coupled with the rise of competitor companies in China and the Philippines (Dossani and Kenney, 2003), the pressures to improve the delivery of IT projects, while achieving cost savings, are likely to increase.

To contribute to the study of this phenomenon, this project (Project 1) will begin with a scoping study that examines the literature on offshore outsourcing. This will be followed by a systematic review of the literature which will examine the linkage between International Business (IB), Information Technology (IT) and Strategic bodies of literature to inform my DBA question. To this end the central research question for this Thesis has been added to with the following review question: *Why do organisations regard the offshoring of these IT projects as a viable alternative to traditional onshore models of project delivery?*

2.1.2 Developments

The developments in offshoring will now be examined. In 2004, Pfannenstien and Tsai's seminal paper offered a synthesis of the literature on services offshoring, and the noticeable lack of scholarly references in this paper reflected that there had been little academic discussion of this phenomenon. The first series of scholarly articles on this topic began to appear in 2002 with studies such as those of Carmel and Agarwal (2002); Dossani and Kenny (2003) in publications such as the *MIS Quarterly Executive*, and *Information Technologies and International Development*. One particularly important collection of articles can be found in the 2004 special issue of the *Indian Journal of Economic Business*, which contains 15 academic articles on offshoring. The articles mainly discuss the rise of offshoring as a phenomenon and the expansion of India's information technology, as well as human capital. Most practitioner-oriented articles had thus far focused on one of two issues: estimates of how many jobs had been or will be sent offshore, or an assessment of how advantageous offshoring really was once indirect and direct costs were taken into account.

Companies of varying sizes (small, medium and large) are increasingly outsourcing technical services to offshore locations as stated in the E-commerce and Development

Report (2003). As Gupta, Seshasai, Mukherji and Ganguly (2007, p. 16) state, “both large multinational enterprises (MNEs) and smaller companies face increased pressure to outsource non-core technical activities to countries with an abundant supply of highly skilled, low-cost workers”. There is a larger, political debate. “Offshoring generates broader political debates which underscore real concerns about the role of global trade and integration in an era of economic insecurity and uncertainty. Yet the business news, the broader media, and even the emerging academic literature often treat offshoring as a monolithic phenomenon” (Doh et al., 2009, p. 927). As an example, the *Wall Street Journal* in 2007 had front-page story which stated that “as many as 40 million American jobs [were] at risk of being shipped out of the country in the next decade or two” (Wessel and Davis, 2007, p. A1). Such views do little to advance knowledge, policy or practice. However, Dossani and Kenney (2007, p. 779) argue that “in less than six years, offshoring of services has evolved from an exotic and risky strategy to a routine business decision”.

Matloff (2004, p. 27), referencing a Gartner¹ study, projects that “25% of all US IT jobs will be moved overseas by 2010 up from 5% in 2008”. Offshoring refers to a very wide range of production and service delivery activities that cross borders; these may range from the offshoring of entire departments or functions to offshoring more routine activities such as data entry and call centres. This range of activities may differ considerably in related operational and managerial requirements. However, such activities have in common the extensive inclusion of IT/technical skills, fast pace technological change, and a relationship with information economics (e.g. issues of intellectual property preservation).

Offshore has flourished out of initiatives taken at both firm and country levels creating value for both firms and nations (Farrell, 2005). Countries have invested in human capital and infrastructure to facilitate offshoring practices while firms exploited low-cost solutions in the wake of the dot.com bust, (Lewin and Peeters, 2006). Developing nations such as Brazil, India and China compete to serve as hosts for offshoring ventures and have already demonstrated superior ability in the IT offshoring domain (Carmel, 2003a, 2003b). This competition and the industrial location decisions that follow have a direct impact on socio economic welfare, in addition to nations’ international ranking on various dimensions such as level of infrastructure development, market size, human capital, etc. These rankings, in turn, create a vibrant process of global changes in production and influence the attractiveness of offshoring locations. Thus there is an interaction between home country firms’ propensity to offshore projects and host nations’ propensity to attract offshore work. As Jain, Kundu and Niederman (2008) observe, it is desirable for scholars to understand the impact of the interaction on home nation firms to go for offshoring and for host nations to attract offshore activities.

¹ Gartner is an information technology research and advisory company providing technology related insight.

To summarise, with the rise of the Internet and use of IT, offshoring has become a popular option for MNEs seeking to exploit the benefits of moving to cheaper locations. This trend is set to continue for the foreseeable future. The following section will provide synthesis of the various factors that influence decisions to offshore from the main literature domains.

2.1.3 How Offshoring has Been Studied

From the discussion and review of the literature in the preceding sections, offshoring has been studied in the following literature domains: International Business (IB), Information Technology (IT) and Strategy.

In the IB domain, offshore outsourcing research on the make-or-buy decision (Grossman and Helpman, 2005) will typically be undertaken by MNEs due to their scale and size. Dunning's (1980, 1998) OLI approach (OLI is defined as three categories of advantage: "ownership advantages", "locational advantages" and "internalisation advantages") to multinational enterprise suggests the combination of location-specific, firm-specific, and internalisation advantages to explain FDI choices. A lack of empirical research in IB has produced limited results. Scholars have theorised that offshoring as a business practice is likely to occur in lower-wage locations (Grote and Taube, 2007); in contrast, a recent study cited in (Bunyaratavej, Hahn and Doh (2007, p. 7) found "a country is more likely to be a destination of services offshoring as the average wage of a country increases."

For the IT domain, recent advances in Information Technology and Communication (ICT) have made the argument for offshoring more credible, and offshoring opportunities plausible, within the IT services industry. Offshore sourcing of back-office services began in the early 1990s and since the year 2000, India has become the primary destination for offshore outsourcing of IT as well as IT-enabled services (ITES) Palvia (2007). The ongoing debate revolves mainly around the economic benefits of offshoring, but as already found, cost savings are not the only motivators for IT offshoring. Lovelock and Yip (1996) suggest that information services are amenable to internationalisation because of the abundance of inexpensive human capital in offshore locations requiring limited customer contact. This in turn allows organisations to focus on their core business as others (offshore centres) can generally carry out IT functions better, more cost effectively, and efficiently. The cost factor remains at the heart of the practical argument for offshoring put forward by organisations (Kumar, 2007), with inexpensive labour as the primary motivator Moxon (1975). The importance of the cost of production has been suggested (Ang and Straub, 1998; Wang, 2002). As Rottman and Lacity (2004) and Wang, Barron and Seidmann (1997) posit, a significant cost differentia has to become an ongoing business benefit before offshoring engagements can be considered worthwhile.

The strategy literature says that as firms continuously attempt to reduce uncertainty and maintain their competitive advantage, imitative behaviour will be observed as a strategy

for reducing uncertainty (DiMaggio and Powell, 1983) including information cues, thereby limiting the range of uncertainty (Levitt and March, 1988). Location provides a critical lens through which to view the intertwined issues of geography and the multinational organisation (Isard, 1956; Weber, 1909). Strategy scholars have theorised that offshoring is part of the global disaggregation of the value chain (McCann and Mudambi, 2005). Clusters of economic activity have been explored in recent research (Porter, 2000), in addition to the economies of scale resulting from supporting services, shared institutions and spillovers that result from locating in a vibrant business settings (McEvily and Zaheer, 1999). Competitive advantage, as expressed by Porter (1990), extended this work, proclaiming that “States can influence their competitive position by manipulating factor conditions to make them more specialised.” (p. 928). Manning, Massini and Lewin (2008, p. 45), posit that the “offshore space ... needs to be seen as a dynamic competitive environment in which locations arise and evolve specialised clusters of talent.”

Each of the literature domains has been reviewed but none has, as yet, offered a complete answer to the review question. Each of the literature domains offers a range of different theories that some of the time supports and at other times provides conflicting views on the rationale behind offshoring. There is still a lack of clarity on the motivating factors for organisations to move their operations offshore. It is argued that, given the complex and multidimensional nature of the various theories of the offshore outsourcing phenomenon, a systematic review of the literature is required to attempt to answer the review question which will be discussed in the following section.

2.2 Part 2 – Systematic Review

This section discusses the review question and the overall objectives of the systematic review methodology in which the detailed selection process, inclusion and exclusion criteria, keywords searches, and search strings will be described. The following section will provide a detailed audit trail, analysis of the literature, along with the presentation, discussion and conclusions of the finding.

2.2.1 Review Question

As established in the previous section, there is relatively limited empirical research on services and it is unclear what the extant literature is saying about the reasons why organisations engage in the offshore outsourcing phenomenon. Therefore a systematic review of the literature was deemed necessary. The review question will allow a better understanding of the offshoring literature and establish if there is a gap that can lead to further empirical research. This is an iterative process between the review question and the literature leading to a point where the question is a logical construct that is derived from the literature that precedes it. The Systematic Review will pose the following review questions of the literature:

Why do multinational organisations choose to move information technology (IT) services offshore?

As illustrated in Figure 3, my area of concern is the intersection of the relevant literatures in Outsourcing, IB, IT and Strategy, all within Offshore Outsourcing; therefore, the review question will not be disaggregated into three subject areas but rather the findings will be summarised and presented in an integrated way to answer the review question.

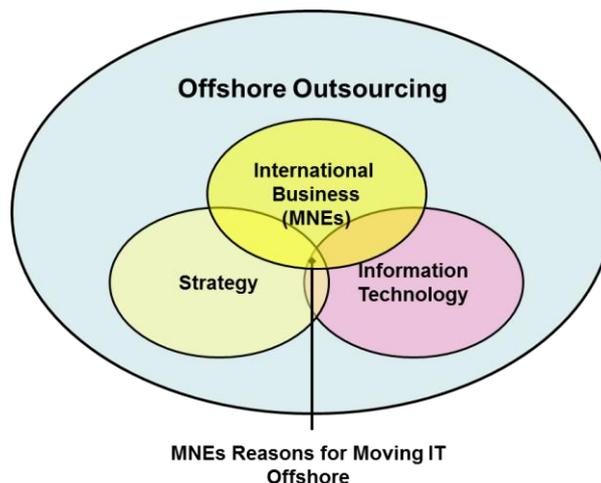


Figure 3 – Phenomenon of Interest – Offshoring

2.2.2 Methodology

Systematic reviews are literature reviews that adhere to a set of methods that synthesise all the relevant studies (of whatever design) in order to answer a particular question or

set of questions (Petticrew and Roberts, 2006). “Developing a systematic review allows the researcher to adopt a replicable, scientific, and transparent review process; in other words, a detailed technology, that aims to minimise bias through exhaustive literature searches of published and unpublished studies and by providing an audit trail of the reviewer’s decisions, procedures, and conclusions” (Cook, Mulrow and Haynes, 1998, cited in Tranfield et al., 2003, p. 209).

2.2.2.1 The Review Objectives

Systematic reviews are a good way of critically appraising, summarising, and attempting to reconcile the evidence in order to inform theory and practice. The value of systematic reviews is that they provide a synthesis of robust studies in the area; not only do they tell us about the current state of knowledge in this area but they also clarify what remains to be known (Petticrew and Roberts, 2006).

This section outlines the methodology adopted for carrying out the systematic review, together with explanations of the decisions taken to delimit the review scope. Figure 4 illustrates the steps taken in conducting the review. They begin with a systematic search for relevant literature, followed by selection based on applicability to the topic and assessment based on quality. The final step in the review process is analysis based on data extraction and synthesis.

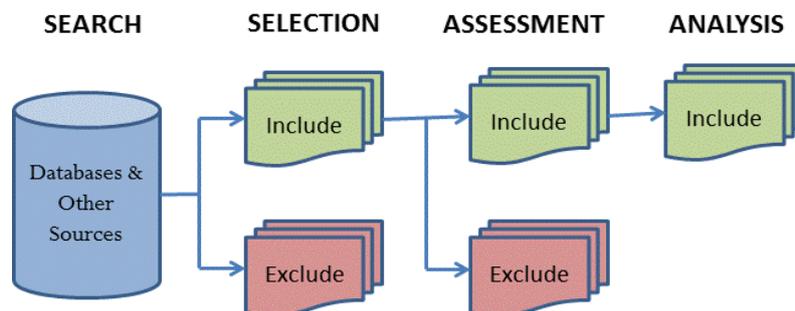


Figure 4 – Systematic Review Process

2.2.2.2 The Background to Systematic Review

In order to improve the quality of research, attention has to be paid to the existing state of knowledge to make an original contribution to the field. This focuses attention on clearly defined research gaps both to prevent wider fragmentation of research effort and to ensure that all pertinent information is taken into account when original research is designed. The systematic review method was initially developed in the medical sciences to provide a means for practitioners to use evidence provided by research to inform their decisions (Tranfield et al., 2003). The systematic review process reduces large quantities of information into a manageable working synthesis, establishes the generalisability of existing research findings, assesses the consistency of key relationships, and highlights inconsistencies or conflicts in data (Mulrow, 1994). However, existing literature reviews in management research have been criticised as being overly influenced by author bias due to their lack of rigour and relevance (Tranfield et al., 2003).

Whereas medical research enjoys considerable and extensive epistemological consensus, this is untrue of management research in general (Tranfield et al., 2003). This is an issue which will be a major factor in the proposed research, given the current status of the field. The systematic review process will improve the quality of subsequent research designs by clarifying the ontological and epistemological perspectives in existing research.

2.2.2.3 The Systematic Review Process

Cranfield School of Management has adopted the systematic review process set out below. The process outlines the step by step activities involved in a systematic review in Table 4. The following sections will describe how the process was carried out, give the results of the process and close with a review of the process.

Table 4 – Cranfield School of Management Systematic Review Process

| | | |
|----------------|---|---|
| Stage 1 | Planning the Review | |
| | Step 1 | Forming a review panel |
| | Step 2 | Mapping your field of study |
| | Step 3 | Producing a review protocol |
| Stage 2 | Identifying and evaluating studies | |
| | Step 4 | Conducting a systematic search |
| | Step 5 | Evaluating studies |
| Stage 3 | Extracting and synthesising data | |
| | Step 6 | Conducting data extraction |
| | Step 7 | Conducting data synthesis |
| Stage 4 | Reporting | |
| | Step 8 | Reporting the descriptive and thematic findings |
| Stage 5 | Utilising the findings | |
| | Step 9 | Informing research |
| | Step 10 | Informing practice |

2.2.2.4 The Review Protocol

The systematic review process required the researcher to do four things prior to conducting the literature search, analysis and synthesis: set up a review panel, define the search team and literature sources, and create a set of assessment criteria.

2.2.2.4.1 The Review Panel

The purpose of the review panel is to provide advice and guidance on both the research subject and the systematic review process for both academic and practitioner fields, thus ensuring both academic rigour and relevance to practice. The review panel members are outlined in Table 5:

Table 5 – Systematic Review Panel Membership

| Individuals | Roles |
|----------------------|--|
| Dr Jonathan Lupson | Supervisor/Systematic Review Expert |
| Prof Clare Kelliher | Panel Chair |
| Dr Liz Lee-Kelly | Panel Member |
| Ms Heather Woodfield | Information Specialist for Social Sciences |

2.2.2.4.2 Databases, Search Terms

The purpose of the search is to identify a comprehensive list of primary sources, both published and unpublished, which inform my research. My initial searches of the literature and guidance by my DBA supervisor resulted in the key papers in my area of study being identified. This also provided me with a list of keywords and potential search strings. The keyword list and search strings were presented to panel members in November 2010 for feedback and discussion. The search strategy has been an iterative process starting with initial, raw search strings and strategies, and refining them with each iterative result.

- **Electronic databases**

Based on the types of literature identified (scholarly journal articles, books, working papers/theses and industry reports) and the social science nature of my research, with the help of Ms Heather Woodfield, a social science information specialist at Cranfield University library, a number of databases were selected from those available at the Kings Norton Library, Cranfield University; these are listed in Table 6.

Table 6 – List of Databases

| Database | Marker | Rationale and Description |
|------------------------------|--------|--|
| ABI Inform Global (ProQuest) | DB1 | General business database that provides a manageable number of high quality results. |
| EBSCO | DB2 | General business database that provides a manageable number of high quality results. In addition to the searchable cited references provided for more than 1,200 journals, Business Source Complete contains detailed author profiles for the 20,000 most cited authors in the database. |
| ScienceDirect | DB3 | The general academic search engine which produces a large number of lower entries on business topics. Sources of information covered include peer-reviewed papers, theses, books, abstracts and articles from academic publishers, professional societies, preprint repositories, universities and other scholarly organisations |

Based on the trial search process and high recommendations from Ms Heather Woodfield, a decision was taken that ABI Inform Global (ProQuest) and Business Source Complete (EBSCO) would be the primary search databases, with ScienceDirect as the secondary database. This was based on ABI Inform having the highest number of high quality entries, and Business Source Complete providing a general comparator with regard to business academia. ABI Inform and EBSCO Business Source Premier are the two most widely used databases/search engines for business publications. They are both considered highly reliable and provide a thorough coverage of all sources of business publications. ABI Inform has several different databases including global, trade and industry databases. The searches described here use only the ABI/INFORM Global database which contains information on business, finance, economics, journals, company profiles and the *Wall Street Journal*. In EBSCO, the “EBSCOhostWeb” function and the Business Source Complete, E-Journal, Library, Information Science and Technology Abstract databases were selected.

Following advice from Ms Woodfield, publisher’s databases such as ScienceDirect were also included as a search engine because the subject matter involves the IT industry and some relevant literature may be published in these databases.

For other databases such as Blackwell, a decision was made to exclude these search engines because the sources found in Blackwell are highly likely to be found in EBSCO, ABI Inform or ScienceDirect search engines.

- **Search Terms**

From undertaking the scoping study, a set of search terms were defined that were related to each of the areas of literature relevant to my research subject. On the advice of Ms Woodfield, my search terms were kept simple, search ideas separate and searched by phrases for example “multinational enterpris*”. The use of the basic key phrase “offshor*” (with a wildcard used to capture both singular and plural usage) produced around 108,246 entries from ProQuest advanced search and each trial database except Google Scholar (which is particularly large). Similar results were obtained for “Outsourc*” (125,677). This presented unreasonable levels for the final checking stage using ProQuest. However, due to the interchangeable use of some of the keywords in the literature trials, with a combination of key terms such as “strateg*” or “outsourc*”, this narrowed the results down further, and more recent definitions were found to be more precise in this regard. Some examples of searches in ProQuest are listed in Table 7:

Table 7 – Examples of Searches in ProQuest

| | |
|--|--------|
| Offshor* AND Strateg* | 6,953 |
| Offshor* AND Strateg* AND Outsourc* | 1,510 |
| Offshor* AND Strateg* AND Outsourc* AND Information Technology | 897 |
| Offshor* AND Strateg* AND Information Technology | 2,927 |
| Outsourc* AND Information Technology | 55,076 |
| Outsourc* AND strateg* | 21,504 |
| Outsourc* AND Offshore | 911 |

Search terms were defined that relate to each literature domain as illustrated in Table 8:

Table 8 – Defined Search Terms

| Search Terms | Rationale |
|------------------------------------|---|
| Multinational Enterprise | |
| Multinational Enterprises | Standard term for large global organisations |
| MNEs | Synonym for multinational enterprises |
| Global Sourcing | Sometimes used as a synonym for global working |
| Offshore/Outsourcing | |
| Offshore | Standard term used to describe work overseas |
| Offshoring | Synonym – offshore |
| Outsourcing | Synonym – sometimes used interchangeably with offshore/offshoring |
| FDI | Sometimes used as a synonym for offshoring |
| Information Technology (IT) | |
| Information Technology (IT) | Term used to describe the information technology |
| IT Services | |
| Application Development | Term used to describe software development |
| Software Development | Synonym – Application development |
| Application Maintenance | Term used to describe software maintenance |
| Software Maintenance | Synonym for application maintenance |
| Information Systems (IS) | Sometimes used interchangeably with Information Technology or to describe database or IT applications |

Based on advice from Ms Woodfield, the abbreviation for Information Technology “IT” was avoided as this resulted in 72 million occurrences of “it”. The justification was that an author would not be inclined to use IT without having first defined it as information technology!

- **Search Strings**

Based on the search terms, search strings were defined that related to each of the literature domains relevant to the research subject. The same combinations, as outlined in Table 9 were used with the “AND” operator and used consistently across all three databases.

Table 9 – Search Strings

| Search Strings |
|--|
| Multinational Enterprises |
| multinational compan* OR multinational strateg* OR multinational enterpris* OR multinational corporation* OR multinational organi* OR global strateg* OR global enterpris* OR global corporation* OR global organi* OR international strateg* OR international enterpris* OR international corporation* OR international organi* OR international business |
| Offshoring |
| Offshor* OR outsourc* OR FDI OR global sourc* |
| Information Technology |
| Information technology OR information system* OR software development OR software maintenance OR application development OR application maintenance |

• **Search Process**

A search process was set out that defined how the searches would be carried out, what would be searched (full text, title, abstract or a combination of these) and when the searches would be terminated:

- Entry of first set of search terms combination including wildcard used to capture both singular and plural usage, into the database;
- Additional rows entered into the advanced search to cater for additional search terms;
- Search results will be ordered by relevance;
- Search were limited to publication after 2000 to limit the number of returns (IT offshoring is a relatively recent phenomenon which began in the IT industry post-2000);
- Searches on whole text where available, if not then on title and abstract only;
 - If the search results exceed 100 “hits” when whole text searching was used, then search will be limited to title and abstract only;
- If the searches produces 100 or fewer “hits” in either case, then the title and abstract will be reviewed for relevance to my research phenomenon;
- If search results continue to exceed 100 “hits” in the case of title and abstract searching, the search will be limited to titles only;
- When articles appear relevant from the title and abstract, the articles will be downloaded where possible, or full text versions requested via the inter-library loan service or from the British Library;
- If search results still exceed 100 hits, then all “hits” will be reviewed.

2.2.2.4.3 Literature Sources

Based on the scoping study, the following types of literature were identified as potentially being relevant to my research:

- Academic journals
- Academic texts
- Conference papers
- Working papers from universities
- Grey literature
- Information on the Internet
- Information from my work knowledge base

Alternative Sources of Information

A number of journals and alternative sources of information were identified that were not accessible via the above databases, but were likely to contain useful material (see Table 10):

Table 10 – Summary of Alternative Sources of Information

| Possible alternative sources of information | Details and current view |
|--|--|
| Journals not cited in the databases | As noted above, the choice of databases selected is likely to cover the majority of journals which feature work on offshoring and peripheral areas. |
| Books | Books will be referred to as there are now several titles which directly address cross-culture and IT project management and research methodologies. However, the main search focus will be on journals. |
| Working papers or unpublished papers (e.g. grey literature) | Query panel members for their knowledge of any relevant working papers or unpublished papers. Many working papers have been produced from trial searches of electronic databases. These will not be used in most cases as they have not been reviewed, though they will be considered if they directly address one of my research questions. |
| Documents on the Internet | These will not be used in most cases due to the lack of editorial control with regard to such information. |
| Personal request to subject experts/practitioners | These will be used more as a final check once the main database searches have been completed and to gain a second opinion on any particularly controversial articles. |
| Reports from relevant institutions: companies, public bodies, etc. | Certain reports from the Association of Project Management (APM) will be included, though these have been highlighted by the main database searches. |

2.2.2.4.4 Assessment Criteria

Criteria were developed for the assessment of literature on the grounds of its source, content and quality. The literature found through searching the databases would be subject to further assessment for rigour and relevance. Systematic reviews use three classes of criteria to achieve this:

- Inclusion criteria – does it comply with my predefined list of literature sources?
- Exclusion criteria – is the material relevant to the research phenomenon, based on my predefined exclusions?
- Quality criteria – does the material comply with the quality standards defined?

Inclusion Criteria for Title and Abstract Review

Inclusion criteria were developed from the initial list of types of source material. The purpose is to aid the selection of articles, books, conference papers, industry reports and working papers relevant to the research question and further review and synthesis. This process also provides transparency on which studies have been excluded from the systematic review as well as the explanation and justification for why an article has been excluded. Articles which have been included in the systematic review fulfil all of the inclusion criteria and none of the exclusion criteria. There are five steps in the selection as follows:

1. Search strings are entered into a search engine which provides a list of articles with titles, abstracts and keywords;
2. The selection criteria are applied to the abstracts;
3. A decision is made on each abstract about whether to obtain the full text article;
4. For those articles which pass the initial inclusion criteria, full text articles are obtained;
5. The full text selection criteria are then applied to the full article regarding inclusion in the systematic review.

The selection criteria of titles and abstracts were limited to the following criteria as given in Table 11:

Table 11 – Selection Criteria of Titles and Abstracts

| | Inclusion criteria for title and abstract | Description |
|-------|--|---|
| ICTA1 | Academic journal material relating to outsourcing and/or offshoring of information technology services | Academic research on offshoring of IT services published in journals across literature domains e.g. IT, IB, Project Management etc. |
| ICTA2 | Academic journal material relating to Information Technology services | Academic research on IT normally published in journals. |
| ICTA3 | Academic journal material relating to multination enterprise / multinational corporation / organisations / companies | Academic research on MNE normally published in journals. |
| ICTA4 | Academic journal material relating to strategy of multinational enterprise/ organisations/ companies | Academic research on MNE strategy normally published in journals. |
| ICTA5 | Practitioner material relating to outsourcing and / or offshoring of information technology services | The phenomenon of offshoring of IT services has been well documented in the practitioner literature such as neoIT, IT Insight, OffshoreViews, The McKinsey Quarterly etc. |
| ICTA6 | Practitioner material relating to information technology | A further source of practitioner material on IT. |
| ICTA7 | Practitioner material relating to multinational enterprise/organisations/companies | A further source of practitioner material on IT, White Papers etc. |
| ICTA8 | Studies conducted in the UK, US and Mexico, Canada, Europe, Asia and Australia | Developed countries looking to offshore to the developing world. |
| ICTA9 | Material is in English | Researcher limitation. |

Exclusion Criteria for Title and Abstract Review

Exclusion criteria were developed from the understanding of alternative uses of the keywords likely to be found during the systematic search, as outlined in Table 12:

Table 12 – Exclusion Criteria of Titles and Abstracts

| | Exclusion Criteria for Title and Abstract | Rationale |
|-------|---|--|
| ECTA1 | Exclude material that relates to offshoring in the oil and gas industry | Oil and gas industry is a completely different industry and referred to exploration and extraction operations mainly in the North Sea and elsewhere (Gulf of Mexico, the Falklands etc.) |
| ECTA2 | Sourcing or literature that do not directly address MNEs, offshoring/outsourcing, factors that influence companies to offshore IT service, i.e. distributed teams, project management, risk factors | These are outside the themes defined in my scoping study and do not directly add value in answering the research question |
| ECTA3 | Material not in English | Reviewer limitation |
| ECTA4 | Studies which have no author reference (excluding corporate authors) | This provides quality assurance for journal articles |

Full Paper Review Must Contain the Following:

Conceptual / theoretical papers must contain the following, as outlined in Table 13:

Table 13 – Selection Criteria Conceptual and Theoretical Papers

| |
|---|
| Discussion of the theories and/or conceptual frameworks used to create their theories or advance existing theories and conceptual frameworks. |
| Explicit theories, models or conceptual frameworks for supporting international business (IB), IT, global sourcing or outsourcing and strategy. |
| Frameworks for linking the various literature domains of IB, IT, global sourcing or outsourcing and strategy. |
| A theoretical review of earlier work. |
| An explanation as to why the described theoretical discussion is relevant and has contributed to knowledge or knowledge about practice. |
| A purpose and/or goal for developing the theoretical discussion or theoretical construct. |
| Clearly articulated description of areas of further research. |

Empirical papers must contain the following, as outlined in Table 14:

Table 14 – Selection Criteria Empirical Papers

| |
|--|
| Experiments, cases and/or research intended to develop the understanding of the following domains: IB, IT, global sourcing or outsourcing and strategy |
| Empirical study design which is valid and appropriate for the type of study conducted |

Methodological papers must contain the following, as outlined in Table 15:

Table 15 – Selection Criteria Methodological Papers

| |
|---|
| Epistemological and methodological assumptions which are clear and consistent |
| Provide clarity in their field of study and samples (size, description, distribution, etc.) |
| Provide information on the limits of the methodology |
| Research design is valid and concepts are grounded in theories |
| Results are consistent with respect to assumptions and conceptual background. If they are not, then a clear explanation of the inconsistency is given |
| Review of earlier methodologies to address the same question |

Exclusion Criteria for Full Paper Review:

The exclusion criteria are outlined in Table 16:

Table 16 – Exclusion Criteria Full Papers Review

| | Exclusion Criteria for Full Paper Review | Rationale |
|-------|--|---|
| ECFP1 | Sources that do not have reference to at least two of the following four themes: IB/ Multinational Enterprise, Strategy, IT, Offshore/ Outsourcing | Anything outside the three themes defined is outside the scope of this review and will not add value. |
| ECFP2 | Editorial notes or introductions | Editorial notes usually do not extend the work, but rather summarise the articles in a journal or are explicitly provided as an opinion. This is not a trusted source for the systematic review. |
| ECFP3 | Book Review Essay | There is too little information in a book review to assess whether a paper will be adequate for inclusion or exclusion. |
| ECFP4 | Industry or practitioner or organisation or conference presentations with no supporting evidence of assertions | Trade organisations which have guest speakers who provide their opinion on their empirically observed trends in the industry whose work has not been peer reviewed for accuracy and is therefore not a trusted source of information for the systematic review. |
| ECFP5 | Studies not conducted in the UK, US, Canada, Europe, Asia and Australia will be excluded | These will only include geographies that are directly related to my area or research. |

Quality Criteria

Assessing the quality of articles relies heavily on a reader's interpretation of them and this interpretation is limited, first by the reader's own knowledge, and second by the information about the study that is presented in the text. The journal article can be viewed as something of an autotelic artefact, complete within itself, and not dependent on its relation to the author's motivations or interests. From this standpoint, as a reader of the text, my judgements of quality (based on my interpretation, and limited by my knowledge), relate to the confidence level that the conclusions of the article follow the theoretical and methodological frameworks and subsequent analysis or interpretation presented. On this subjective basis, some simple quality appraisal guidelines were developed as set out below:

- Is the methodological quality clear and appropriate for the type of study performed?
- Are the theoretical position and/or arguments of the study clear if the paper has a theoretical stance?
- Is there any type of systematic or bias error in the study?
- How well does the study approximate the "truth" and act as a prerequisite for generalisability?
- To what extent can the study be generalised outside the scope of the initial study?
- Is there a contribution to existing knowledge?
- Are the compositions and key characteristics of any sample data clearly described?
- Is the analysis of any data presented in the study transparent and appropriate for the type of study conducted?

As each study was reviewed, the above questions acted as a "quality control" for conformity to agreed quality standards. An arbitrary scoring system was applied as follows: 0 = quality criteria absent from paper to 2 = study fulfils the quality criteria fully, or N/A = the quality criteria are not relevant for the specific study under review. All scores were entered into an Excel spreadsheet. The objective was to provide an average quality score for each paper and to establish a minimum quality score threshold for all studies included in the systematic review. There are many forms of qualitative evaluation; one of the examples provided by Dr David Denyer was selected because it appeared to be both broad and easy to apply. The rankings are provided in Table 17:

Table 17 – Academic Material Quality Criteria

| | Criteria | 0 (Low – Not Applicable) | 1 (Acceptable) | 2 (Significant) |
|--|---------------------------|---|--|---|
| Criterion 1 | Contribution to Knowledge | Not enough information to assess. Adds little to our knowledge of the field. | Contribution exists but is limited in importance. | Significant addition to our knowledge of the field. |
| Criterion 2 | Theory | Not enough information to assess. Inadequate theory review. | Theoretical basis is acceptable. | Excellent review of the literature. Eye opener! |
| Criterion 3 (Not applicable to Theoretical References) | Methodology/Data Analysis | Not enough information to assess. Inappropriate or limited samples, methodology or results. | Appropriate methodology and data analysis. Relevant results. | Adequate definitions and data samples. Good results. |
| Criterion 4 | Study Limitation | Not enough information to assess. No limitations mentioned or identified. | Limitations mentioned but relevance not explained. | Limitations and implications are identified and stated. |

Theoretical papers do not deal with data, so applying Criterion 3 relating to data collection, analysis, and validity is not appropriate.

Given the difficulties of assessing quality, the inclination was to include, rather than exclude, articles on quality criteria. Articles were excluded on the grounds of quality if there was no confidence that the author’s presentation included at least two of the four categories listed above.

Evaluation Criteria

After full text papers were evaluated for relevance, the remaining papers were evaluated for quality. The criteria for quality are shown in Table 18:

Table 18 – Rules for Quality Evaluation

| Basic rules of quality evaluation and review: | |
|--|--|
| R1 | Any paper that scores two 0s will <i>be excluded</i> . |
| R2 | Any paper that does not score at least one 2 will <i>be excluded</i> . |
| R3 | Any paper that scores all 2s will be treated as extremely valuable for research. |

2.2.2.5 Data Extraction Procedure

The purpose of this procedure is to accurately and consistently extract the data from all sources. The data extraction process will be to locate the articles in the electronic databases and all other sources. Specific categories of information were identified for each source.

For ProQuest and EBSCO, the journal article title, abstracts and article information were reviewed online and if they met the inclusion criteria they were selected online and then exported into RefWorks using the RSI web plug in. For ScienceDirect, a total of 7,891 items were returned and the following system-defined filters which met my review question were selected.

- Content Type: Journals.
- Journal/Book Titles: *International Business Review*, *Journal of International Management*, *Journal of World Business*.
- Topics: FDI, India, Firm, Multinational, IB, Software Information System, Technology transfer.
- Year: 2000 and later.

This resulted in 83 papers being selected and exported into RefWorks using the RSI web plug in for title and abstract review.

Folders were created in RefWorks for each of the data sources into which the selected articles were imported. This was useful as each article imported into RefWorks was tagged with the source from which it originated e.g. “Systematic Review Extract – EBSCO”. From all sources, a single folder was created which provided a comprehensive list of all the articles; this was named “Systematic Review – Selected” and was sorted by Author and Title to allow for the removal of duplicated items.

The selected categories for each journal article are listed as follows:

- Author of the article (01):
- Title of the article (04):
- Document name (05):
- Journal Title (10):
- Date of Publication (20):
- Volume (22):
- Month or season (23):
- Part (24):

- Page numbers (25):
- Empirical or theoretical? (26):
- Where was the study located? (27):
- What was the context / industry? (28):
- What was the sample size? (29):
- Method of data collection (30):
- Method of data analysis (31):
- Study characteristics (32):
- Database (38):
- Location of item (39):
- Include yes/no (40):
- Reason for exclusion (41):
- Key findings (42):
- Abstract (43):
- Sub-field of study (44):
- Keywords (45):

It is worth mentioning that (based on my research question) there was no way of identifying “factors” or “influences” in my searches; consequently, a manual, painstaking assessment of each useful article was undertaken to review the content for relevance. Details of the major search results will be summarised in the next section.

2.2.2.6 Search Engine Results

For all search engines, the details of each of the major searches are summarised in Table 19. A final total of 85 articles were eventually included for the full paper review.

Table 19 – Search Strings and Abstract and Title Summary

| Search String: AND Information technology OR information system* | | | | | |
|---|-----------------|--|---------------------|---|----------------|
| Marker | Database | Search String | Date | Databases | Results |
| DB1 | ProQuest | multinational compan* OR multinational strateg* OR multinational enterpris* OR multinational corporation* OR multinational organi* OR global strateg* OR global enterpris* OR global corporation* OR global organi* OR international strateg* OR international enterpris* OR international corporation* OR international AND Offshor* OR outsourc* OR FDI or global sourc* AND information technology OR information system* | All dates available | ABI/INFORM Dateline ABI/INFORM Global ABI/INFORM Trade and Industry – all articles | 416 |
| DB2 | EBSCO | multinational compan* OR multinational strateg* OR multinational enterpris* OR multinational corporation* OR multinational organi* OR global strateg* OR global enterpris* OR global corporation* OR global organi* OR international strateg* OR international enterpris* OR international corporation* OR international AND Offshor* OR outsourc* OR FDI or global sourc* AND information technology OR information system* | All dates available | Business Source Premier. Academic journals | 204 |
| DB3 | Science-Direct | multinational compan* OR multinational strateg* OR multinational enterpris* OR multinational corporation* OR multinational organi* OR global strateg* OR global enterpris* OR global corporation* OR global organi* OR international strateg* OR international enterpris* OR international corporation* OR international AND Offshor* OR outsourc* OR FDI or global sourc* AND information technology OR information system* | 1990 – present | Business, management and Accounting | 83 |
| Results of Search String | | | | | 703 |
| – Articles which had no authors or editors attributed to them | | | | | -35 |
| – Removed due to duplications | | | | | -93 |
| New Total | | | | | 575 |
| – Removed after Abstract and Title review – Inclusion criteria | | | | | -490 |
| Literature Search Total for Full Paper Review | | | | | 85 |

2.2.2.7 Process Review

From a practical point of view, the systematic review process departed little from the protocol proposed to my supervisory panel. Selection criteria were further refined after a first round of article reviews. At this point, it would be prudent of me to offer two comments on the procedure which could be useful for any future systematic review. The first is technical while the second relates to the process.

1. Technical comment: RefWorks was used as a data-store only for the references imported from the various databases; RefWorks was not used as the repository of information during the quality review and data analysis; Microsoft Excel was used instead. Excel handles export text files from RefWorks very well and is a much more flexible and intuitive tool for data analysis. This made Excel the logical choice to develop my tables, thereby maintaining a full audit trail. Similarly, using NVivo during the analysis phase was useful but time-consuming as the articles were imported in PDF and Word file format into the tool. NVivo was used for the analysis and categorisation of the articles in preparation for the synthesis and analysis phases.

2. Time remained a major issue when conducting the Systematic Review while having an extremely busy work agenda. Personally, this was the major issue encountered during the past few months. The provision of time needs to be addressed early on in the process by putting in place a realistic plan and step by step review structure without underestimating the pressure that the systematic review brings time-wise.

2.2.2.8 Description Analysis of the Field

2.2.2.8.1 Overview

The findings from the systematic review are presented in the next three sections. The subsequent two sections are concerned with thematic analysis and information synthesis, while this section presents a discussion of key attributes of the data. This descriptive analysis includes: statistics on the literature genre; studies published over time; studies by academic type; and, for empirical and practitioner papers, details on the industry focus or study context.

There were four key sources for the 85 papers that made the selection for the full paper review. The first source was from the search strings. Other sources include primarily the scoping study and a review of the cited papers in the “Reference” section and finally panel member paper recommendations. After the quality review and full text exclusion criteria were applied, a final total of **48** papers were selected for the systematic review. The exclusion reasons and numbers of excluded papers are contained in Table 20.

Table 20 – Summary of Articles’ Inclusion and Exclusion

| | | | | | Reason Excluded | | | | | | | | |
|-------|--|-----------|-------------|----------|-----------------|------------|--------|--------|--------|--------|--------|----|----|
| Stage | Name | Included | % Included | Excluded | Duplicate | No Authors | ECFP 1 | ECFP 2 | ECFP 3 | ECFP 4 | ECFP 5 | R1 | R2 |
| i | Database Analysis | 703 | – | – | – | | – | – | – | – | – | – | – |
| ii | Full Paper Review – including panel + scoping study papers | 85 | 11% | 610 | 93 | 27 | – | – | – | – | – | – | – |
| iii | Exclusion Criteria Applied | 57 | 63% | 28 | | | 18 | 2 | | 8 | | – | – |
| iv | Quality Criteria Applied | 48 | 91% | 9 | – | – | – | – | – | – | – | 6 | 3 |
| v | Articles for Coding and Narratives Inclusion | 48 | 100% | – | – | | – | – | – | – | – | – | – |

2.2.2.8.2 Audit Trail

This section provides the full audit trail of the analysis of all the 48 selected paper for the systematic review (see Appendix D for a detailed summary of the 48 papers).

2.2.2.8.2.1 Literature Domains

The literature results were based on the search terms developed from the scoping study. Table 21 illustrates the number of papers returned for these areas. Papers which address more than one of these themes were identified as “cross-over” papers.

Table 21 – Papers by Literature Domain

| Literature Domains | Paper Reviews |
|---|----------------------|
| Information Technology | 41 |
| International Business | 40 |
| Strategy | 33 |
| Outsourcing/offshoring | 37 |
| Cross-over Papers: | |
| <i>Information Technology + International Business</i> | 33 |
| Information Technology + Strategy | 26 |
| <i>Information Technology + Offshore/Outsourcing</i> | 29 |
| <i>International Business + Strategy</i> | 30 |
| International Business + Offshore/Outsourcing | 29 |
| Strategy + Offshoring | 24 |
| Information Technology + International Business + Strategy + Offshore/Outsourcing | 18 |

As can be seen, the highest numbers of the cross-over papers were concerned with information technology and IB. The focal theme around these papers was IT as an enabler for the growth of IB. An almost equal number discussed the influence of IT in strategy which had a broader focus on areas such as location, strategic partnerships and core competence focus. In addition IT and offshoring/outsourcing focused on chronicling the rise of both in the last decade.

2.2.2.8.2.2 Studies Over Time

For studies over time, illustrated in Figure 5, the trend indicates that studies between 2002 and 2003 flat-lined with no discernible growth in this period but a steady increase can be observed between 2003 and 2005 with significant peaking in 2008. This finding is not unexpected, and is consistent with the findings in the literature in the scoping study.

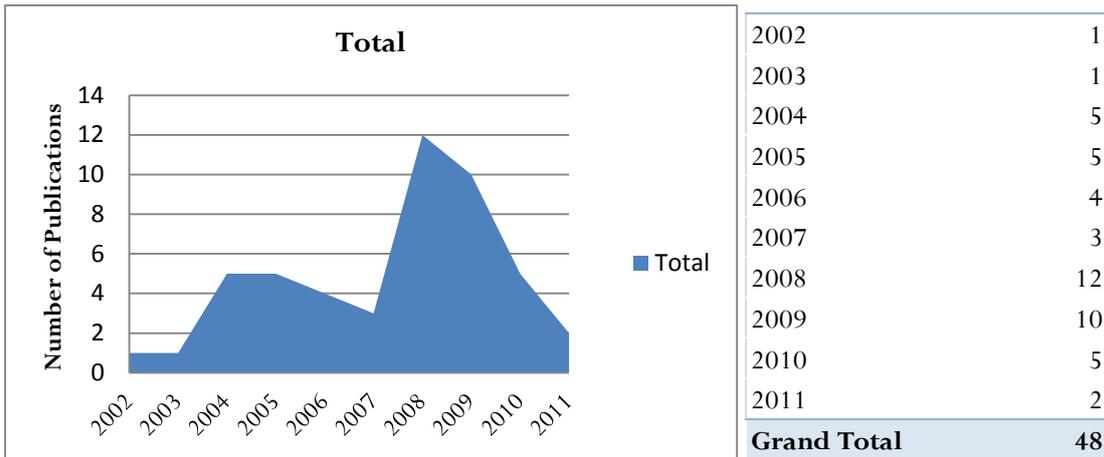
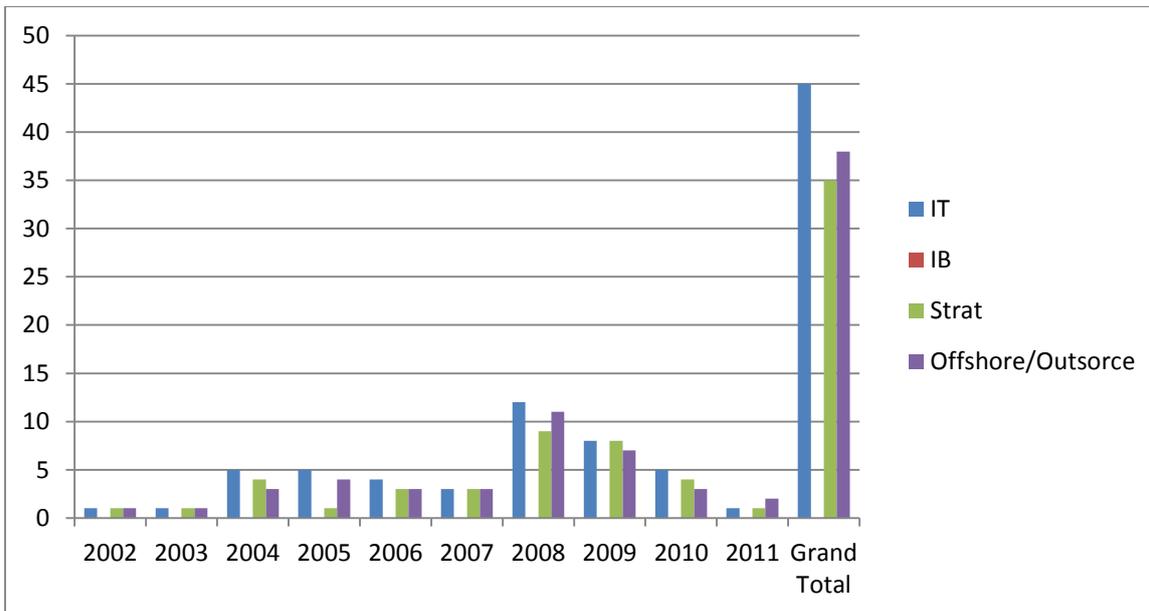


Figure 5 – Distribution of Studies Over Time

A more granular analysis of the distribution of papers from four literature domains is presented in Figure 6. This plots the occurrence by year of publications addressing IT, IB, strategy and offshoring/outsourcing (cross-over papers). Although care needs to be taken in interpreting the data, two broad observations can be noted: First, IT and IB received roughly equal attention between 2003 and 2007, and, second, while more cross-over papers are noted in total, the only discernible pattern is that they appear to be consistent with trends for the other literature domains across the years.



| | | | |
|--------------------|-----------|-----------|-----------|
| 2002 | 1 | 1 | 1 |
| 2003 | 1 | 1 | 1 |
| 2004 | 5 | 5 | 4 |
| 2005 | 5 | 4 | 1 |
| 2006 | 4 | 4 | 3 |
| 2007 | 3 | 3 | 3 |
| 2008 | 12 | 9 | 9 |
| 2009 | 8 | 10 | 8 |
| 2010 | 5 | 3 | 4 |
| 2011 | 1 | 2 | 1 |
| Grand Total | 45 | 41 | 35 |

Figure 6 – Distribution Comparison of Literature Domains.

2.2.2.8.2.3 Publication and Study Types

The majority of the journals in the review were scholarly articles published in peer reviewed journals. The resources used to determine the study types were:

- JCR – The Journal Citation Reports in Web of Knowledge
- Ulrich’s Periodicals Directory
- The School of Management (SOM) journal rankings for 2011:
<http://www.som.cranfield.ac.uk/som/dinamic-content/media/SOM%20Journal%20Rankings%202011.pdf>

Peer reviewed journals are academic/scholarly that have been through a very strict review process before publication; the publication types are listed in Table 22.

Table 22 – Journal Reviewed by Publication Type

| Publication Type | Papers Reviewed |
|--------------------|-----------------|
| Peer Reviewed | 39 |
| Academic/Scholarly | 3 |
| Trade | 5 |
| Book | 1 |

This systematic review has four study types, listed in Table 23, the majority of which were academic study, including empirical and conceptual papers. Empirical papers are studies based on primary data sources/research and conceptual papers clearly articulate a theoretical construct, or advance a theoretical argument using secondary data sources to support their argument. Finally practitioner papers were either produced by specialist organisations (e.g. Association for Computing Machinery – Communications of the ACM) or written by practitioners for academic-focused publications.

Table 23 – Papers by Study Type

| Study Type | Papers Reviewed |
|--------------|-----------------|
| Empirical | 20 |
| Conceptual | 19 |
| Practitioner | 8 |
| Book | 1 |

2.2.2.8.2.4 Periodical Type

The periodicals for this study are listed in Table 24.

Table 24 – Periodical Types

| | |
|---|-----------|
| Academy of Information & Management Sciences Journal | 1 |
| Association for Computing Machinery.Communications of the ACM | 2 |
| Brookings Trade Forum | 1 |
| California Managment Review | 1 |
| CIO Insight | 1 |
| Computerworld | 1 |
| Decision Sciences | 1 |
| European Management Journal | 1 |
| Foreign Affairs | 1 |
| Growth and Change | 1 |
| Industrial Management + Data Systems | 1 |
| Industrial Marketing Management | 1 |
| Information & Management | 1 |
| Information Systems Management | 1 |
| Information Technologies & International Development | 1 |
| International Business Review | 1 |
| International Journal of Business Performance Management | 1 |
| International Journal of Production Economics | 1 |
| International Studies of Management & Organization | 1 |
| Journal of Global Information Management | 1 |
| Journal of Global Information Technology Management | 1 |
| Journal of Information Technology | 3 |
| Journal of International Business Studies | 3 |
| Journal of International Management | 2 |
| Journal of Operations Management | 1 |
| Journal of the Academy of Business & Economics | 1 |
| Journal of World Business | 3 |
| Management International Review | 1 |
| Management International Review (MIR) | 1 |
| McKinsey Quarterly | 1 |
| MIS Quarterly | 3 |
| MIS Quarterly Executive | 1 |
| Multinational Business Review | 1 |
| Strategic Management Journal | 1 |
| Strategic Outsourcing: an International Journal | 1 |
| The Journal of Management Studies | 1 |
| The Princeton Encyclopedia of the World Economy | 1 |
| Vikalpa: The Journal for Decision Makers | 1 |
| Grand Total | 48 |

All journals in the list appear appropriate for the topic and provide a good coverage of the literature domains. There was no awareness of the journal title when the articles were being selected, so this researcher does not believe that there is any conscious bias in the selection.

2.2.2.9 Analysis

The purpose of the research analysis and synthesis was twofold. The prime purpose of the systematic review and synthesis was to determine if the systematic review could inform the review question. This is an exploratory literature review and as such it is asking “Why do multinational organisations choose to move information technology (IT) services offshore?” Therefore, the analysis technique was not predefined as there were no preconceived ideas about what the literature would say. The synthesis was operationalised by importing the 48 selected files obtained from the various databases into NVivo and coding and analysing them; the themes then began to emerge. This was based on the idea that the literature could be broken down or unpacked in some way, dependent on the literature itself and the understanding of the literature. This made the analysis technique an inductive and interpretive exercise. Some of the grounded theory steps formulated by Glaser and Strauss (1967) and more recently employed by others e.g. Kram (1983), Kram and Isabella (1985), Sutton (1987), Corbin and Strauss (2008) were adopted. This approach requires that data and theory be constantly compared and contrasted with each other throughout the data analysis process to develop a series of conceptual categories that capture the themes in the literature.

It should be noted that throughout the entire systematic process, there was always the possibility of bias, since the process uses human beings. A transparent approach was adopted in response to this bias – the foremost purpose being to convey the rigour, transparency, creativity, and open-mindedness of the review process.

2.2.2.9.1 Theoretical Perspective

Offshoring has been viewed as a unique form of foreign market entry focused on access to labour markets. There were five theoretical perspectives found in the body of literature, from reviewing the 48 selected papers for the systematic review that provided valuable insights into the offshoring model choice. Table 25 provides a list of the theoretical perspectives cited in these papers:

Table 25 – Theoretical Perspectives

| Theories | Number of Articles |
|--|--------------------|
| Transaction Cost Theory (TCT) | 11 |
| Ownership Location Internalisation (OLI) | 3 |
| Resource-Based View (RBV) | 2 |
| Location Based Theory | 2 |
| Resource Dependency Theory | 2 |

IT offshore/outsourcing decisions are based on a rich array of theories, determinants and variables. From a theoretical point of view, research on offshore sourcing can be categorised into

- An economic perspective (agency theory or transaction cost economics);
- A strategic management perspective - resource-dependency theory, location-specific resource-based view of the firm.
- A social perspective (underlying assumption that there are shared norms and a harmony of interest between the parties that go beyond the formal contract).

Each group is offers some insight into a decision to move offshore which has multidimensional causes (see Appendix D for a list of all the selected articles by literature domain area).

2.2.3 Results

This section presents the key findings and related discussions developed during the systematic review process. There were ten themes (reasons) that emerged from the systematic review and data analysis. The same themes emerged repeatedly and after the quality review, each paper was marked for the key emergent theme that it covered. Figure 7 provides an illustration of the reasons that emerged by number of papers.

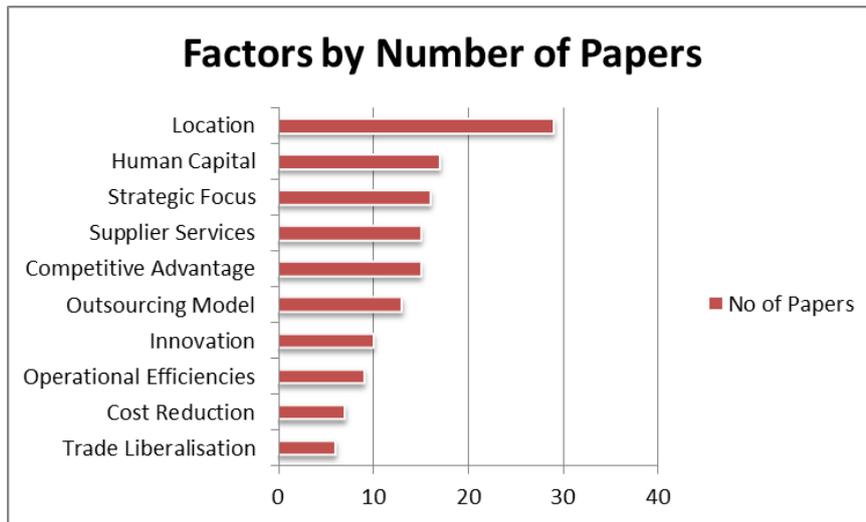


Figure 7– Emergent Themes per Paper

The numbers indicate a systematic review of papers which was either directly referring to the theme by name or indirectly by using the idea of the theme. Terms such as global sourcing and strategic sourcing are starting to replace offshoring as companies strive to fit their use of overseas talent into their overall business strategies. The full list of articles and authors for each emergent theme is provided in Appendix E. A summary table has been included at the start of each theme to provide a breakdown of the types and numbers of papers relating to each theme. Each theme will be discussed in turn:

2.2.3.1 Location

| Location | | | |
|-------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 30 | 12 | 12 | 6 |

The location aspect has drawn a considerable amount of debate and refers to the foreign versus domestic market. While foreign sources are located in a different country, domestic sources are located in the same country as the buying firm. Foreign markets are most often emerging markets which are described as nations with social or business activity in the process of rapid growth and industrialisation. The ownership aspect of global sourcing refers to internal (captive) versus external sourcing (third-party supplier). “External sourcing occurs when independent suppliers are contracted while internal sourcing occurs when a firm procures services within the corporation, either a

parent from its subsidiaries, or subsidiaries from their parent, or other subsidiaries” (Javalgi et al., 2009, p. 160).

Doh et al. (2009, p. 926) argue that “the decision of where to locate a specific offshore facility should be viewed as one in which firms trade off competing factors, seeking the best combination of cost and other productive inputs”. Hahn et al. (2009, p. 598) find that “firm-specific experience and the core risk gap between home and host country are predictive of companies pursuing progressively riskier locations”. Also Jain (2011) contends that during offshoring location decisions, clients prefer not to put all their eggs in one basket. The global footprint of the outsourcing vendors is critical for the clients balancing the risk with value, flexibility, and convenience. Joshi and Mudigonda (2008, p. 216) argue that “the issue of selection of a target country for offshoring services is critical for the success of an organisation’s offshoring initiative. It involves a considerable investment of resources and effort in entering a new country”. Kotlarsky and Oshri (2008) agree that when it comes to offshoring the attractiveness of the country is a key factor that multinationals should consider. Lacity et al., (2008) in illustrating sourcing-business alignment, contend that when considering an offshore location for IT services, some Chief Information Officers do not just consider the best geographic location but also if the business actually wants to have a presence in the country.

Kedia and Mukherjee (2009) in their disintegration, location, and externalisation framework, posit that location-specific advantages are external to the firm and typically based on the networks, resources, or other country-specific advantages. In terms of vendor staff location, Simon et al. (2009) suggest that as client - vendor relationships mature, there is an increase in offshore vendor staff involved in offshore operations. Mudambi and Venzin (2010) contend that offshoring and outsourcing are best analysed as aspects of the global disaggregation of the value chain and as attempts by firms to combine the advantages of geographic locations. Palmisano (2006) suggests that the shift from multinational corporation (MNC) to globally integrated enterprise assumes two distinct forms: where companies produce things (location); second, changes in who produces them.

2.2.3.1.1 Infrastructure

Infrastructure is another consideration for location; Doh et al. (2009, p. 929) and Tang and Trevino (2010) argue that “infrastructure serves as a strong draw for the locations of FDI generally and offshore investment in particular”. McCann and Mudambi (2004) are in agreement and examine a variety of factors that are vital to manufacturing, concluding that “ICT is the most vital aspect of physical infrastructure from the perspective of offshoring” (p. 1521). Dossani and Kenney (2003) posit that the longer term drivers of the offshoring business in India have been the large-scale reform in the communications infrastructure. This notion is supported by Henley (2006) who confirms, from interviews with senior executives, that the availability of high-quality telecommunications connectivity is critical for prospective investors.

2.2.3.1.2 Emerging Markets

Emerging markets is another consideration for location; Lacity et al. (2008) argue that synchronous time zones are favourable factors for American firms looking to source in South or Central America. In Western Europe, organisations will increasingly source IT services from providers within the closer proximity of Eastern Europe, as this can reduce their transaction costs when compared to Asian alternatives. Carmel, Gao and Zhang (2008) contend that American and European IT managers are increasingly considering whether to outsource IT services to China-based companies. While Western IT managers are familiar with the large Indian companies, they are not familiar with their Chinese counterparts. China poses the stiff competition for India; with the aim to grow their revenues in the offshoring market globally (Joshi and Mudigonda, 2008). Henley's (2006) survey of top executives of Global 1000 companies for 2004 proclaims that China and India rival one another and are aggressively challenging the US as the world's most favoured destination for FDI to the emerging markets.

Dossani and Kenney (2003) state that besides India, many nations including Malaysia, the Philippines, China, the English-speaking Caribbean, and Ireland are courting MNCs in the hope of attracting these business process operations. India's competitors in North America (Mexico) and South America are also facing similar competitive challenges, despite their closeness to the North American markets (Lacity et al., 2008). Western clients remain cautious of China as a potential market in spite of their heavy investment in ITO/BPO services (Lacity et al., 2008). Palmisano (2006) posits that a visible sign of this shift to emerging markets can be seen in China and India and estimates that between 2000 and 2003 alone, foreign firms built 60,000 manufacturing plants in China. Some of these factories target the local Chinese market, but others target the global market. Zainulbhai (2005) argues that as consumer demand grows three to five times faster than the overall economy, MNCs should not choose between India and China – they should aspire to engage both.

2.2.3.1.3 Risk Considerations

Risk consideration is another matter for location; Ahsan, Haried and Musteen (2010) argue that the issue of risk emerges as a important influencer in decisions about where to locate offshore facilities as well as the risk of doing nothing, given the predicted growth of the offshoring phenomenon, and the role of risk within a firm's performance. Whenever there is an offshore outsourcing decision, there is an inherent risk associated with it (Dhar and Balakrishnan, 2006). Doh et al. (2009) argue that “offshoring firms must also consider political risk, i.e. the likelihood of unanticipated government actions having an impact on business operations” (p. 929). Jain (2011) contends that during offshoring decisions, geo-political stability is one of the risk considerations that clients have while balancing that risk with value, flexibility, convenience and competitive advantage. Hahn et al. (2009, p. 597) predict that “firm-level risk outcomes for locating information services (IS) offshore facilities will be influenced by prior firm-specific

experience, the relative gap between home and host-country risk levels, and the overall movement by IS offshore services providers toward increasingly riskier locations”.

Kelly and Noonan (2008) highlight the particular importance of trust as an “emotional commitment” in the area of IS offshoring, and argue that the globally distributed nature of such work alters the risk profile of systems development while simultaneously beclouding conventional mechanisms for producing psychological security. Koong et al. (2007) state that the degree of activity, uncertainty and complexity of the market environment, is positively related to the level of outsourcing activities, because the risks inherent in technology, resource and market can be transferred to the outsourcing supplier. Zainulbhai’s (2005), survey of executives responding to the question of offshoring in India being worth the political risk, says offshoring has become a volatile issue in Europe and the US. Brandel (2007) contends that offshoring has grown up. In its infancy, just a handful of adventurous companies sent highly codified work overseas; now it is poised to enter a less tumultuous young adulthood phase. At this stage, there is less mystery, and the benefits and ‘pain points’ are better known. The imperative of following the broader competitive environment, irrespective of prior offshoring experience, is quite pronounced in this early phase of global IS offshoring (Hahn et al., 2009).

2.2.3.1.4 FDI

FDI is another consideration for location; FDI or foreign direct investment, refers to the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. Saggi (2009) suggests a technology gap separates developing countries from the developed world; FDI is undoubtedly one of the primary channels of international technology transfer. Tang and Trevino (2010) contend that an important firm-level factor for offshoring is the use of FDI to better serve actual and potential customers located in far locations. In contrast, Nachum and Zaheer (2005) find market seeking to be a weak motivation for FDI. They posit that by reducing the costs of communicating with and learning about customers and suppliers, organisations can work from their headquarters to gain knowledge of these groups in foreign locations. Similarly, Yamin and Sinkovics (2009) argue that ICT-enabled control and support systems undermine the importance of national subsidiaries in local networks and increase the power and ability of the MNEs’ headquarters to interact with outside partners. They suggest that MNEs will engage in more outsourcing activities through externalisation (third party) rather than via internalisation (captive) when ICT development increases. Doh et al. (2009) posit that cultural affinity drives FDI location decisions. “Firms tend to invest in countries that have less psychic distance, which includes considerations such as culture, business practices and language because of the transaction costs associated with operating in unfamiliar markets” (p. 929).

Lewin (2005, p. 490) asks, “Do companies that conduct their business in English have an advantage over non-English-speaking companies?” Doh et al. (2009) argue that,

“from a transaction cost perspective, language commonality greatly facilitates interactive services exchanges” (p, 929). Giroud and Scott-Kennel’s (2009) FDI spillovers refer to externalities arising from the presence of MNEs and their existence provides a theoretical basis for FDI-assisted development of indigenous firms. McCann and Mudambi (2004) contend that in a world of increasing economic integration, it is to be expected that the importance of this role of overseas investments by MNEs (FDI) will steadily increase. Zainulbhai’s (2005) FDI has increased since the start of the reforms, but inflows are still anaemic, especially compared with the amount China attracts.

The literature provides evidence that the growth of infrastructure in the emerging markets has signalled a rise in MNEs’ IT operations and FDI to the developing world. MNEs continually have to weigh up the risk of offshoring or the risk of not moving their operations offshore and losing out to their competition. Furthermore, ICT development in host countries strengthens their ability to attract FDI over long distances which could be driven by cultural and language affinities also by MNEs looking to reduce their risk by diversifying to global locations.

2.2.3.2 Human Capital

| Human Capital | | | |
|-------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 17 | 10 | 3 | 4 |

Human capital can be described as the availability of abundant, skilled, human resource, and very well-trained workforce/manpower (Jain et al., 2008). Chandrasekaran and Ensing (2004) state that India offers a large number of very well-trained, English-speaking, engineering and computer science graduates which is one of the primary advantages for clients to offshore their operations. Dossani and Kenney (2003) argue that highly technical, complex tasks in customer support may be more easily offshored as India offers technical skills of a high quality capable of handling complex tasks in customer support. Giroud and Scott-Kennel (2009) argue that the potential for firm capability and resource development via foreign-local interaction is dependent on the scope, quantity, and quality of linkages formed. Henley (2006) confirms that the availability of high-quality manpower and the ability to recruit and retain high-level professional staff are critical for prospective offshore investors. Levina and Vaast (2008) contend that host nations with an established base of higher educational institutions and well-employed, educated individuals will be able to augment their human capital stock at a much more rapid pace than nations which have just begun to do so. Javalgi et al. (2009) suggest that trained manpower availability at much lower costs, has shifted not only the balance of international trade, but also has resulted in significant outsourcing to emerging economies such as China and India. Joshi and Mudigonda (2008) argue that the availability of a readily adaptable, well-educated

workforce that is experienced in Western technologies and business practices is the main reason for India's attractiveness as a location for offshore services.

Kedia and Mukherjee (2009) suggest that with the shift from manufacturing to a services economy, MNEs can easily reap the benefits of the abundance of human capital and the talent pool spread around the developing world. Kenney, Massini and Murtha (2009) illustrate that top IT service providers locate approximately 20% of their global headcount in offshore locations such as India due to the availability of a skilled workforce. Koong et al., (2007) suggest that outsourcing is primarily pursued in order to fill the gaps in an organisation's IS capacities. Kundu and Merchant (2008) suggest that human capital investment in the developing world is significantly more important for services than for goods. Nachum and Zaheer (2005) argue that knowledge-seeking investment is driven by firms' needs to access complementary resources in order to upgrade their own capabilities. Palmisano (2006) contends that the single most important challenge in shifting to globally integrated enterprises will be securing a supply of high-value skills and manpower.

Ramachandran et al. (2004) posit that due to the abundance of the available human capital and the new generation of companies in overseas markets, these companies can emerge as globally significant players in their industries, and will also spur companies in their own and other industries. Willcocks et al., (2006) suggest that high performers with distinctive skills, capabilities, and orientations need to be developed or appointed; it is this need that drives MNEs to countries such as India. Yamin and Sinkovics' (2009) findings support the notion that the long-term investment behaviour of MNEs in developed countries is focused on capability development. Zainulbhai (2005) states that India's offshoring success has generated more and more demand for skilled workers, estimating that about 150 foreign companies have set up offshoring subsidiaries there, and compete for talent with local suppliers.

One could argue that the huge demand for software services and availability pool of IT personnel is the prime reason for the success of offshoring activities. In fact, there is a line of analysis that suggests such capability development in the local economy of subsidiaries is an "advantage" of global sourcing.

2.2.3.3 Strategic Focus

| Strategic Focus | | | |
|-------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 16 | 7 | 5 | 4 |

An organisation, in their desire to capitalise on the savings they could achieve from lower wages and skill sets in the emerging markets, could establish their own "captive" operations offshore ("offshoring"), or contract their non-core IT services with a separate "third-party" organisation ("offshore outsourcing"); this will enable them to focus more on their core competence.

Dhar and Balakrishnan (2006) contend that partnership is one of the pillars for the growth of the organisation and such strategic partnerships have helped and contributed significantly to the customers, partners and bottom line. Dossani and Kenney (2003) are in agreement that the number, size, and diversity of organisations offshoring their business processes have significantly increased because offshoring is of great strategic benefit (partnerships, competition, core competence focus) to these organisations. Giroud and Scott-Kennel (2009) state that MNEs create linkages when they are directly involved in relationships with other firms in the host economy (via transactions or alliance-based relationships, within or across industries) and consequently positively influence the output, capability development and productivity of partner firms. According to Koong et al. (2007), the resource acquisition by means of IT outsourcing can be strategy-driven. Their framework for MNE linkages in IB argues that the gap to be filled by outsourcing is a function of the strategy-wise need and dimensions of resources. Kotlarsky and Oshri (2008) submit that in the case of offshoring, multinationals should consider country attractiveness as presented by Joshi and Mudigonda (2008) as well as the strategic intent of the firm in setting up a captive unit, as well as the market conditions at the offshore location. Lacity (2005) argues that the primary use of offshoring by MNEs is not to replace IT staff, but to address their backlog and new projects unable to be undertaken with their existing onshore head count.

Levina and Su (2008) find that committing to a few strategic partners, may prevent a firm from discovering new suppliers, or even supply regions. Mudambi and Venzin (2010) focus on the interdependency of offshoring and outsourcing decisions. The strategic integration of these decisions can result in significant firm-level performance improvements. Nachum and Zaheer (2005) suggest that technology differently influences the strategic implications of distance across industries. Palmisano (2006) states that new technology and business models are allowing companies to treat their different functions and operations as component pieces, with the ability to rearrange them in new combinations, based on strategic judgements about which operations are best suited to its offshore/outsourcing partners.

Sia, Soh and Weill (2010) argue that multinationals still need to make trade-offs among these strategic objectives by varying the configuration of each structural element and distributing resources among them. Tang and Trevino (2010) state that firms move their operations offshore to reduce the liability by using FDI to better serve actual and potential customers. By reducing the costs of communicating with and learning about customers and suppliers, companies can work from their headquarters to gain knowledge of these groups in foreign locations. Yamin and Sinkovics (2009) argue that MNE strategies revolve around the disintegration of the value chain, reflecting an increasing ability “to segment their activities and to seek the optimal location” for the narrowly specialised.

2.2.3.3.1 Core Competence Focus

Offshore development centres (ODCs) and global development centres (GDCs) are offshore development facilities owned and operated by offshore vendors dedicated to the IT services needs of remote clients. ODCs perform a variety of IT/software related tasks and act as a virtual extension of clients' IT software departments while leveraging the expertise and infrastructure of the offshore partner (Chandrasekaran and Ensing, 2004). This relationship allows both the vendor and the client to focus on their core competencies. Dhar and Balakrishnan (2006) believe that if a business function is not a core competency and better value is found externally, it is an ideal candidate for outsourcing. Kedia and Mukherjee (2009) contend that firms can redeploy their core resources to areas of greater competitive advantage by using outsourcing or offshoring as a strategic device to decouple non-core business. Kotabe and Murray (2004) emphasise that logistical management and global sourcing strategy emphasises the importance of retaining the company's core capability and gaining access to suppliers' capabilities. These capabilities allow the company to better understand the cost and quality implications of its sourcing with its suppliers.

Strategic focus, whether for expansion or strategic partnerships, allows MNEs to focus on their core competence and is a key motivator for offshoring. Each network participant can be seen as complementing, rather than competing with, the other participants for common goals. Strategic alliances may even be formed by competing companies in pursuit of complementary abilities.

2.2.3.4 Supplier Services

| Supplier Services | | | |
|-------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 15 | 6 | 6 | 3 |

Companies go overseas to save money, but they stay for the service and flexibility (Lacity, 2005). Levina and Su's (2008) case study identifies three phases of offshoring maturity, suggesting that the emergent supply structure should not significantly reduce the supply base to a few strategic partners as suggested in the literature. Joshi and Mudigonda (2008) argue that vendors provide a variety of valuable services including defining the reliability, technical sophistication, trust, quality of delivery, and security of data and intellectual property. Kedia and Mukherjee (2009) suggest the shift from manufacturing to service-related businesses in the developed economies has given rise to a new generation of highly mobile and talented workforces. Furthermore, emerging economies' IT services companies, such as Wipro and Infosys, are forming even more strategic partnership with Western IT services companies. Kotabe and Murray (2004) suggest companies increasingly outsource to gain access to suppliers' capabilities; these capabilities allow them to better understand the cost and quality implications of their sourcing relationship with their suppliers.

Taking a different view, Kern, Willcocks and van Heck (2002) contend a client’s focus on cost savings can drive supplier organisations into making service delivery promises that are initially calculated on a slim or even nil profit margin resulting in the danger of a “Winner’s Curse” arising, as suppliers make unrealistic promises. Koong et al. (2007) suggest that the success of outsourcing is positively affected by the outsourcing supplier-client partnership; the characteristics of the supplier play an important role in achieving service quality and partnership. Simon et al. (2009) and Lacity et al. (2008) argue for the benefits of global outsourcing of back-office services by forming partnerships with suppliers.

Offshore and outsourcing success can be influenced significantly by the client/supplier relationship and strategic partnerships, which can result in mutual benefits for all alike.

2.2.3.5 Competitive Advantage

| Competitive Advantage | | | |
|-----------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 15 | 9 | 4 | 2 |

Creating value through offshore outsourcing has emerged as a popular competitive strategy for firms with emerging markets becoming increasingly attractive locations. In order to survive in the domestic and international marketplaces, firms, especially in developed countries, are seeking opportunities offshore (Javalgi et al., 2009).

The MNE “captive units” include the oldest business process operations in India, and their number has increased rapidly (Dossani and Kenney, 2004). Hahn et al. (2009, p. 597) suggest that “broader dynamics in the competitive environment are powerful contributors to the overall observation that IS offshoring is moving to increasingly high-risk locations”. Chung et al. (2004) claim the challenge of global sourcing is to have a global sourcing model that is difficult for competitors to imitate. Jain et al. (2008) contend that the imitative action of home country firms, will fuel the efforts of leading host nations in the field of offshoring of IT services to strive for increasing specialisation and become globally competitive. Kundu and Merchant’s (2008) study suggests that already established nations in the field of offshoring receive more opportunities than new entrants to increase their competitiveness from experience-based knowledge gained as a result of the imitative actions of home country firms. Kedia and Mukherjee (2009) note that globalisation, accelerated technological advancements and the entrance of new international players from emerging markets, have increased competition creating a more turbulent environment in which businesses compete.

Joshi and Mudigonda (2008) contend that in order to gain competitive advantage, organisations will look out for locations that can position them advantageously in order to deliver their specific services. Koong et al. (2007) posit that two organisational forces, viz. concern for competitiveness and concern for globalisation of business, may intensify the number of organisations’ seeking IT outsourcing. Kotabe and Murray (2004) find that, in a highly competitive environment, many manufacturers begin to

either produce in lower cost locations or outsource components and finished products from lower cost producers on a contractual original equipment manufacture (OEM) basis. Kumar's (2007) study finds that in the IT and software industry, internal rivalry is driving more companies to form alliances with competitors. In a similar vein, Mudambi and Venzin (2010) show that the interplay of comparative and competitive advantages determines the optimal location of value-chain components (offshoring decisions) as well as the boundaries of the firm and the control strategy (outsourcing decisions). Nachum and Zaheer (2005) contend that firms often invest offshore as a reaction to competitors' actions. Palmisano's (2006) sustainable competitive advantage has not come only from productivity or inventiveness, it is also about how services are delivered and how business processes are integrated.

Competitive advantage is another key factor in which MNEs seek to outsource or move their operations offshore to gain advantage over their competition. This could be driven by imitative behaviour or by purely value creation through the use of lower cost international locations in emerging economies.

2.2.3.6 Outsourcing Model

| Outsourcing Model | | | |
|-------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 13 | 4 | 6 | 3 |

IT Outsourcing (ITO) and BPO are acts of “delegating or transferring some or all of the IT-related decision-making rights, business processes, internal activities, and services to external providers, who develop, manage, and administer these activities in accordance with agreed upon deliverables, performance standards and outputs, as set forth in the contractual agreement” (Dhar and Balakrishnan, 2006, p. 39). This has become an essential tool for organisations worldwide as they strive to improve the quality of their processes while simultaneously managing their bottom lines (Dossani and Kenney, 2003). Global companies, especially from the US and the UK, have come to rely on India and other developing countries as the primary location for their BPO partners due to the large number of technically literate English-speaking people available and an established IT sector (Demirbag et al., 2012).

According to Jain (2011), the multinationals are the ones who are embracing the outsourcing in a global way and new opportunities will emerge in the areas of the supply chain. Hahn et al. (2009) argue that domestic outsourcing can be viewed as an important first step of global offshoring wherein many sources of risks to firms are non-existent or minimal. Lacity (2005) says the current offshoring trend greatly resembles the domestic outsourcing frenzy of the early 1990s and predicts that ten years from now offshoring will be as much of a non-issue as domestic outsourcing is today. Kotlarsky and Oshri (2008) state that there is now ample evidence suggesting that while companies have steadily increased the volume of work outsourced to service providers located offshore, a large number of firms have also set up captive centres in offshore

locations and that the number of these centres is steadily growing, with about \$9 billion worth of IT and BPO activities shifted to captive centres in India in 2006 alone. Sia et al. (2010) argue that the way to combat the global problem of local tension is to encourage local units to use more of the shared services model while still meeting the diverse needs of the local units to provide around the clock business support worldwide. Levina and Su (2008) contend that an increasing number of companies adopt “multisourcing”, i.e. they select and combine IT and business services from multiple providers.

The various outsourcing models such as domestic, captive, ITO, BPO, shared service and multisourcing presents MNEs with a variety of options to suit their business models, incentives and motivations.

2.2.3.7 Innovation

| Innovation | | | | |
|------------------|-------------|-----------|--------------|------|
| | Theoretical | Empirical | Practitioner | Book |
| No of Papers –10 | 5 | 1 | 3 | 1 |

Over the last decade, there has been a significant increase in the innovative capabilities of computing and telecommunications and dramatic decline in the price. The IT enabled service sector is poised to become one of the fastest growing sectors in the “borderless world” (Javalgi et al., 2009). Advancements in IT infrastructure, the relaxation of tariffs and export controls by developing countries’ governments, and significant technology and research and development (R&D) innovation investment centres, has enabled Indian service providers to deliver quality services to US companies (Lewin and Peeters, 2006). Jain (2011) suggests that size is becoming important as an outsourcer, as increasingly sophisticated processes are outsourced and growing expectations are put on innovation. Kenney et al. (2009) argue that in a knowledge economy, where routine production and service work are being commoditised, further research is necessary to understand the extent of offshoring innovation by SMEs, and the amount of research, relative to IT, that these firms offshore.

Koong et al. (2007) contend that increased involvement in the technology innovation process intensifies the need to seek outsourcing for non-strategic activities. Kotabe and Murray (2004) state the increased pace of new product introduction and reduction in innovation lead time calls for the more proactive management of locational and corporate resources on a global basis. Niederman (2005) suggests companies seek innovation as a basis for competitiveness. Lacity et al. (2008) suggest the enterprise partnership model described in (Lacity, Feeny and Willcocks, 2003, 2004) is the most innovative alignment. Palmisano (2006) argues that sustainable competitive advantage has never come only from productivity or inventiveness. Real innovation is about more than the simple creation and launching of new products. Ramachandran et al. (2004) contend that innovation is the key to unassailable competitive strength in the global market and Indian companies have the requisite wherewithal. Willcocks et al. (2006)

argue that obtaining innovation and business value-added from outsourcing requires organised, proactive, in-house, core capability.

Innovation can be considered to be a key factor for MNEs' offshore/outsourcing strategies. Whether it is for competitive advantage, or through strategic alliances with suppliers for core IT services or R&D, MNEs are increasingly seeking innovation as part of their offshore outsourcing strategy.

2.2.3.8 Operational Efficiencies

| Operational Efficiencies | | | |
|--------------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 9 | 2 | 5 | 2 |

In today's global economy with outsourcing becoming a common phenomenon, factors such as operational efficiencies, lower costs, improved productivity, higher quality, higher customer satisfaction, time to market, and ability to focus on core areas are some of the benefits of outsourcing (Dhar and Balakrishnan, 2006). Nachum and Zaheer (2005) argue that knowledge seeking and efficiency seeking are the two most important explanations for international activity in information-intensive industries. Bhalla et al.'s (2008) findings suggest large Western companies have led the movement to offshore IT-enabled services in India and other countries in South East Asia. Chung et al. (2004) contend that traditional paradigms emphasise the outsourcing of activities through strategic contracts to acquire operational efficiency or to enhance value-adding business capability, by allowing the company to more effectively utilise its inputs. Demirbag et al. (2012) argue BPO has become an essential tool for organisations worldwide as they strive to improve their processes while simultaneously managing their bottom lines.

Lacity (2005) states the Fortune 500 customers interviewed were using offshore not to replace IT staff, but to address their backlog and also new projects they could not do with their existing onshore head count. According to Jain (2011) in interviewing top executives, the most critical metrics in outsourcing operations relate to process adherence and performance consistency; they have key performance indicators and service levels which are agreed when contracts are signed with clients. Dossani and Kenney (2003) are in agreement; a higher knowledge component makes the firm more concerned about whether the quality of the service will change because of a locational change and greater difficulty in the transfer process. Kedia and Mukherjee (2009) contend that time-zone difference is an important dimension for increased speed of work and productivity, as offshore employees can continue working throughout the US night-time.

Clearly, operational efficiency through offshoring/outsourcing provides MNEs with the motivation to move their operations to offshore locations to reap the many benefits, such as improved quality, time to market and efficiencies through operations across different time zones.

2.2.3.9 Cost Reduction

| Cost Reduction | | | |
|------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 7 | 4 | 1 | 2 |

Jain (2011) suggests that there has always been labour arbitrage as a result of which outsourcers will always seek the lowest cost labour market they can find. Dhar and Balakrishnan (2006) argue for IT outsourcing as a viable option for cost reduction in many large organisations. Javalgi et al. (2009) state that in the tactical type of outsourcing (make or buy decision), the primary focus is on operational cost reduction, and the client’s involvement with the provider in a foreign environment is low. Brandel (2007) argues that offshoring in the past was about cost reduction but in recent years it is no longer solely about cost; some of the aforementioned factors play a major role in offshoring decisions. According to Joshi and Mudigonda (2008) and Kedia and Mukherjee (2009), the drivers for an organisation’s decision in the selection of an offshore location for the provision of services are primarily related to the cost of resources, quality and intellectual content. Lacity et al. (2008) see India primarily becoming a destination for excellence rather than lower costs.

Cost reduction has always been the main driver that underpins most MNEs’ decisions to offshore their operations. This is no longer the sole motivator; cost reduction has become an outcome or end result of the combination of the other factors identified.

2.2.3.10 Trade Liberalisation and Government

| Trade Liberalisation and Government | | | |
|-------------------------------------|-------------|-----------|--------------|
| | Theoretical | Empirical | Practitioner |
| No of Papers – 6 | 4 | 0 | 2 |

Governments commonly develop policies to attract MNEs; the host government elicits desired behaviour from the MNE using direct (through legislative and executive controls) and indirect (through incentives) stimuli. Most national and regional governments view MNEs as potential sources of capital investment and employment, as well as catalysts for the revitalisation of local industry through technology transfer (McCann and Mudambi, 2004). Javalgi et al. (2009) argue that an important issue regarding market access is that of government procurement regulations in the local markets. A case in point is China’s restrictive Government Procurement Law (GPA) which creates a two-tiered system of discrimination against US software companies by placing stringent requirements on US companies. Joshi and Mudigonda (2008) posit that India has a mature, enterprising private sector with links to Western markets and legal practices, which has enjoyed considerable growth since India’s economic liberalisation in 1991. Government policy has been changing dramatically for economic activities involving foreign parties (Koong et al., 2007).

Ramachandran et al. (2004) contend that the presence, growth, and competitiveness of Indian companies in overseas markets are primarily being driven by two meta-trends. The process of liberalisation and globalisation of the Indian economy has led to the development of competitive capabilities by Indian companies and has brought about intensive interaction with global corporations, professionals, capital, ideas, and practices. Zainulbhai (2005) states that a patchwork of national and state regulations continues to hamstring investment strategies. In many industries, foreign companies find acquisitions harder to undertake in India than in most other emerging markets.

The opening up of foreign markets through host government policies and stimuli is without doubt an incentive for MNEs to operate in these markets. Government incentives can also be used to moderate/limit the flow of FDI in certain markets, as is the case with China.

2.2.3.11 Summary

These ten factors have been found to be complexly interrelated and with a high degree of overlap; accelerated technological advancements and globalisation have created a challenging, not to mention turbulent, environment in which businesses must compete. Additional factors that appear to motivate organisations to move offshore include a large talent pool and human capital; cost savings; cultural and language affinity to the investing countries which facilitates FDI; superior ICT infrastructure; and host governments' incentives and stability. In addition, there is the risk consideration of not moving offshore; innovative thinking ascending the value chain providing business value; not to mention operational efficiencies as a result of supplier strategic partnerships and service, all of which increase quality and allow the MNEs to pay greater attention to their core competencies and business. In response, multinationals industry-wide are redeploying crucial resources to core areas while gaining core focus and much needed flexibility.

2.2.4 Discussion

This section discusses the results of the systematic review followed by the contribution of the review to the DBA question. The limitations of the review will be outlined followed by the identified gaps in the literature, the reflections and conclusion.

2.2.4.1 Answer to Review Question

This literature review synthesises the insights drawn from these works by providing what appears to be the first comprehensive assessment of the factors that influence or motivate MNEs to move their IT operations offshore. In answering the review question: *Why do multinational organisations choose to move information technology (IT) services offshore?*, ten factors for offshoring/outsourcing have been identified:

1. Location
2. Human capital
3. Strategic focus
4. Trade liberalisation and Government
5. Supplier services
6. Competitive advantage
7. Outsourcing Model
8. Innovation
9. Operational efficiencies
10. Cost reduction.

The interrelationships are illustrated in Figure 8:

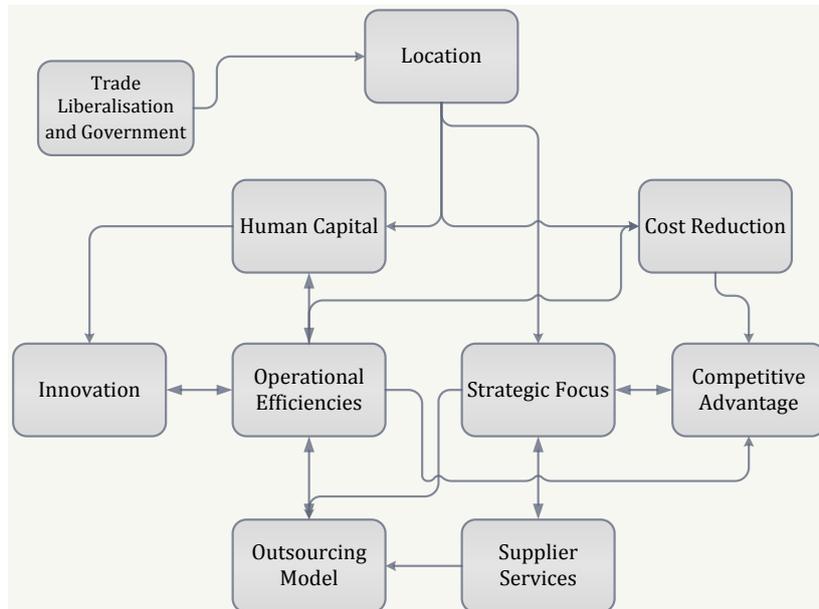


Figure 8 – Interrelationship between Factors

As Whetten (2003) states, modelling in the theory-building process is a highly dynamic and iterative process. This study proves to be no exception with five iterations of the

modelling process undertaken before arriving at the final model, which represents the level of complexity and overlap in the emerging theory.

MNEs may choose to enter into offshoring arrangements for different reasons and at any of the points in Figure 8. The beginnings of the offshoring/outsourcing phenomenon in the 1980s and 1990s can be attributed to the rise of the “emerging markets” and their host governments (India and China) eliciting desired behaviour – capital investment and employment – from MNEs, facilitated by the introduction of trade liberalisation (Javalgi et al., 2009; McCann and Mudambi, 2004). For MNEs, this has made their “location” decisions for offshore/outsourcing facilities easier as they seek the best mix of cost and other factors, such as the availability of “human capital” (20% of their global headcount) and “infrastructure”, and opportunities to invest in growing economies (Hahn et al., 2009; Kenney et al., 2009). As they globally disaggregate their value chains, MNEs prefer to spread their risk as the diverse and globally spread footprint of the outsourcing supplier is critical for the MNE when balancing their risk with value, flexibility, accessibility and convenience (Jain, 2011; Mudambi and Venzin, 2010).

Furthermore, offshoring is no longer just about “cost reduction”. For MNEs (e.g. GE, Philips, IBM), the primary focus is on operational efficiencies and the business value that can be delivered by an offshore location, such as quality and intellectual content of the services provided and for excellence (Dhar and Balakrishnan, 2006; Lacity et al., 2008). Offshore outsourcing is also a popular competitive strategy for MNEs, with emerging markets becoming increasingly attractive locations in a bid to increase their “competitive advantage” (Javalgi et al., 2009) in order to survive in the domestic and international marketplaces. The challenge still remains to have a sourcing model that is difficult to imitate by competitors (Chung et al., 2004). This imitative action of home country organisations fuels the efforts of leading host nations for offshoring services to strive for increasing specialisation and become globally competitive, thereby increasing the strategic and competitive positioning of the MNEs.

To maintain their “strategic focus”, MNEs enter into strategic partnerships which allow them to focus on their core competence and thus maintain their competitive advantage. These partnerships can be considered to be one of the pillars of growth for the MNE and strategic partnerships contribute significantly to both parties’ bottom line (Dhar and Balakrishnan, 2006). The number, size, and diversity of organisations offshoring their business processes have significantly increased because offshoring is of great strategic benefit to these organisations, such as the efficiency gains from “supplier services” (Dossani and Kenney, 2003; Kotabe and Murray, 2004). These “supplier services” help to outline the reliability, technical complexity, trust, delivery quality, and security of intellectual and property data for the MNEs (Joshi and Mudigonda, 2008). The transferring of decision-making rights to external suppliers’ “outsourcing models”, with a large number of firms also having entered multisourcing agreements, has become an essential tool for organisations worldwide as they strive to improve the quality of their processes while simultaneously managing their bottom lines (Dossani and Kenney,

2003; Levina and Su, 2008). Others have set up their captive centres in offshore locations in a bid to maintain their competitive advantage, and reduce their cost as well as “operational efficiencies” (Kotlarsky and Oshri, 2008). Factors such as lower costs, improved productivity, higher quality, higher customer satisfaction, time to market, and ability to focus on core areas are some of the benefits of outsourcing (Dhar and Balakrishnan, 2006).

In seeking value-added business capability, “innovation” has become an important factor as more and more sophisticated and higher value processes are outsourced and greater expectations are being placed on innovation (Jain, 2011). The emergence of world-class technology and R&D innovation centres in India and China has enabled service providers to deliver quality services (Lewin and Peeters, 2006). Evidently, outsourcing can be driven by the technology core of the innovation process; an increased technology innovation process significantly increases the appetite of MNEs to seek outsourcing for non-strategic activities. As a result of the increased pace of new product introduction and the reduction in innovation lead times, operational efficiencies and service offerings have been achieved earlier, thereby increasing competitiveness (Koong et al., 2007).

2.2.4.2 Contribution to DBA Question

The findings from this systematic review provide valuable contributions towards answering my overarching DBA question as they provide valuable theoretical, empirical, and practitioner insights from the literature. This systematic review provides answers from the literature as to why multinationals choose to move their operations offshore. These answers will inform the broader debate to understanding my DBA question on effective modes of engagement providing a strategic top-down lens from which offshoring can be viewed. As demonstrated in the previous section, these factors are highly complex and interrelated.

2.2.4.3 Limitations of the Systematic Review

Three aspects of the limitations of this systematic literature review are considered.

First, those posed by the content of the literature examined. A key limitation of this systematic review is that it does not narrow the search questions sufficiently to reach exact motivations for moving IT services offshore. More work should be done to develop the emergent themes in this systematic review. Since the stated aim was always to answer the key question of the literature, it would be very useful to explore each of the emergent themes in detail. I have anticipated providing my theoretical perspective for offshoring but would have liked to have explored this part of the systematic review in more depth.

Second, the limitations of the process based on my personal biases. The systematic review methodology also made the exploration of literature process very difficult. There were clearly important pieces of literature that should be incorporated into my final work, but I was not able to pursue them because the papers fulfilled one of the exclusion

criteria. This is the fundamental difference between a “Literature Review” and “Systematic Review”. One solution to this dilemma would have been to loosen my exclusion criteria, but this would have resulted in the addition of several hundred more articles if the rule were applied consistently and would have made the systematic review unmanageable.

Finally, the limitations of the method used. From my experience, the systematic review should guide the core of the literature search, but more flexibility should be introduced as the research refines the topic further and further.

2.2.4.4 Impact for Future Research

One of the objectives for undertaking a systematic review of the literature was to identify potential areas for future research. Any future research needs to take the above mentioned conclusions and gaps into consideration to ensure a valid contribution to the field of study. The next section has been compiled as an introduction to the proposal of the next empirical project for the DBA. The aim of this list is to present the contribution that my proposed research aims to deliver to the field and ensure my ultimate successful completion of the DBA.

2.2.4.5 Literature Gaps

Several additional directions for future research present themselves as a result of this systematic review. The review has established what literature says are the reasons organisations chose to move their IT operations offshore, based on empirical, theoretical, and practitioner research. It would be beneficial to understand the practical implications of this move offshore by examining the differences managers experience when managing captive offshore projects. Therefore the following question may be posed: *What are the differences experienced by managers when managing captive offshore projects?* I suggest that when faced with these differences the logic behind the offshoring decisions may change. Therefore why do organisations keep these IT projects offshore, given the differences?

Similarly, a study could be undertaken to explore good engagement/working practice(s) for MNEs that have moved their operations offshore in the following research question: *How do organisations undertake the move to offshore operations?*

In summary, a follow-on studies undertaken as Project 2 and Project 3 would empirically explore the findings of Projects 1. This will also help to answer the overarching DBA question that seeks to understand effective engagements for captive offshoring within IT services.

2.2.4.6 Reflections

Undertaking this systematic review has not been an easy task. However, completing it and arriving at the final product (and presented conclusions) have been very rewarding. My natural preference is to complete a literature review in the traditional sense rather than go through this systematic process. However, there is a definite value in following

the systematic review process. First, this process could be considered to be a scientific process that leaves little room for personal bias or preferences. Second, the way the protocol is constructed allows – if properly followed – covering the field completely in terms of papers, research trends, and other details that are extremely important to arrive at conclusions and support further research. Third, the results that one could obtain are a great mix of knowledge blocks and statistical data supporting those blocks. Reporting in this case, goes beyond the simple stating of facts to reach a higher level of theme linkages, information lists, and valuable tables that help the decision-making process to reach final results.

However, the process was messy and is not without pitfalls. Many issues could make the review unsuccessful if poorly planned. In my case, I can say that time was a serious problem to overcome. Doing the systematic review involves noting details on several different computer programs (Search databases, NVivo, Excel, Word), keeping a convincing audit trail, and coherently analysing the data. There is constant fear that if any step goes wrong, I might need to revisit and revise much of what was already done. The systematic review also depends on my ability to find the needed papers (whether electronically or through the library). This I found to be a time-consuming and tedious process, especially keeping track of cross-references of read papers to ensure a complete review. Another concern I had was my initial inability to reconcile and finalise a good list of inclusion and quality criteria. These had a direct effect on the number of articles to review and the final quality of the paper. This was overcome by adopting a list of criteria and then applying it to a small sample of papers to review. This process allowed testing of the criteria and their further refinement when needed.

In general, I am satisfied with the Systematic Review methodology and the results it has provided. I am particularly glad that I was able to keep a complete audit trail of the reviewed papers in a systematic manner using the Excel package. Potentially, the limitations of the systematic review are related to the fact that it is still a relatively new methodology with tools still subject to improvements and changes in the future.

2.2.4.7 Conclusion

In conclusion, the economic logic and rationale behind outsourcing becomes clear once MNEs begin to look critically at the way business services are organised and distributed and as they now have greater access to lower waged, skilled English-speaking workers offshore, especially in the developing markets of India, Brazil and China. The growth of digitisation technology and telecommunications infrastructure during the Internet “bubble” of the late 1990s meant that while capacity expanded dramatically, the costs of data transmission fell sharply which encouraged multinationals to explore different models (domestic outsourcing, offshore outsourcing – captive or 3rd party) for product but mainly service delivery. MNEs that give considerable thought to choosing the right type of offshore outsourcing strategy for their organisation will reap the benefits of offshore outsourcing. These MNEs will enjoy sustainable competitive advantage that

will be difficult for their competitors to imitate as offshore outsourcing becomes an important activity within the MNEs' business value chain.

Chapter 3 – Project 2

In the context of captive offshore IT projects what are managers' perceptions of the differences when managing software development and software maintenance projects?

3.1 Introduction

This project presents the starting point of the doctoral research which examines the current practices between the onshore and offshore subsidiaries of multinational IT services organisations.

Offshore outsourcing of IT work has seen phenomenal growth in the past 10 years. Trade liberalisation and globalisation trends in developing countries; quantum improvements in worldwide telecommunications infrastructure, and cost-cutting pressures have together compelled many IT services organisations to examine global opportunities for delivering software projects, using offshore resources in India (Rao, 2004). Many developing countries are now creating special regions within their borders that boast of a state-of-the-art telecommunications infrastructure, in an attempt to attract more FDI. These “technology parks” provide global organisations with the means of seamless communication with the rest of the world. India is no exception. High-technology campuses and enclaves have been set up by global IT companies providing a highly developed telecommunications network (E-Commerce and Development Report, 2003) which facilitates global engagement.

In the academic and practitioner literature, “Outsourcing” is often used interchangeably with “offshoring” and sometimes with “business process outsourcing”. However, it requires a more precise definition. “When a company outsources services or their component parts, it delegates them to a third-party provider – whether abroad or at home. Business process outsourcing (BPO) is another form of outsourcing in which an entire business function, (accounting, procurement or human resources), is tendered to a third party. Offshoring is a subset of outsourcing. It can be defined as the relocation of business processes to a cheaper location, usually overseas. This has resulted in IT professionals interacting with other IT professionals from different nations, and organisational and educational backgrounds, to form a project team in order to deliver IT projects” (Bailey, 2005, p. 19).

There are two types of offshore arrangement which have been highlighted in the literature: “captive offshoring” described as a subsidiary of a company functioning offshore as an entity of its own while retaining the work and close operational ties within the parent company (Levina and Vaast, 2008). The second type is “offshore outsourcing”, where companies outsource their software development to third-party offshore vendors (Boedeker, 2007; Rooney, 2004; Stack and Downing, 2005). The former “captive offshoring,” in this case between the UK and Indian subsidiaries of a global IT services organisation, is the focus of this study. The argument for the research problem for this study will be discussed next.

3.2 Research Problem

All social enquiry needs to address a research problem (Blaikie, 2007). In this section, the research problem will be outlined, and an argument that justifies the research

questions provided. These questions will contribute to answering the overarching DBA research question which examines “*In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations?*” This question will be used as a touchstone to return to, in order to ensure that the empirical aspects of this work remain aligned with the theoretical basis.

The UK subsidiary of the global IT services organisation I work for places IT services and software activities with its “captive” offshore subsidiary in India. The captive offshore governance model retains the day-to-day client and project management functions onshore in the UK with software services (software development and maintenance activities) delivered out of India. The captive offshore model is slowly gathering momentum which has in the past been hampered by the reluctance to transition to a more distributed style of working by the UK organisation, coupled with limited offshore expertise within the organisation. To assist with moving more work offshore, the UK organisation independently developed an engagement framework constituting processes and guiding principles for the working practices between the UK and the captive subsidiary in India. This engagement framework was established to facilitating seamless working practices between the UK and India, thereby increasing the likelihood of project success. This was imposed with the aim of facilitating communication and providing clear intra-organisational rules of engagement and also providing detailed guidance for those involved on a daily basis in the captive offshore projects. The focus of my DBA is the intra-organisation engagement at the project level.

The engagement process for the UK and Indian subsidiaries of the global IT services organisation consists of a high-level engagement process, as shown in Figure 9, and a detailed process flow in Figure 10.

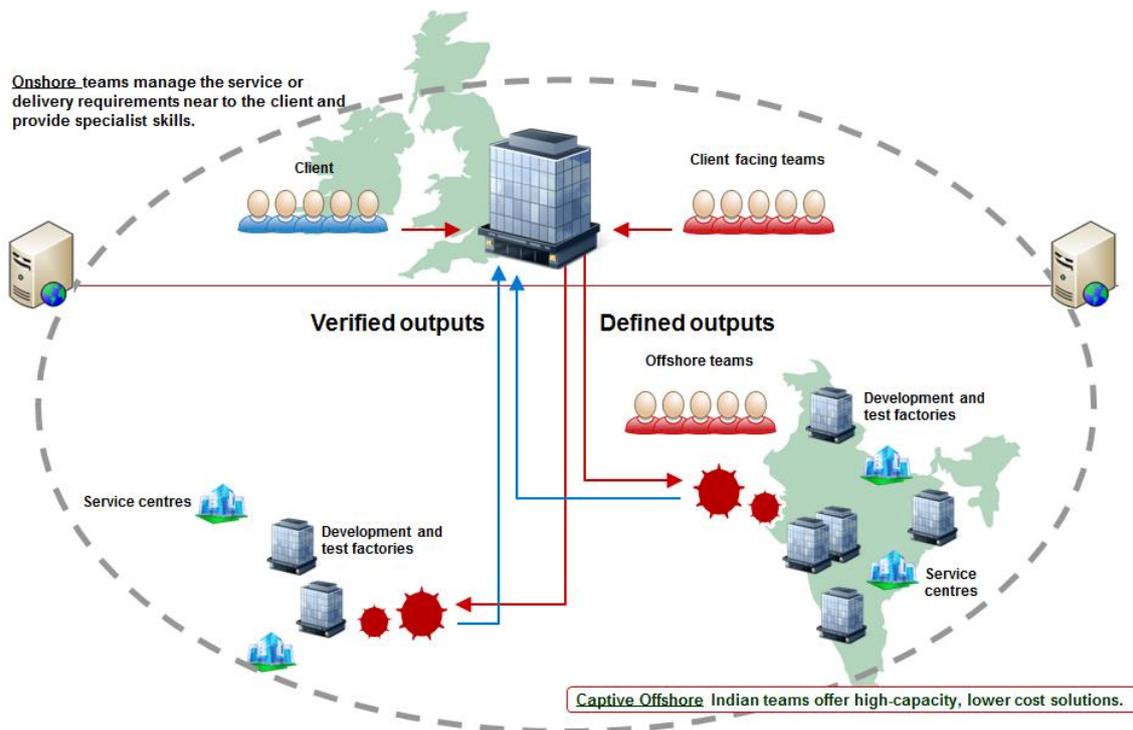


Figure 9 – Delivery Engagement Process Flow – Level 1

As illustrated in Figure 9, the client and project management activities are usually led by a UK manager utilising the engagement processes to effectively manage, distribute, and coordinate work with India. For such cross-border projects, organisational, national, and cultural issues may impact on the smooth running of the project even when supplemented by processes and defined engagement practices. Given these apparent challenges, the captive offshore software development activities require both project teams (onshore and offshore) to deal with issues unique to operating in a heterogeneous international environment (Rao, 2004). It is the UK managers' perception of these issues that is the focus of this study. The delivery engagement process is supported by a detailed engagement process flow (see Figure 10).

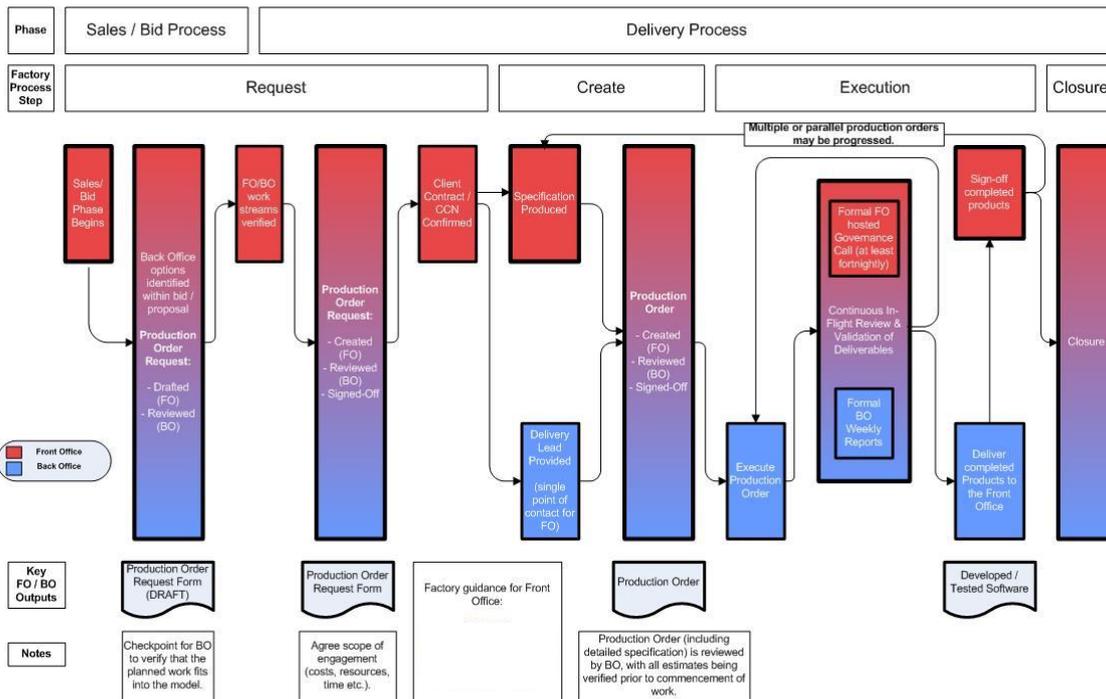


Figure 10 – Delivery Engagement Process Flow – Level 2 (Red = UK; Blue = India)

Both diagrams describe the engagement between the onshore team in the UK and the captive offshore team in India. These guidelines provide the UK managers and all project personnel with a clear understanding of the handover points, the key project artefacts, and the deliverables to be produced at each stage of the project delivery lifecycle. These guiding principles and standardised working practices are especially important for software projects which are required to follow traditional development methodologies and software delivery lifecycles with defined stages and formal handover points.

However, these prescribed models suffer from two principal drawbacks: First, models and process do not always effectively address intra-organisational and national cultural differences even when supplemented by cross-cultural awareness training; these differences whether national or organisational have been mentioned in the literature as “a key challenge for offshoring” (Avison and Banks, 2008, p.249). Patterns of thought and behaviour that seem natural and ingrained in employees’ own countries, even within the same global organisation, may appear alien and incomprehensible to their onshore project counterparts. Culture impacts on the way individuals interact with their superiors, also their perception of the importance of group harmony and how they handle quality-of-life concerns. One major challenge resulting from these captive offshore, intra-organisation, and cross-national projects is the need to manage the multiple differences that can arise when working on projects of this nature, which can play an important role in the successful outcome of the project.

Chevrier (2003) argues that when nothing is purposefully set up to manage cultural differences, multiple and sometimes diverse interpretations of people’s intentions and

practices coexist. Anecdotal evidence, based on the experience of UK offshore managers, suggests that they will be required to go beyond the boundaries of working in a traditional co-located and national project environment and adjust their working style to deal with cultural variations or incorporate these cultural variations into their working practices. Therefore, managers working on captive offshore projects are faced with the challenge of having to adapt their working practices to deal with these differences; for example, managing organisational differences, the differences in language and communication that could adversely affect cross-cultural projects. Therefore, they are dealing with and managing differences between their usual UK-centric experience and the reality they are now facing. These differences are arguably a complex mix of cultural, national, and organisational differences that are difficult to separate, but are, nevertheless a daily reality. Cultural dimension studies (Hofstede, 1980, 2001, 2005; House et al., 2001; House, Javidan, Hanges and Dorfman, 2002) have attempted to provide an explanation which may or may not be applicable in this instance due to their somewhat generic and abstract nature (Avison and Banks, 2008; McSweeney, 2002; Wilson, 2005).

Second, ethnographic studies (Orr, 1987a, 1987b, 1990a, 1990b, cited in Brown and Duguid, 1991, p.40) have been undertaken on workplace practices to establish if the “ways people actually work usually differ fundamentally from the ways organisations describe that work in models, manuals, training programmes”, or even engagement processes. Consequently, individual managers may work in very different ways from those suggested by the engagement process. They argue further that “conventional descriptions of jobs and processes mask not only the ways people work, but also the learning and innovation generated in the informal communities of practice in which they work.” Further, the models may hide how managers learn to deal with the challenges posed by these projects.

The aim of this study is to establish if the characteristics of the cultural differences, as argued in the literature, are a major factor in the captive offshoring phenomenon. In addition, if the engagement processes actually work in practice. Section 2.3 discusses the methodology for this study.

3.3 Methodology

This section outlines the core methodology developed for this study along with the justification for the methodological choices taken. The section begins with the research questions followed by the philosophical context for the research methodology, and explains the chosen research approach.

3.3.1 Research Questions

Research questions are the vehicles through which a research problem is made researchable. There are three main types of research question: “what”, “why” and “how”. “What” questions seek descriptions; they are directed towards discovery and

describing the characteristics of, and patterns in, some social phenomenon; “Why” questions seek understanding or explanations, or the reasons for the existence of a particular phenomenon; and “How” questions are concerned with intervention and problem solving and bringing about change (Blaikie, 2007).

Given the two limitations as outlined in the “research problem”, a “What” question is considered appropriate for this study as it is important to discover and describe the differences in characteristics as seen and understood by UK managers when managing offshoring projects with India. Also, it is important to establish that the characteristics of the cultural differences, as argued in the literature, are a major factor in the offshoring phenomenon. Therefore the research questions for this study are:

In the context of captive offshore IT projects, what are managers’ perceptions of the differences when managing software development and software maintenance projects?

What action do they take as a result of these differences?

3.3.2 Approaches to Management Research

A step towards answering these questions and setting the context for the research method is to examine different theoretical explanations of how individuals interpret differences in social reality. This section will explore the theoretical and interpretive approaches to understanding – social constructivism, and cognitive psychology, to demonstrate what potential they have to answer the research question.

Cognitive psychology represents the frames of reference that individual members can share and they exist within a culturally diverse environment (Axelrod, 1976; Bettenhausen and Murnighan, 1985; Bougon, Weick and Binkhorst, 1977; Daft and Weick, 1984; Weick and Bougon, 1986). Created through social interchange or negotiated over time (Burrell and Morgan, 1979; Walsh, Henderson and Deighton, 1988), this cognitive collective (Gioia and Sims, 1986) represents the dominant logic or dominant reality of a group (Gephart, 1984; Prahalad and Bettis, 1986). The views of managers, in this case offshore managers, as a collective are especially salient because managers appear to be at the heart of cognitive shifts that occur from traditionally co-located projects to working with global subsidiaries. In this case, this may or may not apply to what offshore managers do when faced with unfamiliar situations when managing their projects.

Berger and Luckmann (1966) in their study *The Social Construction of Reality* claim that organisational members actively enact the reality they inhabit. They create a “material and symbolic record” (Smircich and Stubbart, 1985, p. 726) upon which they predicate future actions (Silverman, 1970). The central concept of *The Social Construction of Reality* is that “persons and groups interact in a social system form, over time, socially constructed or concepts representations of one another’s actions, eventually becoming habituated into reciprocal roles played by the actors in relation to

one another.” These reciprocal interactions become institutionalised (embedded in society) when these roles are made available to other members of society, knowledge and people’s perception and belief of what reality is becomes embedded in the institutional fabric of society (Berger and Luckmann, 1966). This approach is well aligned to this study as IT projects are socially constructed; the research perspective embodied is strongly biased towards the interpretive tradition where the social realities of the actors (offshore managers) are being explored.

For the reasons mentioned above, the interpretive literature suggests that managerial views of important events are critical (Keisler and Sprull, 1982). Numerous scholars (Daft and Weick, 1984; Gioia, 1986; Gray, Bougon and Donnellon, 1985; Morgan, 1986) have contended that managers serve a significant cognitive function in organisations by interpreting events and ultimately using those interpretations to frame meaning for other organisational participants. Managers’ dominant reality (Gephart, 1984) or logic (Pralhad and Bettis, 1986) may influence the construed realities of others (Daft and Weick, 1984; Gray et al., 1985). Since leaders have the formal authority to prescribe interpretations, their viewpoints and how they shift during events can be highly significant and instrumental. Authors such as Bennis and Nanus (1985) and Pfeffer (1981, 1982) have said that theirs is the social architecture from which organisations draws meaning and significance.

Finally, as interpretations are made *a posteriori* (Weick and Daft, 1983), they focus on elapsed action and what has occurred: “An explorer can never know what he is exploring until after it has been explored” (Bateson, 1972, p. 16) and “(An individual) cannot know what he is facing until he faces it, and then looks back over the episode to find out what happened” (Weick, 1988, pp. 305-306). Interpretive research is often built upon events that have already transpired and around which a collective viewpoint has had time to emerge, as interpretations tend to be formulated after, not during, events.

3.3.3 Ontological and Epistemological Foundations

The social constructionist perspective proposed believes that social reality is relative and that ideas are representational. The epistemological stance believes that the basis of knowledge is more interpretive and sociologically oriented towards the interpretive tradition where social realities such as offshoring and IT projects are assumed to be social constructs. Accordingly the research conclusions are reached by studying and discovering the characteristics of the differences as descriptions based on the interpretations of the managers.

The ontological and epistemological foundations of this study have driven the chosen research method that will make the research problem and questions researchable (Easterby-Smith et al., 2008). The chosen research method will provide a descriptive narrative to answer the research questions and justify the appropriate use of a grounded theory approach in building these descriptive answers to the research questions. The

next section describes the chosen methodological approach and its relevance to answering the research questions.

3.3.4 The Selection of Research Approach

Qualitative/interpretive research offers a number of methodological alternatives, which could be used to explore the issues at either an individual or group level (Wolcott, 1992). Navigating through the options available has provided a basis for selecting a preferred approach. This will lead to one of the major decisions made in developing the research methodology: the use of a grounded theory approach. Such a choice entails first explaining the theoretical route to the use of the grounded theory approach from the wide array of options and then justifying the use of this approach for this study.

Interest in qualitative approaches based on the interpretive tradition has steadily increased in organisational and management sciences (Alvesson and Sköldberg, 1999; Prasad and Prasad, 2002; Sandberg, 2005; Zald, 1996), as well as within social science more generally (Atkinson, Coffey and Delamont, 2003; Denzin and Lincoln, 1994; 2005; Flick, 2002). The strong growth mainly stems from dissatisfaction with positivistic research as advocates of interpretive approaches claim that those methodological procedures for objective knowledge have significant theoretical limitations for advancing our understanding of human and organisational phenomena (Alvesson and Sköldberg, 1999; Denzin and Lincoln, 1994, 2003, 2005; Prasad and Prasad, 2002; Sandberg, 2001).

In examining the qualitative options available there are a number of meta-reviews on qualitative research to guide us through the literature (Denzin and Lincoln, 2005; Jacob, 1989; Wolcott, 1992). But as Smyth and Morris (2007) state, “Research methodology has a key role in generating knowledge on projects and their management. However, if the epistemological base of our research is weak, then it must also be the case that progress in developing the knowledge base for research and practice in the field is also weak. Thus the primary question being explored is whether we are careful enough in the selection and application of methodologies” (p. 423). They further argue that “hermeneutics or interpretive epistemologies, hence methodologies, cover a range of issues and methods including case-based methods and grounded theory. Interpretive methodologies embrace phenomenology, ethnographic methods, and other approaches which are excellent for understanding perceptions which are part of the particular, yet poor at addressing the general.” Over time, many management theorists have moved from seeking general towards seeking particular explanations which has followed a theoretical shift from theories employing reflexive and dialectic causality that sought general explanations. Sayer (1992) argues that interpretive explanations paradoxically tend to maintain the *status quo*.

To overcome the shortcoming of positivism, advocates of interpretive approaches have placed much emphasis on the lived experience and interpretation of the actors as the basis of human actions and activities, as is the case with this study. Glaser and Strauss

(1967) propose grounded theory which focuses on the interpretive process by analysing “the actual production of meanings and concepts used by social actors in real settings” (Gephart, 2004, p. 457). They argue that by paying attention to the contrast between “the daily realities [what is actually going on] of substantive areas” (Glaser and Strauss, 1967, p. 239) and the interpretations by those who participate in them (the “actors”) new theory could be developed. They describe an organic process of theory emergence based on the fit between the data and conceptual categories identified by the researcher. Also by how well these identified categories explain the ongoing interpretations, and the relevance of the categories to the core issues being observed.

Grounded theory building means the creation of theory by observing patterns within systematically collected empirical data. This almost always includes the notion of iterating between and constantly comparing, theory and data during analysis, and theoretically sampling cases. As Langley (1999) notes, the quality of the theory and the strength of its empirical grounding are of greater importance to research quality than the specifics of the theory-building process. However, for other scholars, grounded theory has a more precise meaning that stems from the original focus of Glaser and Strauss (1967). Corbin and Strauss (2008) go further to emphasise processes for how researchers should gather field data and discover theory using a hierarchical structure of categories. This study will adopt the Corbin and Strauss approach to grounded theory, where the interpretation of meaning by social actors (UK offshore managers) will be investigated and the theory developed using categorisations arranged in a hierarchical structure. In this study the data collection and analysis will follow a simultaneous process with new data constantly compared with existing data as part of the theory-building process; as the theory emerges, this will determine what data are to be collected next as part of the theoretical sampling process (Suddaby, 2006). Further, adherence to the specific grounded theory-building processes is important in judging the quality of the research, always bearing in mind that strict adherence could also result in theory limited generalisability (Langley, 1999). In addition, such adherence might produce “passable results, a mechanical approach typically lacks the spark of creative insight upon which exemplary research is based” (Suddaby, 2006, p.638).

In coping with the multiple meanings of “building grounded theory”, a systematic data collection and theory development processes will be undertaken that will be reported with transparent descriptions, particularly regarding how the theory was inducted from the data. The purpose here is to convey the rigour, creativity, and open-mindedness of the research process. In addition, there is currently little that exists in this research area (Prikladnicki et al., 2007, 2010; Ramamani, 2006) and the purpose of this research is to develop theory, not to test it. In the absence of any pre-existing literature, open-ended interviews will be used as the data collection mechanism. A highly structured interview format is rejected due to the constraints that it would put on the exploration of the key concepts, which would be inappropriate for this type of research (Kvale and Brinkmann, 2009). Theoretical sampling is considered to be appropriate as the respondents will be

selected based on their particular suitability for illuminating and extending the logic among the constructs of captive offshoring. The inductive approach taken here is consistent both with my research goals and the predominant methodology and assumptions used in similar studies (e.g. Sutton, 1987; Isabella, 1990).

This scoping of the research design will now be translated into data requirements for the grounded theory approach and an overall research design.

3.4 Method

Having narrowed down the methodological approach to grounded theory, the next consideration is to identify what data collection activities need to be undertaken at the research site. Bearing in mind the overriding question throughout this discussion, the specific focus is looking for data in support of managers’ understanding of the “differences” when managing offshoring projects in India as compared with traditional co-located projects.

The empirical research design incorporates the methodological theory described above, and provides the framework for data collection and analysis activities. The main features of the data collection and analysis are outlined.

3.4.1 Research Process

The elements of the research design described in section 2.3.4 were combined to develop a five phased approach. The process flow of the phases is shown in Figure 11.

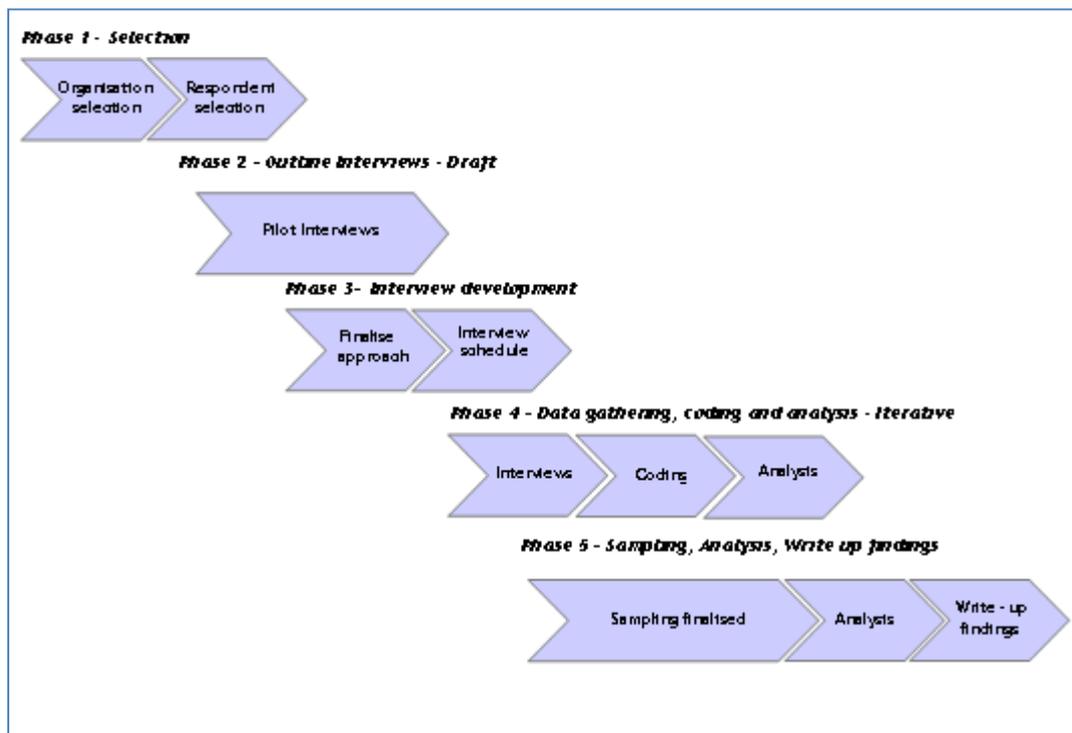


Figure 11 – Research Process Flow.

As illustrated in Figure 11 and consistent with the grounded approach, the five phases of the research design were not intended to run sequentially. In most cases, the phases of the research were planned with varying degrees of overlap, as can be seen from Phase 1 through to Phase 5 of the research process flow.

3.4.2 Access

It is important to note that at the time this research was undertaken, I worked for the organisation under study and was an active participant in the organisation's offshore activities. As an active participant in the offshoring phenomenon I could be perceived as an "insider" due to my personal experiences being used as a basis for understanding ongoing events and activities (Kemmis and McTaggart, 2000). I was aware that my biases and assumptions about the phenomenon under study may influence my interpretations. To overcome this "insider" bias, wherever possible I engaged in a systematic data collection and theory development process that has been reported with transparent descriptions, paying particular attention to how the theory was inducted from the data. My purpose is to convey the rigour, creativity and open-mindedness of the research process; my major consideration being the notion of truthfulness to the experience of my respondents.

With regard to the organisation selection, the availability of access to target organisations was a key consideration, and was undoubtedly one of the most important starting points when considering undertaking this study. The chosen organisation had in the last three years increased its UK offshore operations to India, as part of their strategic objective to reduce cost and improve overall efficiencies and competitiveness. This had been done, where possible, by transitioning existing client software services (development and maintenance) offshore. The organisation's aspirations were in the two years up to 2012, to move at least 70% of software development, 80% of software management, and 50% of Enterprise Resource Planning (ERP) services to their captive offshore centre in India.

It was known from the outset that the data provided by respondents would directly shape the outcome of the study and would also be critical to developing the theoretical contribution. To this end, an informed number of respondents, 14 in total, were nominated by the head of the delivery management group to participate in this study. The participants were nominated based on their involvement in managing offshoring engagements with India, the appropriateness of their contributions and for the reliability of their account (Partington, 2002). This provided me with 14 managers from four different organisational levels who met the following criteria.

To obtain the most current and relevant experienced respondents, they had to have managed first-hand, within the last 24 months, offshore software development or maintenance projects. The respondents needed to work for the UK subsidiary of the organisation and belong to the service line of the organisation responsible for offshore projects. They needed to understand and be intimately connected with the shaping of

their offshore engagements throughout the various stages of the engagement. The selection criteria were as follows:

1. Employed by the UK subsidiary of the global IT organisation;
2. Experience of the engagement processes developed by the UK subsidiary;
3. Currently managing or have managed a software development/management project involving the Indian subsidiary within the last 24 months;
4. Managers from the various delivery functions (delivery directors, project managers, service managers, development managers and transition managers) to benefit from the richness of experience within the different job functions across the delivery organisation;
5. Managers from different job levels (management, technical and administrative) across the delivery organisation to capture the greatest possible variation in the managers' understandings of offshoring.

Given the recent nature of the offshoring phenomenon and the stringent selection criteria, there was a chance that these may result in a small sample of interviewees relative to the size of the organisation but the quality of the responses was paramount. Each of the nominees was approached by phone and then by email to gain their consent to participate in the study. Twelve of them were willing and available to partake in the study providing me with 80% representation of the population. It should be noted that all 12 interviewees belong to the UK project management community. This was done with the intention of providing full coverage of the types of project delivered out of the Indian subsidiary. Since top managers have key interpretive roles (Bennis and Nanus, 1985; Smircich and Morgan, 1982), the participation of two project director respondents from the delivery community was essential. From the middle and lower managerial levels, ten managers were selected, the functional areas including both technical and business managers and application development and maintenance as well as service delivery. Key demographic data for the respondents can be found in Table 26.

Table 26 – Overview of Respondents

| Respondent No | Ref | Role | Delivery Service |
|----------------------|------------|----------------------------|-------------------------------------|
| Respondent 1 | R1 | Programme Manager | Applications Development |
| Respondent 2 | R2 | Senior Project Manager | Applications Development |
| Respondent 3 | R3 | Senior Project Manager | Applications Development |
| Respondent 4 | R4 | Technical Delivery Manager | Applications Development |
| Respondent 5 | R5 | Delivery Manager | Applications Management |
| Respondent 6 | R6 | Project Manager | Applications Development |
| Respondent 7 | R7 | Service Delivery Manager | Service Management |
| Respondent 8 | R8 | Service Delivery Director | Service Management |
| Respondent 9 | R9 | Project Manager, | Applications Development |
| Respondent 10 | R10 | Project Manager | Applications Development |
| Respondent 11 | R11 | Programme Director | Applications and Service Management |
| Respondent 12 | R12 | Project Manager | Applications Development |

3.4.3 Data Collection

As discussed in the methodology section, the data collection method employed in this study is consistent with the grounded theory approach. Due to the recent nature of the phenomenon under investigation, there was a lack of any supporting documentary evidence within the organisation under study that would have helped to illuminate the research question. In the absence of any pre-existing literature, open-ended interviews were used as the main data collection mechanism. Conducting open-ended interviews early in the study facilitated full immersion in the data; also increased the sensitivity to what was important to the respondents, since the overall purpose is to understand the world from the respondents' point of view (Partington, 2002). The free-form nature of open-ended interviews provided the opportunity to open up dialogue with the respondents, to help elicit from managers information on how they manage the differences they experienced and also to encourage reflection. Handwritten field notes were captured on an ongoing basis during the interviews, coding and analysis stages of the research process.

A draft interview protocol was created to support the interviews which were developed around the two main research questions for this study, together with three follow-on catch-all questions to provoke reflection on the part of the respondent (see Appendices A). Two respondents were selected from the project organisation to partake in pilot interviews which lasted for 26 and 33 minutes each. This pilot prompted some modifications to the interview protocol (see Appendices B). These modifications included:

- The adjustments to the wording of the first and third main interview questions to make them more open and less leading;
- The deletion of two relatively low-value questions and probes in the warm-up section;

- Emphasis on two questions and probes which were particularly successful in the interviews.

One of the main observations arising from the pilot was that only a small number of questions would need to be asked to get the discussion going. The questions were intended to act as a guide rather than a list to be followed. However, owing to the open-ended nature of the interviews, the interviews did not necessarily follow the structure. The flow of each interview was dependent on the respondent, with spontaneous responses sometimes being provided. This approach was designed to give both the interviewer and the respondent some flexibility in shaping the discussion, and to provide scope for digression and elaboration.

Ten of the interviews were conducted face-to-face within the organisation's premises and two by telephone due to logistical difficulties; each of the interviews lasted between 47 and 72 minutes. For the interviews conducted over the phone, the warm-up sessions were longer in order to build familiarity and to relax the respondents; in addition, the respondents were asked to elaborate further, bearing in mind that some of the richness of the responses (body language) would be lost due to the remote nature of the interview. Observational notes were taken for all the interviews; all but one of the interviews was recorded using a digital voice recorder with the consent of the respondents which was usually requested at the start of every session. For the interview that was not recorded, due to the respondent's unease about being recorded, notes from the session were written up in full and used in the data analysis. The device itself was quite small and intended to be unobtrusive. The voice recorder produced an audio file, which was uploaded via a USB connection onto a laptop.

3.4.4 Analysis

This section outlines the interview transcription and data analysis processes. The conceptualisation presented in this research attempts to outline both the sequence of evolving interpretations and the processes through which those interpretations unfolded.

The first step in the analysis process was to personally transcribe the first interview. However, due to the involved nature of interview transcription and the time constraints, a professional transcription service was engaged for subsequent interviews to transcribe the audio files (MP3 format) verbatim into Microsoft Word format. On receipt of each transcript from the transcription service, the transcript files were checked for accuracy by listening to the audio recording whilst checking the transcript. The transcripts were edited where industry-specific jargon had been used. Listening to the audio files again allowed for greater sensitisation, entering into the lives of the respondents, and for obtaining a better sense of the theoretical implication of the data. This facilitated noting ideas and follow-up points for further interviews in addition to understanding voice tones and emphasis. The Microsoft Word files were uploaded into NVivo, a qualitative data management and analysis tool designed to assist researchers in organising, coding, and reporting qualitative data. NVivo was primarily used for coding the interview data,

cross-data comparisons between the nodes and interview transcriptions. This proved to be a useful way of managing what became a large dataset of interview material. NVivo was also used to develop static coding models at each stage of the analysis to provide full traceability and snapshots of the evolving model.

The data analysis began after the second interview using the NVivo analysis tool in which a free node coding structure was developed which eventually evolved into a hierarchical structure (Corbin and Strauss, 2008). The first two transcripts were read twice to obtain a thorough understanding of what had been said, systematically searching the transcripts for statements about what the managers perceived the differences to be when working with the Indian subsidiary. Electronic memos were made that related to each statement made by the respondents; using this method enabled the development of a preliminary set of nodes for the differences. From the first two interviews transcripts, variations were noticed in their perceptions of the differences; as this approach was applied to all the interview transcripts, the varying experiences of the differences became more apparent and patterns began to emerge from the data.

The observational notes taken during the interviews helped to illuminate how managers perceived the different elements of their projects, how their concerns shifted, how their actions and reactions varied, and how insights were both similar and very diverse. For example, in “Communication” mentioned by nine respondents, it was interesting to note how the properties of this theme varied; some managers perceived the communication challenges more as a technology limitation, and others as purely underpinned by cultural differences. In contrast, other popular themes such as “Collaborative working”, “Travel to India” and “Elongated days” were mentioned by almost all respondents in very similar contexts and with similar properties.

The grounded theory approach requires that data and theory are constantly compared and contrasted with each other throughout the data collection and analysis process. As data collection progressed, theoretical sampling was followed in which concepts and questions derived from the data were used to drive the next round of data collection; the research process created an iterative feedback loop and was thus cumulative. The evolving theory directed attention to previously established important dimensions while the actual data simultaneously focused attention on theory suitability as a frame for the most recent data being collected. The result of this fluid movement between theory and data was a reconceptualisation of the core construct under investigation, the “differences”, often based on a creative leap (Mintzberg, 1979; Post and Andrews, 1982) that accounted for and encompassed all nuances in the data. While the theoretical process was clear and precise, in practice it was highly iterative and disordered; due to ongoing work pressures, the analysis was restarted whenever new transcripts were added, or at a convenient point from where it had been halted the previous time. The first iteration of coding, comprising 72 nodes, is illustrated in Figure 12.

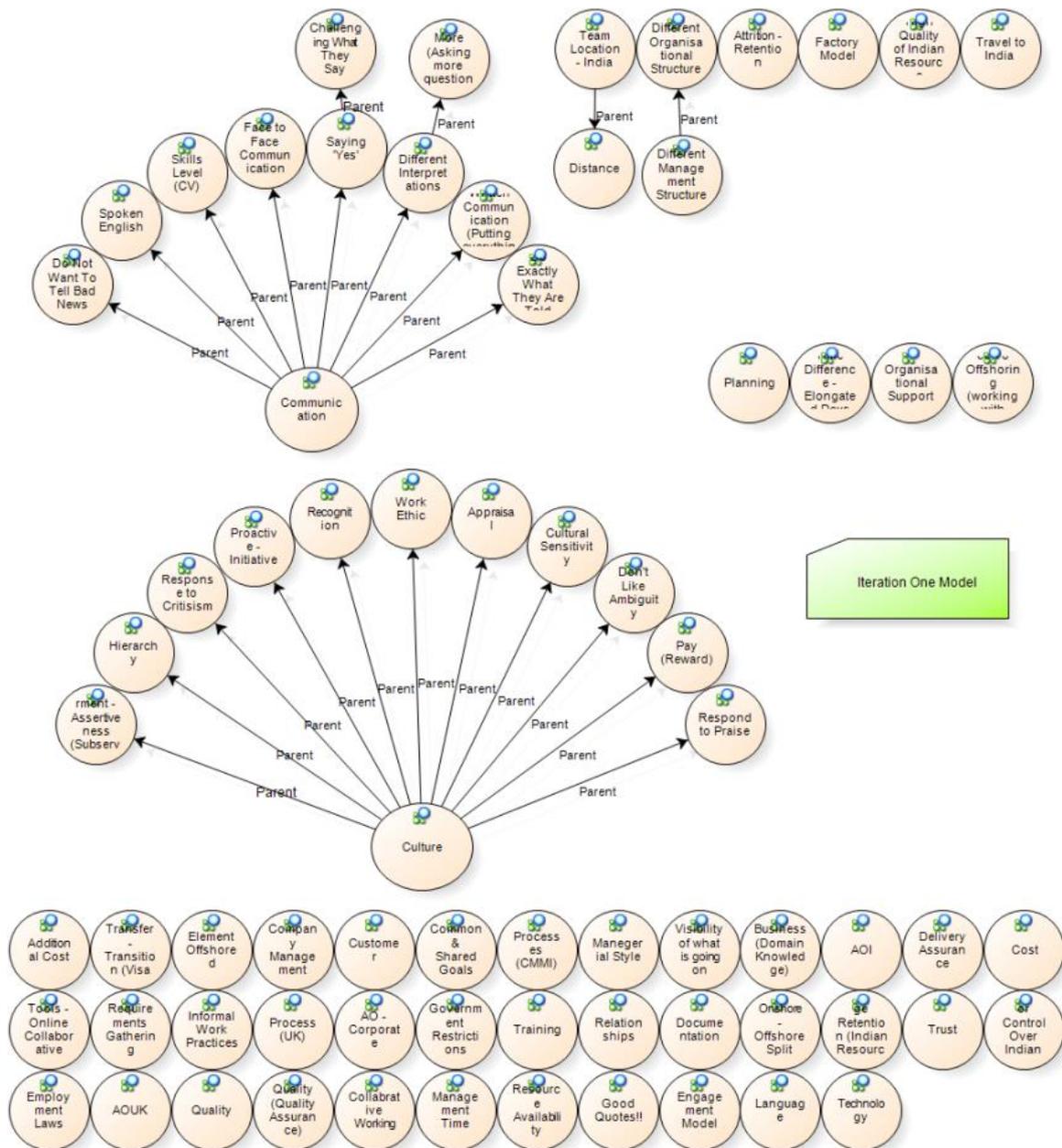


Figure 12 – Iteration One

The preliminary categories were organised into loose groups to capture all themes that were subsequently organised into a hierarchical tree node structure as patterns began to emerge. The tree node structure comprised a parent node “Differences” with several other child relationships. The data expanded beyond the child nodes as new themes, dimensions and properties which emerged during the interviews and through further analysis of the data. The second level down from the parent node contained distinct themes – “National Culture”, “Organisation”, and “Communication”. The initial codes were continuously modified, merging some and relating some to others using axial coding (Corbin and Strauss, 2008); for example, “Organisation” is the parent category for “Business Model” and “Cost” is a grandchild of “Business Model”, all of which

3.5 Results

In this section the results of the study will be presented. The final coding structure is presented followed by the results for each of the main categories of that structure.

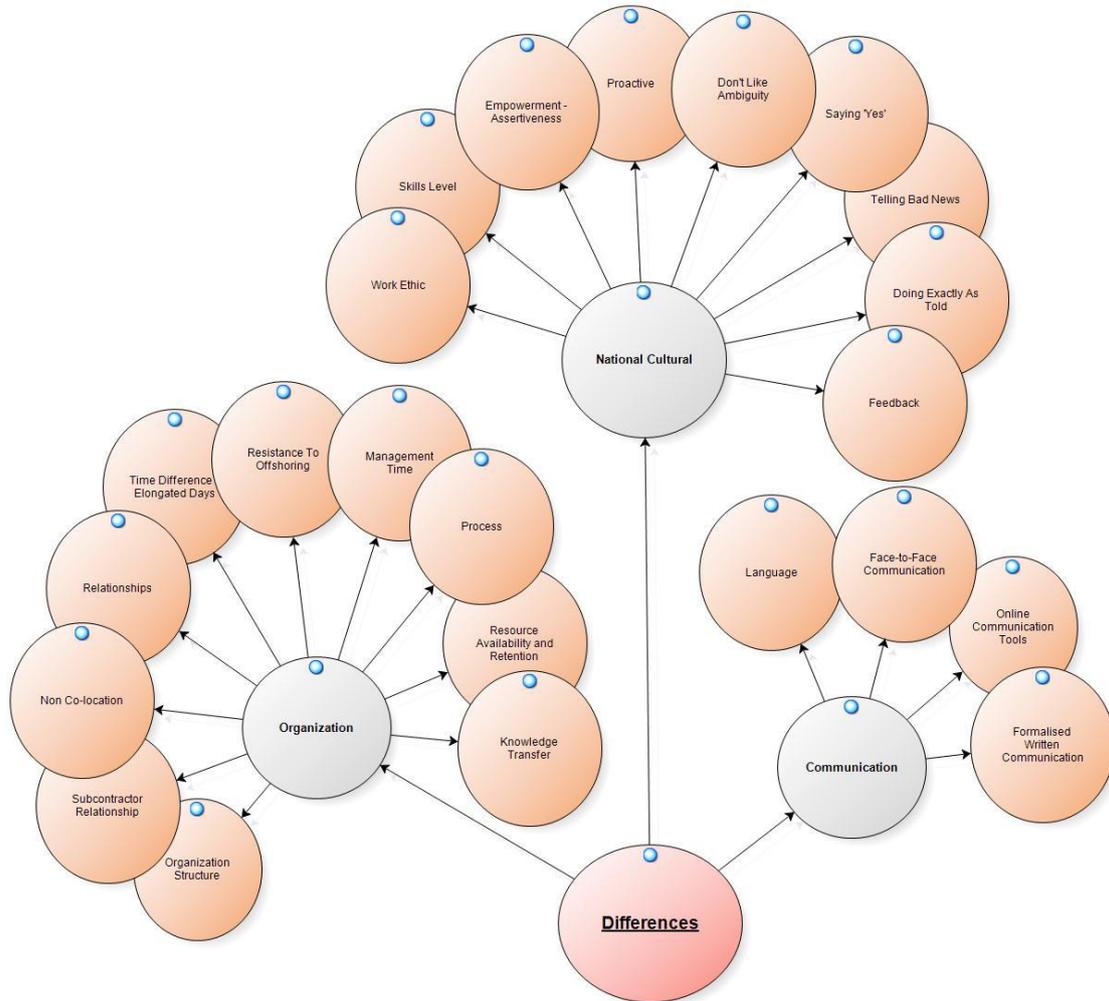


Figure 14 – Final Coding Structure

Figure 14 provides an illustration of the final coding structure and the relationship between the themes. The data from this research revealed the managers’ perceptions of the key differences when managing captive offshore projects. These differences have been categorised into three main constructs: Organisation, National Culture, and Communication. The following sections discuss the research findings for each of the main and sub-categories.

3.5.1 Organisation

One of the key high-level constructs that emerged from this study was organisation. There were ten organisational differences highlighted by the managers, shown in Figure 15; Table 27 then provides a respondents’ response matrix for each of those differences.

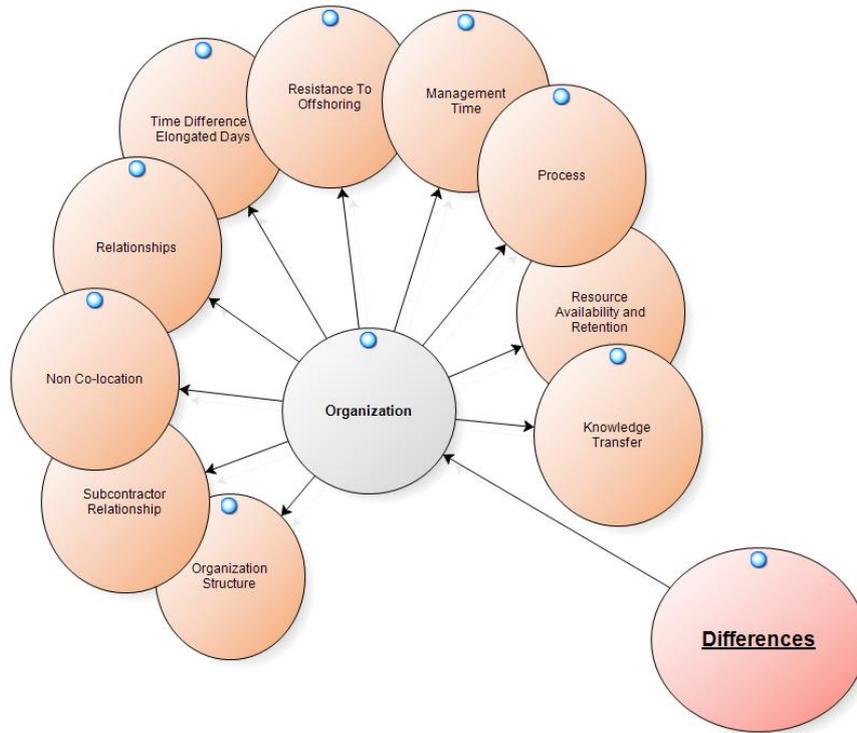


Figure 15 – Differences – Organisation

Table 27 – Respondents’ Matrix – Organisation
(Key: ✓ = Data)

| Organisation | | R1 | R2 | R3 | R4 | R5 | R6 | R7 | R8 | R9 | R10 | R11 | R12 |
|--------------|-------------------------------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|
| 1 | Organisation Structure | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | |
| 2 | Subcontractor Relationship | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ | ✓ | ✓ | ✓ |
| 3 | Non Co-location | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| 4 | Relationships | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| 5 | Time Difference / Elongated Days | | ✓ | | ✓ | | ✓ | | | | ✓ | | |
| 6 | Resistance to Offshoring | ✓ | | | ✓ | ✓ | | ✓ | | | | ✓ | |
| 7 | Management Time | | | | | ✓ | ✓ | | | ✓ | | ✓ | |
| 8 | Process | ✓ | ✓ | | | | ✓ | ✓ | ✓ | | ✓ | ✓ | |
| 9 | Resource Availability and Retention | | | | | ✓ | ✓ | ✓ | ✓ | | | | |
| 10 | Knowledge Transfer | | | ✓ | | | ✓ | | ✓ | | | ✓ | ✓ |

Organisation Structure

One of the key themes that emerged from the data was the organisation structure. The main differences highlighted by managers were differences in terms of the management structure, processes and the hierarchy of each subsidiary. These were perceived to have a direct impact on knowledge transfer processes and project controls, thereby leading to limited visibility and a lack of control over their resource in India. The lack of visibility and control also meant that the team in India may have been working on other projects or had other pressures that the UK manager may not have been aware of in spite of the Indian resource having been assigned to them on a full-time basis. This led to the perception that the Indians may have greater loyalties to their own management who may not share the same agenda as the UK manager, which presents an additional layer of complexity to the management of the project:

They have their own organisational structure, their own management structure and so they may have a different agenda to you, and may feel greater loyalties to their own management or greater needs to meet what they perceive to be the needs of their own management (R2).

The UK managers' lack of visibility also extended to the management structure in India where it was felt that there were too frequent changes to the management structure and reporting lines which were not widely communicated. The result of this was total confusion and blurring of the reporting lines, making it hard for managers to maintain relationships with their offshore counterparts and leading to limited ownership of roles and accountability. It was also noted by R6 that as the team sizes increased in India, the teams could appear quite opaque to the UK manager, particularly on projects with a large number of resources. Consequently, the one-to-one relationship with the individual team members and the feeling of connectedness were lost over time.

Furthermore, for short-term projects, respondents perceived that the cost benefit of utilising offshore resources was sometimes neutralised by the different operating models in the subsidiaries, the additional management charges, training required for new technologies, and general 'on-boarding' costs, for example:

The additional costs that we suffer in terms of getting this guy up to speed, the on-boarding, training and physical housing; if I got a body off the street and said do the job versus having to go through all this exercise, from an account perspective it wouldn't make a difference (R8).

R7 said the offshore model had hidden costs which were not explicitly outlined at the start of the engagements, making the offshore model expensive in comparison. The benefits, such as the cost savings, were never truly realised due to the costly overheads.

Subcontractor Relationship

There was an overwhelming feeling from the UK managers that the structure of the relationship with India felt like that of a subcontractor instead of one global organisation. One respondent said:

Although we and India are of course one company, it is more akin I think to working with a subcontractor than it is to working with a complete team (R12).

An example in support of this feeling was that India was keen to formalise project activities to the extent of having individual work package agreements for small elements of work and operating in similar ways to having an external subcontractor relationship. There was constant reference by most of the managers to a strong “them and us” culture. R6 went as far as saying that this attitude was so pervasive, that sometimes they forgot they worked for the same company! With regard to shared responsibility and ownership of project delivery, the overwhelming feeling amongst managers was that there was no shared ownership. R6 said:

I don't know that I ever felt that their heads were on the block as well, so half a team rather than one team, not fully one team.

Balanced scorecards were sometimes introduced between the locations which added to the formality of the relationship. This was seen as a good idea and meant that once the key success factors had been agreed, the Indian team would strictly adhere to the terms of the agreement and remind the UK team of the agreement if there were any deviations. In the UK, the working practices were much more informal and it was not common practice to give much thought to success factors. When working with India, the managers felt that they needed to engage much more formally than they were used to, thinking of things like work package agreements, balanced scorecards, and success factors, similarly to when working with external suppliers.

R9 also mentioned that there was a tendency to look at India as being a third party with the UK giving the instructions on when tasks need to be completed. There was also much formality around the handling of project issues, clarifications, risks, targeted deadlines, and bringing offshore members onshore. This was likened to India reporting into the UK on something that was effectively a ‘black box’ (opaque, limited knowledge of the internal workings):

We give them a piece of work and then they give it back on the completion date, while continually raising clarification with us and yet we talk about ‘all of the one team’. The one delivery team aspect but that juxtapose and isn't very supported by the way that we then act and they act in terms of the formality of that relationship (R9).

To remedy the situation, some managers took a step back to understand what was happening and discussed this with the team in India as they required them to provide some input and play a more active role in the running of the project. They needed them

to feel part of the project, rather than merely performing the supplier role. A respondent said that there were different ways of achieving a partnership:

We need to allow them greater ownership otherwise you could have very much a sort of client/supplier relationship where they were told what to do and they went and did it (R4).

With regard to issues management, the respondents did not feel that there was a shared sense of responsibility and ownership of issues, and issues resolution was perceived to be a problem. This was compared to the UK where it was easier to get everyone round a table to discuss, find the root cause of, and draw up an action plan to resolve an issue. The same was not the case for India, where there was perceived to be more of a reluctance to taking ownership of issues and seeing them through to resolution. The UK team had to be actively involved in problem resolution, providing guidance on what to do, rather than the Indian team showing some initiative and resolving the issues themselves. As a result of which some of the managers adopted a more inclusive approach to the relationship between the UK and India and took tighter control of managing the interface between them. This was done by proactively engaging with the Indian team, visiting them, and understanding that the onshore “colonial view” of telling them what to do and expecting them to do it, did not necessarily work best, consequently forming a more respectful and closer working relationship:

I went to India, spoke to the guys and we soon learned that what they hate is when the onshore people adopt a colonial view when they say this is what we want, go and do this and when you’ve done that, come and tell me and I’ll give you something else to do, so just through not being revolutionaries, just by using common sense and having respect for co-workers, we formed a working relationship (R4).

Non Co-location

As a result of the geographic distance between the UK and India and also the multiple locations (non-co-location) of the project teams in India, there was a strong sense amongst the UK managers that they did not have enough visibility and control over project resources in India. Project resources were often thought to have been working on more than one project, thereby dividing their attention between several projects; they were not sitting together as a team which initially was not visible to the UK manager who became aware of this several months into the project. One manager said:

Those anecdotes, where I say a friend of a friend says they’re working on three projects at once, things like they weren’t sitting together as a team, that wasn’t even visible to us for a couple of months, if you actually had eyes on the ground then you’d say, well this is just ludicrous (R6).

This situation was perceived to be unacceptable by the managers as this lack of visibility made it increasingly difficult to assess and understand what kinds of

constraints their team(s) may have been operating under. In the absence of this visibility, the managers requested granular project information such as; lines of reporting and details of what tasks were been undertaken by which individuals on their teams to ensure they were not being overcharged for resources that were not being fully utilised on their project or, unbeknown to them, being shared with other projects. The managers did not feel that they could rely on or trust their Indian counterparts to tell them what was happening on the ground. The managers also felt that they did not have the same level of control or influence over the offshore resources as they did with the onshore resources. They felt the teams were under different pressures and the UK managers' ability to place pressure upon them may not be as great as that of their local managers. As a result the resource may consciously or unconsciously treat things with different priorities. As an example:

They may have other projects that I'm not aware of, they are maybe doing other things that I'm not aware of and they won't tell me about things they're doing or pressures they're under and it can be subtle or it can be explicit (R2).

This kind of divisive behaviour impacted on the day-to-day assignment of tasks and management of project activities. Managers resorted to engaging the offshore management at the beginning of the project and outlining their expectations regarding project resourcing and the ongoing accountability of the team for the duration of the project. The managers did not feel as if they had the power to control the Indian team even when they were not delivering as expected. One respondent said:

We don't have that power there because they're not in our control and that's where I think the difference here is, if you're not delivering, you're either put off the account, or you're sacked – in India it's slightly different (R7).

The offshore teams were often spread across multiple locations in India which only became apparent to the managers later in the projects. This mode of operation was seen by the managers to significantly hamper the communication flow and ultimately adversely affect the successful outcome of the project. Certain project functions such as development and testing were very often physically located in satellite offices or indeed other towns; thereby having distributed teams within a distributed working model. One project had two teams in India spread over three locations: the development team of 18 spread across two locations in Mumbai, and the test team of six located three hours' drive away in Pune, some of the team members having never met. This resulted in underlying tensions between the teams due to the disparate locations which affected the level of productivity; the problem was not immediately visible to the manager and not fully understood by the UK counterparts:

As a team they should all be sitting together because it's just much more efficient in terms of sharing knowledge but equally they don't raise that because they see that as being [well that's just how we work.] We're not going to work

as efficiently if you're spread over two floors or two towers or in some cases two cities in India (R6).

Relationships

Respondents felt that the quality of the working relationships was pivotal to the success of the project. Building good relationships strengthens the working relationship not just between the subsidiaries in the UK and India but also the project teams. This was one of the key themes mentioned by ten of the respondents. For example, one respondent spoke about the overheads being much less if people were familiar with working in a distributed environment and understood how to harness the benefits:

If you've got a team of people spread across both sites, that are used to working in that type of environment, then I think the overheads are a lot less because you've got groups of people that have built the relationships, know how to interact with each other and we probably work in a slightly more flexible manner in terms of structure and roles and responsibilities (R1).

Through building strong relationships and working collaboratively, opportunities could present themselves for sharing expertise beyond the boundaries and confines of the team. Team members got to know each other on an informal basis and shared their expertise. This was regarded as being particularly useful during the bid phase of projects in the UK. They were able to direct their UK colleagues to the right person or bodies of people in India with the requisite skills and capabilities to assist with the bid requirements. Also during project delivery, the UK architects were able to lend their technical expertise to other projects in difficulty, using similar technologies, providing a cross-pollination of knowledge across projects.

I went and sat down with the Microsoft team because they had some issues that they were working with and it was great; I really liked that as a company culture (R4).

Having a good working relationship could potentially pave the way for effective and timely project issue resolution. The managers, having experienced first-hand the problems with the resolution of issues, strongly felt that getting to know the Indian team better, and working in an open and collaborative manner, would create better visibility and engender joint ownership of project problems. Consequently, peer to peer relationships and working groups to share technical expertise was encouraged. For example:

Having gone through the experiences, I think what was extremely good is we then got together with the team in India and their managers to understand the issues and how to jointly manage them. I think that was a good and open relationship in terms of saying yes there were problems, next time round how are we going to change the model between us to make things work (R10).

This was especially true for the Indian team, given the relatively young and inexperienced Indian technical workforce and high attrition rate when compared to the UK. Fostering a good working relationship between the teams was also beneficial to all and in the best interests of the project in order to keep everyone actively engaged and stimulated. With this in mind, the more junior developers were paired with their UK counterparts who mentored them. In other instances, they were rotated from project to project and given a variety of new and challenging tasks to undertake, thereby keeping them engaged and actively involved with the projects:

I think we've seen quite a lot of inexperienced team members from India and maybe far more so than an equivalent team that we would have put together in the UK. That might be an unfortunate symptom of this account but I think it's also typical of the fact that in India IT is seen as a very young industry and most of the developers that we seem to work with are just youngsters with very little experience. As a result they don't have the basic diagnostic skills to go and figure things out, and require a lot of interaction and guidance from the UK to mentor them (R11).

Failure to collaborate was seen as a failure on the UK managers' part as it was felt that it was their responsibility to integrate the teams and build that working environment. In keeping with the spirit of building more informal relationships, it was suggested that the teams should spend more social time together getting to know each other. This was done to increase their social awareness of each other by exchanging photos and finding informal and innovative ways of reducing the geographic distance between the teams. This was an ongoing challenge of building one team across geographies. One of the suggestions provided for better collaboration was along these lines:

More drinks! Clearly it wasn't easy to be socially aware, we exchanged perhaps two or three photos in the whole 12 month period and literally at one point they said 'Who is this chap? I've never even heard of him?' I thought well I haven't even sent them a new photo of all the people on the team, but how do you build the relationship and a one team ethic across a distributed team; maybe need a team quiz or a weekly comedy moment that you could share with offshore, but it's not easy (R6).

The working model for most projects was to bring key offshore team members onshore during the knowledge transfer stage, and, on completion of the knowledge transfer, the team members returned to India. This served several purposes for building the relationship and also generated hope that the relationship would continue on their return to India. This face-to-face collaboration was found to be very successful while the Indian team were onshore, but as soon as they returned offshore, the dynamics of the relationship and communication reverted, causing great disappointment. One respondent commented:

One important thing was the communication bandwidth, while onshore, they could approach anyone at any time to clarify things, and as soon as they go offshore the communication barrier basically narrows significantly (R9).

Time Difference / Elongated Days

The 4.5/5.5 hour time difference between the UK and India was highlighted by the managers as both an advantage and a disadvantage when managing offshore projects; emphasis was placed on the benefits of following-the-sun working, with elongated days. When problems occurred later in the UK working day, with no one available to discuss or fix the problems in India, this meant that most of the working day could potentially be lost. An example:

If you hit a problem after a particular time during the day there is nobody to discuss it for the rest of your working day, and you only start to discuss it a working day later (R10).

The reverse was also true about having the benefits of an elongated day due to the overlap with the working times between the UK and India. Issues could be turned around much more quickly and testing bugs could be fixed efficiently within the same working day.

If you have people working an Indian day and a English day, you actually get an elongated day because you can get defects solved in the Indian day, your business clients come in at the beginning of their day and the defects that they reported at the end of their previous day have now all been fixed as if by magic in no time at all (R2).

Resistance to Offshoring

Due to some of the differences and challenges outlined in previous sections, there was resistance to moving tasks and activities offshore. There was the general feeling from the respondents that their teams were not supportive of the idea of offshore work. One of the respondents who had joined an existing project enquired why the development and testing activities were not conducted offshore and said:

There really wasn't an answer, not a satisfactory answer to that question, the UK resources were very much – well India, they don't really understand us; they don't do it properly (R1).

They felt that the Indians did not quite understand the requirements, specifications, and overheads involved. Explaining what was required was considered to be a significant task, thereby resulting in the reluctance to engage with the Indian colleagues.

I've come across people who work with me, whose sort of attitude is well I wouldn't have to do this for a UK person, so why would I have to do it with India (R5).

Job security in the UK and the threat of losing their jobs to India were mentioned as reasons for resistance, bearing in mind that there had been redundancies as a result of the move to offshoring. In addition, resistance to offshoring resulted from the feeling of superiority – that if it is not done here, i.e. the UK, then surely it cannot be as good. This feeling in the UK that the Indians were not as capable of providing the technical capability, when compared to their UK counterparts, was unsubstantiated as the reality was that the Indians were actually found to be much quicker and better workers – especially around testing activities as seen from the high quality of their output during the testing. This misconception of the expertise and capability of the Indians was ongoing and was beginning to change but only through experience of working closely with them.

A terrible combination is arrogance and ignorance and [we're great at it, we think we know a great deal more than we do] because we're ignorant about the truth in many aspects and we have the arrogance of thinking we're better, and this perception is changed only by experience (R4).

There may be some misconception or lack of acceptance in the UK team about the level of expertise and skill levels provided by India. This could stem from the denial of their superior capability, as highlighted above, or giving too much focus to past negative experiences. This was highlighted by one respondent:

I don't know if it's necessarily acknowledged consciously that India follow processes and so the quality of what India produces is very high. I think that is accepted, I'm sure it's not necessarily voiced by everyone because of that lurking threat that they feel, but I think it is understood and accepted that the quality of what they produce is very high (R1).

The lack of confidence in the capability of the Indians also originated from the fact that on occasion, they have overstated their capability. An example of this was highlighted when a resource was sent over to the UK to fulfil a particular role and read the manual for the job during the flight to the UK. This was countered by other examples where certain legacy, almost obsolete, skills had been requested from India and the Indian organisation went over and beyond to up-skill the junior developer to equip them to undertake the activities for the UK:

Somebody has said that India had sent over a resource to do a job and they had only read the manual on the flight. It probably gives you a very, very bad impression of the way it's going to be; even when I asked India for Ingress programmers, I mean Ingress (legacy database) half of them weren't even born, I have a legacy system that's Ingress and India trained up six people, they came over to the UK, I was very impressed (R5).

Some of the resistance could be attributed to the distributed working style which was still relatively new for most of the project personnel. They were used to having project

members within close proximity and not necessarily having to rely on the use of technology for communication.

I think that when you are a project manager and you've been used to a team sitting a desk away from you and to change that, they find that it's outside their comfort zone – you've just got to work differently (R5).

Management Time

The management time and effort involved in managing offshore projects was perceived by the managers to be greater than that required to manage an onshore team. Project activities such as management, reporting, and communication demanded considerably more of the project managers. The Indians were perceived to be looking for leadership from the UK, rather than demonstrating that leadership from within. In the UK, a good manager would be expected to manage his/her team(s) and provide a comprehensive report on what was going on. Managers have to solicit information from the Indian team and often out of multiple places because this information had not been consolidated by one person; as a result, problems arose and so did the management overheads which had not been factored into the initial plans. Ad hoc activities not envisioned at the planning stages of the project became major distractions from their main activities, resulting in overall slippages to the delivery timescales:

The additional overhead of guiding the Indians wasn't factored into the planning and it is putting a strain on the project and as a result other things that should be being attended to are slipping because the UK team were expending all their efforts rather than being able to focus on their own work which is a major distraction for them (R11).

Activities were found to be taking considerably longer using Indian resources; this was not so much as a result of using the Indian resources but more with the management overheads of coordinating the resources:

If you had something that you thought you could deliver in eight weeks UK side, pure UK, you'd probably do better to have it at 16 man weeks of effort with India just to get round the kind of clarifications and issues, so it won't necessarily be more effort but it will take a longer time period and more management time than if you'd just had people in the room with you, so with time critical stuff I think you struggle basically (R6).

Process

Development and delivery processes were a common theme highlighted by the managers. As a result of their Capability Maturity Model Integration (CMMI) accreditation, the Indians were found to be far more process oriented. Respondents felt that there were differences in the levels of adherence to process between the UK and India and also the motivations for sticking to those processes were different. The perception was that it would take a considerable amount of cultural change to make the

UK team to stick to processes. The result was frustration experienced on the part of the UK as they were being forced to conform to processes even for the smallest of activities:

I suppose the biggest difference between the two is; UK is get up and go and follow a pragmatic approach. Whereas India is very, it's this process and we can't deviate but then they have to account differently than we have to in the UK. India's goal to operate on a certified level, they want to be recognised as CMMI level 5, the one thing you have to do is conform to a lot more process when dealing with them, now that frustrates a lot of people. Whereas in the UK I can give you an email and most people would typically get on with it (R8).

The UK culture of adherence to process is a lot more relaxed and informal; a delivery excellence person might enforce managers to use and follow a particular set of processes:

Do we really follow through on it? Have we updated our processes – I'm not convinced that we necessarily do (R1).

Resource Availability and Retention

Working with a leveraged service model in which the UK secured, utilised, and retained key project resources from India was expressed as an ongoing challenge. This was especially true on software management and support projects where there was often a greater use of legacy technologies and a greater requirement to secure and retain Indian resources with the right skills and knowledge. The attrition rate in India was estimated at about 22% which is significantly higher than UK which averaged 13%, causing problems of knowledge retention which was vital for the service provision to the end client. This was further complicated with the cost of on-boarding and up-skilling the resource only to have to go through the process repeatedly when the resource leaves the project or company:

India, the concept of a leveraged services team, if I need somebody they can produce immediately. Whereas what I'm finding on the ground is that it's a resource request, it is knowledge transfer, it's a whole lot of costs every single time, so we are not building, we are not getting to the point where we actually have a leveraged services. The offshore model is challenging (R8).

Knowledge Transfer

As part of the process of taking an offshore resource on board, a knowledge transfer period had to be undertaken. This ensured that the right level of knowledge and a good understanding was transferred to the offshore team to provide adequate support. Managers acknowledged that when working with offshore teams the approach to knowledge transfer and retention was completely different from that taken when managing a UK team. One respondent said:

Well the approach that we've adopted to setting this up has been to bring a team of technical specialists over from India to work alongside the staff in the UK who have the skills that the Indian team have been taking over. So we had a formal knowledge transfer plan; we've been tracking the coverage of that knowledge transfer plan through the production of documentation, formal sessions (R11).

Securing the right level of knowledge and industry experience was one of the challenges highlighted by managers. UK resources were more expensive but had the relevant industry experience and domain knowledge, without the added expenditure of going through a comprehensive knowledge transfer period; the value was there from day one. The cost savings in terms of using the offshore resource was soon neutralised by the extensive training and on-boarding cost, the cost of visas, flights, expenses and accommodation while in the UK. In addition the teams tended to adopt the domain language used by the UK client without the need for filtering or translating for the offshore team, half way round the world. This meant that more time and consideration had to be given to communicating the business domain knowledge which was difficult to impart:

If you've got ten people or eight people offshore struggling with the business problem and converting it into technical code all the time, then you need somebody who is looking at that probably full-time, you need somebody who is helping from the UK side (R6).

Summary:

This section discussed the differences and challenges associated with the “organisation” as one of the main themes that emerged from the data. Respondents identified the different organisational structures between the UK and India and the supplier-contractor relationship, rather than a single team. The differences in adherence to process were apparent between the teams. The lack of visibility and resource availability was seen as a challenge to retain key staff with the relevant domain knowledge on projects. The non-co-location of the teams in India (development team, test team) was identified as the cause of some challenges especially around communication, with the distributed nature having an impact on the Indian team, as well as the wider relationship with the UK. The differences in time and consequently the elongated working day were identified as a benefit as well as a drawback. All of these have contributed to the resistance to offshore working and added considerable management overheads and costs to realign processes to work as a cohesive team.

3.5.2 National Culture

Respondents (Table 28) felt that national culture was a major factor for the differences experienced when working with India. National culture influences people's way of life,

their thinking, and their behaviours. Nine dimensions to national culture were perceived by the respondents as illustrated in Figure 16.

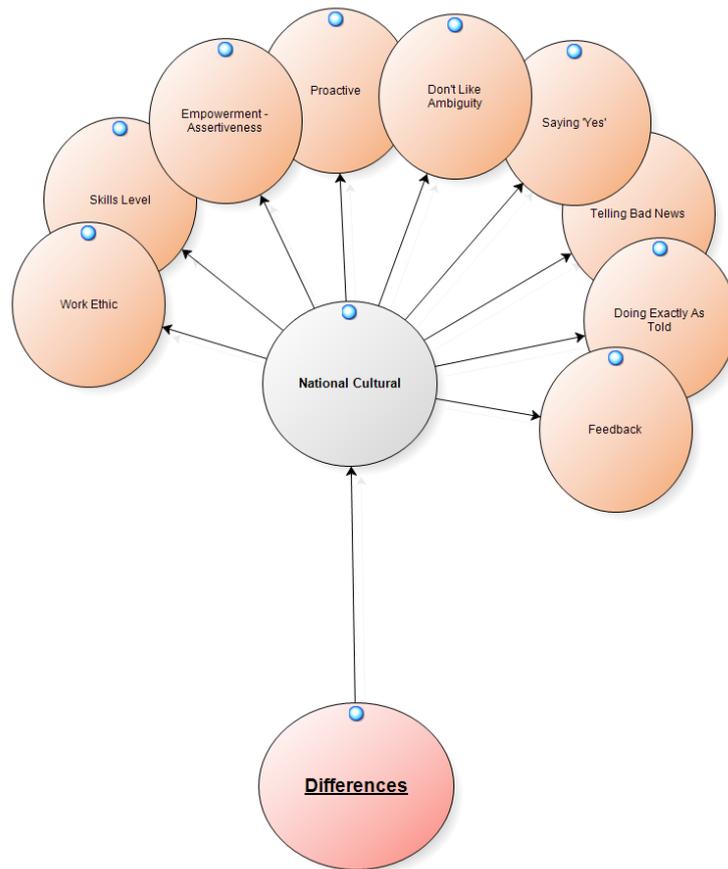


Figure 16 – Differences – National Culture

Table 28 – Respondents’ Matrix – National Culture
(Key: √ = Data)

| National Culture | | R1 | R2 | R3 | R4 | R5 | R6 | R7 | R8 | R9 | R10 | R11 | R12 |
|------------------|-----------------------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|
| 1 | Work Ethic | √ | √ | √ | √ | | | √ | √ | | | √ | |
| 2 | Skills Level | √ | | | | | √ | √ | √ | √ | √ | √ | |
| 3 | Empowerment / Assertiveness | | | | √ | √ | | √ | | | | √ | √ |
| 4 | Proactive | | | | | √ | | √ | | √ | | √ | √ |
| 5 | Saying “Yes” | √ | | | √ | √ | √ | √ | √ | | | | |
| 6 | Telling Bad News | | √ | √ | | | | | | | | √ | |
| 7 | Do not Like Ambiguity | | | | | | √ | | | √ | √ | | |
| 8 | Doing Exactly As Told | √ | √ | | | √ | | | | | | | |
| 9 | Feedback | | √ | | | | √ | √ | √ | √ | | | |

Respondents felt basic things, such as when meeting someone who was different from them or someone from a different country, meant extra effort had to be made to gain a common and mutual understanding:

You have to make an effort to understand them as much as they do to have to understand you, so you have to learn the things that are different. For instance, Indians don't seem to like to bring bad news; they respond very well to praise; they are quite precise; and, they seem to do what they're asked but can only do what they're asked (R2).

The degree of difference may vary and had been referred to by a respondent as the Eastern approach versus the Western approach and the need to break down the cultural barriers:

In my mind it's a sort of an Eastern approach and a Western approach. There are some Indians in the team and that I've worked with in the past who have a very westernised outlook and when you speak to them you instinctively know that they understand you and you understand them. Whereas for some of the Indian team we don't quite break down that cultural barrier and as a result we're never quite sure whether they are on the same page as we are (R11).

Cultural sensitivity, awareness of the environment in which the team was working, and the ability to adapt to these differences was one of the common themes highlighted by the managers as ways of overcoming the cultural differences. Failure to demonstrate this level of awareness, cultural respect, and sensitivity could introduce risks to the project and the overall delivery. For example:

I think you need to be sensitive to the culture and be able to adapt where you need to; not adapting to it can introduce an element of risk into your delivery, measuring that risk is not so easy to do (R3).

Social interaction between the teams was limited, especially when the offshore team were brought onshore for extensive periods. Project social activities were rarely held outside working hours and the Indians tended to stick together, thus limiting their integration with the rest of the team. One respondent said:

There were a number of people who came over from India – the project do's that we have, people go along to those. They don't integrate, I guess there's also partly a cultural thing because the people that come over probably know each other before they come over, and their accommodation tends to be co-located in the same sort of area so I think that probably is something that strengthens that distinction between the areas (R10).

Work Ethic

The overwhelming feeling from the respondents was that a stronger work ethic existed in the Indian subsidiary than in the UK. The Indian colleagues were perceived as hardworking, and eager to please:

Their positives just shone through that they wanted to do a good job; they really did want to be on the winning team (R4).

This was seen as much stronger and better than the UK and there was a willingness of the Indian team to go the extra mile to complete project activities; even during times of difficulty the Indian work ethic was apparent:

During the monsoon time, it's always on the risk register, [a monsoon may hit the metropolis and we won't be able to work] and you just laugh at it when you see that for the first time and then you realise that it often happens and they will come into work on Saturday and Sunday and pull back the hours (R5).

This was compared to the UK in the event of snowfall when the offices shut down. The UK culture did not support working on Saturday and Sunday to make up any lost hours:

No, I'll get paid for the week and I'll get double time for Saturday and Sunday! (R5).

The Indians were found to be very pleasant and easy to get on with:

They are very affable, very easy to get on with, easy to work with in general, so it's very easy to work with them and I think in the majority of the time the management of the project wasn't a problem, I got what I needed and I think they got what they needed (R3).

Skills Level

Respondents found the Indians to be very career oriented, with good technical abilities, were highly motivated, and generally more formally qualified than their UK counterparts. The UK viewed their experience in terms of projects they have worked on, whereas the Indians tended to focus on their qualifications as well as their skills. One respondent commented:

I see a lot more drive, motivation and more aspiration in my Indian colleagues, 9 out of 10 times than I do in the UK. I find that the Indian guys have very high aspirations in terms of furthering themselves career wise, so they are eager to learn, they are eager to strive to certification, they are eager to, or aspire to, be more. Whereas the guys in the UK have access to all this stuff and you have to beat them with a big stick to get them to go for certification (R8).

The Indians were more focused on developing their careers along defined career pathways and were not willing to dilute their expertise by moving between career paths as was the case in the UK. For example:

People from the development team weren't desperately keen to get involved in system testing. Now, I don't know whether that was a cultural thing that testing was seen to be a less skilled task and therefore you're asking them to step down a level, or whether it was an individual perception. I suspect it may be more cultural, so that is a difference (R10).

They were also seen to be more status conscious with the need to see visible career progression with the project assignments they undertook. Each assignment was seen as a step towards achieving the next career level, which was seen very differently in the UK where there was much more fluidity between the roles and career levels were not seen as highly important:

For a career level 4 and above, they think they need to lead a team or be moving towards management rather than being a developer as it's not really good enough; so I had a senior who said after a while it doesn't work for me here because I can't be in that lead role, I want to move on because I need the relevant experience to progress to the next level (R9).

Empowerment / Assertiveness

There was the overwhelming feeling from the respondents that their Indian colleagues were felt to be less empowered and less assertive than their UK colleagues. A key example of this was that had the Indians been more assertive with their UK colleagues during the knowledge transfer stages, they would have acquired the core information that was required:

There was a lot of patience on the Indian team side but perhaps not enough driving to the core information that they really needed and not perhaps being pushy enough to make sure that they got everything that they needed to do the job. As a result I think the quality of knowledge transfer hasn't been as comprehensive as we might have liked it to be (R11).

It was noticed by respondents R5 and R11 that, in the absence of their manager, the more junior members lacked the empowerment to make any decision, regardless of how insignificant the decision. Even if their understanding of a situation was not clear, they were unable to voice this to their UK counterparts which created some measure of frustration for the UK team:

If I was to phone up and manage to get one of the programmers, then they wouldn't make that judgement without the team leader saying it to me, they wouldn't say it to me, they wouldn't say I don't understand this (R5).

Proactive

Respondent R7 felt that the Indians were not as proactive as their UK counterparts. It was recognised that they were not good at showing initiative and thinking laterally, which is typically seen as a core skill for the UK:

They shy away into the background and this is something that I need to address because I want people who work for me to be more proactive. So what I expect from my UK team is to be proactive. I expect the same thing from the offshore team, so that's something that I have asked India, what do they do to get these soft skills? (R7).

Saying “Yes”

UK managers perceived that one of the biggest differences between the UK teams and their Indian colleagues was their reluctance to say “No”.

There were different perceptions of the meaning of “Yes” by the managers:

Over here for whatever reason things are more engineered, we are more political – if I say “yes” to this, what will that mean to me in the long term?; whereas over there it is “yes, sure, I’ll do that” (R4).

The managers also questioned the deeper meaning of “Yes” in the UK and the need on the part of the manager to hear that magical word:

You almost, as a manager, because you want to hear yes, you don’t necessarily push it any further. ’Cos you know for instance if you have a test team in the UK, if they say yes, they mean yes. Actually the first response would be “no!” (R1).

The managers were gaining a better understanding of interpreting the “Yes” culture. An example:

The Indian culture is what we call a positive/negative; you will ask them a negative question and they’ll respond negatively in the sense of – could you guys not foresee or could you not have foreseen that this would have been a potential issue and then although they didn’t do it, they’d respond yes, so there’s this ‘yes’ concept (R8).

Telling Bad News

The managers felt that culturally the Indians were uncomfortable with sharing bad news on projects and they were more inclined to tell you what you want to hear. The sharing of information was seen as critical, regardless of good or bad news, which was essential for visibility across the project. Respondent R11 said:

The Indian team are very uncomfortable about sharing bad news; if something’s not going well, rather than coming straight to the point and saying we have a problem here and we need some help with this, they’re more likely to go off on a long journey in trying to explain the situation (R11).

Some of it was thought to be perception on the part of the managers and the only certain way of ascertaining what was going on was having face-to-face meetings:

People's perception is that they will be more willing to tell you what they think you want to hear than perhaps what is actually going on and that is a perception thing, and that can perhaps only be broken down in two ways maybe: one is going out there and the other is getting them over here (R3).

Do not Like Ambiguity

Respondents felt that the Indians were less comfortable with ambiguous situations and tended to search for more detail than their UK colleagues. The Indians would rather have things specified in detail than working out the details for themselves or work with some measure of uncertainty, as was the case in the UK. Respondent R9 said:

They rather want everything to be specified or explained to them rather than going out and investigating for themselves, which probably I would expect someone here would really say ok I'll make these assumptions and work on it, not that they can't do it, they are more reluctant to do it, just in case something goes wrong.

Even at the inception stages of the project during meetings, respondent R6 observed that the Indians wanted more detail than their UK counterparts and would rather delay a particular task than begin with some measure of uncertainty:

They don't like ambiguity. They tend to search for detail in those early meetings; they would rather delay starting something than start while ambiguity exists and I think that is a cultural difference between UK and India. I think I found that quite tough because I'm not used to having everything defined up front and working with ambiguity across the project, and so their need to push everything to be much more tightly defined, I found that quite difficult (R6).

Doing Exactly As Told

The managers perceived that the Indians have a tendency to do exactly what they were told to do and not exercise their judgement, as is often the case with their UK counterparts. They were seen to be very particular about following instructions to the minute detail:

They are very careful about doing what you ask; if you ask them then they will strain themselves. The downside is sometimes they do exactly what you ask, so if you're not really specific you can have some quite silly results (R2).

An example presented by one of the managers:

I had one system, it was a web-based system and with a flick of a control key you could expose all of the code to the end users, so the users just had to do control something or other and there was all the source code right in front of their eyes; I asked them "Why did you do that?" They said "Well you didn't say not to do it!" (R2).

Feedback

The way the Indian colleagues responded to feedback was seen to be another area of difference by the respondents. For performance ratings on UK assignments, the expectations of the Indians were not always aligned with those of their UK appraisal managers. The UK teams were usually happy to settle for a performance rating of three out of five, meaning they were fully meeting the expectations of the job; the case was different for the Indians. One manager provided an example:

They come and work with us and ask for feedback and we will happily give them a 3 star rating, you know “meets expectations”, doing a solid job, and they want to go and hang themselves basically (R6).

This was seen by the Indians as their falling short of expectations, regardless of the UK managers explaining their interpretations of the ratings which have been set on a global scale across the organisation:

If you look at the assignment review ratings, in the UK 3 star is a reasonable rating because that meets objectives – but it is not in India. So, for reviews, if they’ve done well and you give them a 3, as in they are meeting the objective as per the scale, they were not happy because their norm is above expectation, so if you’re anything below “above expectation” they are thinking “I’m not performing well”, so there are some differences in expectation, culturally as well as the bar set by Indian management which is important to take into account (R9).

Contrastingly, managers perceived that the Indians responded favourably to praise but sometimes took criticism to heart. This was in contrast to their UK counterparts who may feel patronised and uncomfortable when receiving praise. This was seen as quite a difference between the teams. One respondent described the situation in the following manner:

They want to do a good job and Indian people respond to praise very well, whereas English people can be quite offhand, they don’t need that reinforcement. In fact they may be quite disdainful of you because they’re thinking who is he to tell me that I’m good, whereas Indian people seem to like it. I don’t necessarily doubt the fact that they are good but they like to hear it and they appreciate it (R2).

In terms of criticism, the Indians were not perceived to respond very well to criticism and took even constructive criticism to heart:

It seems to me they actually don’t like criticism, even in a constructive way. If I said fairly directly to one of my UK developers “That wasn’t the right way to do it”, they’ll either argue with me or they’ll accept it but they won’t take it to heart. Sometimes I find with Indians they do take it a bit to heart – I have one guy and he’s done a very good job, we were in system testing and raising defects

and whenever there was a defect against his code he was always very defensive and I do find I'm trying hard not to be personal or critical (R2).

Summary:

From the results, there were several significant differences that had their underpinnings in national cultural differences. The Indians were seen to have a stronger working ethic than their UK counterparts. More emphasis was placed on skills and formal qualifications by the Indians than the UK staff. The Indians were less assertive than their UK colleagues and sometime lacked the empowerment to take ownership of problems or issues. Other main differences were the acquiescent and deferential nature of the Indians, and their fear of telling bad news which sometime presents challenges on projects. The Indians were identified as not liking ambiguity and being more comfortable with being told exactly what to do and doing exactly as they are told with little room for proactivity or the use of their initiative. The Indians were seen to respond well to praise but take criticism more to heart than their UK counterparts.

3.5.3 Communication

On a more interpersonal level, communication was one of the areas highlighted by respondents (Table 29) as a key factor when working in a distributed style with India. The differences in communication were found to be on several dimensions, such as language, face-to-face communication and communication tools, as illustrated in Figure 17.

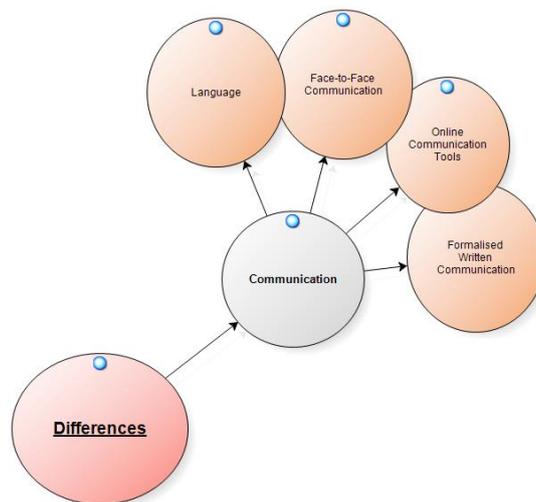


Figure 17 – Differences – Communication

Table 29 – Respondents’ Matrix – Communication
(Key: √ = Data)

| Communication | | R1 | R2 | R3 | R4 | R5 | R6 | R7 | R8 | R9 | R10 | R11 | R12 |
|---------------|----------|----|----|----|----|----|----|----|----|----|-----|-----|-----|
| 1 | Language | √ | √ | √ | | √ | √ | √ | √ | √ | √ | √ | √ |

| | | | | | | | | | | | | | |
|---|----------------------------------|---|---|---|--|---|---|--|--|---|---|---|---|
| 2 | Face-to-Face Communication | √ | √ | √ | | √ | √ | | | √ | √ | | |
| 3 | Online Communication Tools | √ | | √ | | √ | | | | | √ | √ | |
| 4 | Formalised Written Communication | √ | | | | √ | √ | | | | | √ | √ |

Proactive communication, initiated by either party, was perceived by the managers to be a very important part of good collaboration. Respondent R2 commented:

You have to communicate a lot, you have to have clear channels of communication and you have to use them well. I found it works best with Indian staff who are willing to initiate that communication, not just wait for someone to ask them a question but to phone up and say look this is not working, I'm having this problem, what do I do in this case (R2).

Language

Language was cited by R2 as a very important part of communication, as very often much could be lost in translation with differences in interpretation. An example is:

I once had a problem. For days I couldn't understand why somebody hadn't done something I was asking them to do and they're simply using a different tense of a verb and they are saying that [could be done]. What they meant to say was it had been done and what I understood was if you want me to do it, I can do that for you, but all the time they were saying they'd done it. It was just the local usage they have of a certain tense. Language is paramount (R2).

There was a shared technical language that was based on coding, done mainly in English, in which there were classes, structures and databases that were standard across the IT industry and well understood, thus making communication along those lines simpler. There was also the business language which could be very client- and domain-specific, that the UK sometimes took for granted as they were fully immersed in the clients' world in which they work and would forget that their Indian counterparts may lack the business domain knowledge:

When you're talking about the business domain and the business language, I think that the Brits just tend to a) pick that up much faster because of our proximity to the client and b) sharing that with the Indian team is much more difficult. We tend to just speak it without really thinking and there is an implicit assumption that what we are talking about in the business domain is understood (R6).

The differences in the accents between the UK and India were highlighted as one of the factors that affected communication. The UK teams may often not understand or misunderstand their Indian colleagues during vital exchanges on projects. This was especially true when dealing with strong local English accents which can be equally problematic for other native English people to understand:

The Indian team all have very good English but they often have very strong accents which can make it difficult for us to follow them; they sometimes speak very quickly. They do struggle with us sometimes, we're working with a team in Liverpool and many of the team are Liverpoolians with very strong Liverpool accents which could be impenetrable for you or I, never mind to an Indian developer who maybe has never spoken much to English people before. So I'm sure it's the same on both sides but it doesn't help the conversation when you're struggling to actually hear the words that are being said, never mind then interpreting them in the context of the discussion (R11).

The difference in the interpretation of the English language was perceived by the managers to present challenges. This was especially true when it came to describing or specifying functionality which had to be done with precision, and the interpretations of text or spoken word may be very different:

What needs to be right upfront is the understanding that, be careful what you communicate, be careful what you ask for 'cos you'll get it! (R1).

Face-to-Face Communication

Respondents R1, R2 and R3 felt that to overcome the issues arising from the distance, language barrier, and differences in interpretations, more face-to-face communication was essential between the teams. The Indians were described as being very welcoming and eager to work collaboratively with their UK counterparts; the value gained from working face-to-face was not underestimated:

I think that when we're talking through plans and sometimes complex issues, it's much easier to do it sitting next to somebody and being able to describe it, using a white board, much easier than over the phone or even using a video conference. I guess it helps also just to see the environment in which people are working (R10).

Not just face-to-face communication, but travel between the regions was also seen by the managers as an essential element to building and maintaining the relationships with the offshore management and also bridging the communication gap:

I am losing the relationships with those who can help me push my project forward within India and I had a very good working relationship. It's 18 months since I've been out to visit the Indian teams. I speak to them regularly but the heads have changed, they haven't got a face to the name, and I think although I'm not saying give people a blank cheque, I think to promote offshore working we need to be able to just give a bit – once a year at least (R5).

The benefits of building a close working relationship through face-to-face and constant interaction with the Indian management was not seen as fully appreciated by the UK senior management and also by the team members who did not appear to know the value of visiting their offshore counterparts:

I said to the programme manager “How many times have people been out working with the Indian staff?” and he said “Once in the very beginning” and this delivery was running over 12-18 months and it was only by dragging the main tester over there that saved a lot of issues down the line. However, the lessons learnt were massive and the next one they did, working with India was an awful lot better because the communication and the travelling to India with the main people had been put in place (R5).

It could not be stressed enough how valuable the trips to India by the UK team were to the success of not just the project but also in building the ongoing relationship with the offshore teams:

Make sure you go and see them because they are so welcoming and as a team, collectively, both the project manager and the Indian resource get so much out of that face-to-face interaction and a lot more willingness to be supportive throughout the whole of your delivery. It’s only an eight hour flight, you can sleep on that flight, you can do it overnight, there a lot of value to be gained as a team to go out and see them (R1).

Online Communication Tools

The use of online communication and collaborative tools was highlighted as a means of maintaining regular contact and keeping the channels of communication open:

We can use the corporate global instant messaging tool. The shared working hours are reduced but that’s not an issue, you have four or five hours at the end of the day when you can talk to our colleagues in India via online messaging, it does work well. It keeps the communication absolutely open and using any mechanism you possibly can to talk to each other without putting everything in writing all the time (R1).

Respondent R5 noted that the UK team did not like change; they preferred to maintain the status quo whereas the Indians were seen to be embracing of change, especially technology underpinned changes that made communication easier to manage:

The tooling in the UK, I find people don’t like change; you know, I don’t want to use Borland, I’ve been used to something else, so why should I change, whereas dealing with India they seem to embrace it a lot easier than us. So we get the opportunities to work with the people who are using the new initiatives and have gone through the learning curve with it, so it tends to work a little bit easier for us (R5).

Formalised Written Communication

One of the differences highlighted by R11 and R1 in the communication style was the Indians’ need for formal written communication:

They often like to see things written down and are happier in responding, so even if we've had the conversation, we're quite likely to write down what we've discussed and agreed (R11).

This was perceived negatively, introducing layers of formality and barriers that did not aid the natural flow of communication:

When you start using email or documents to communicate then you immediately put up some barriers and secondly there is a danger that you are going to end up with a delivery that is exactly what you've asked for in writing (R1).

Summary:

The language barrier was seen as one of the main themes. Much could be lost in translation, especially when spoken English was obviously not the Indians' first language. This resulted in different interpretations in the absence of face-to-face communication which was seen as key to the success of the offshoring project. The use of online communication was seen as a means of maintaining regular contact and keeping the lines of communication open. A greater need for formal written communication by the Indians was identified, which could be cultural or the need to overcome the limitations of the geographic distance.

3.6 Discussion

In this section the findings from the data will be discussed which will be followed by the implications for theory and practice and the conclusions of the study.

The process of evolving theory in this research began with the data collection. My own first-hand experience through the observations of several key events at my employing organisation has suggested to me that managers experience the offshoring phenomenon differently at different times. According to Smircich and Stubbart (1985), enacted realities can include multiple and varied understandings of realities. During the data collection phase, notes on the facts, specific details, and other pieces of information that a number of respondents seemed to repeat augmented the evolving theory (van Maanen, 1983). The findings, as illustrated in Figure 18, suggest that these differences can be grouped into three main categories: the difference linked to Organisation; differences linked to National Culture; and differences relating to Communication.

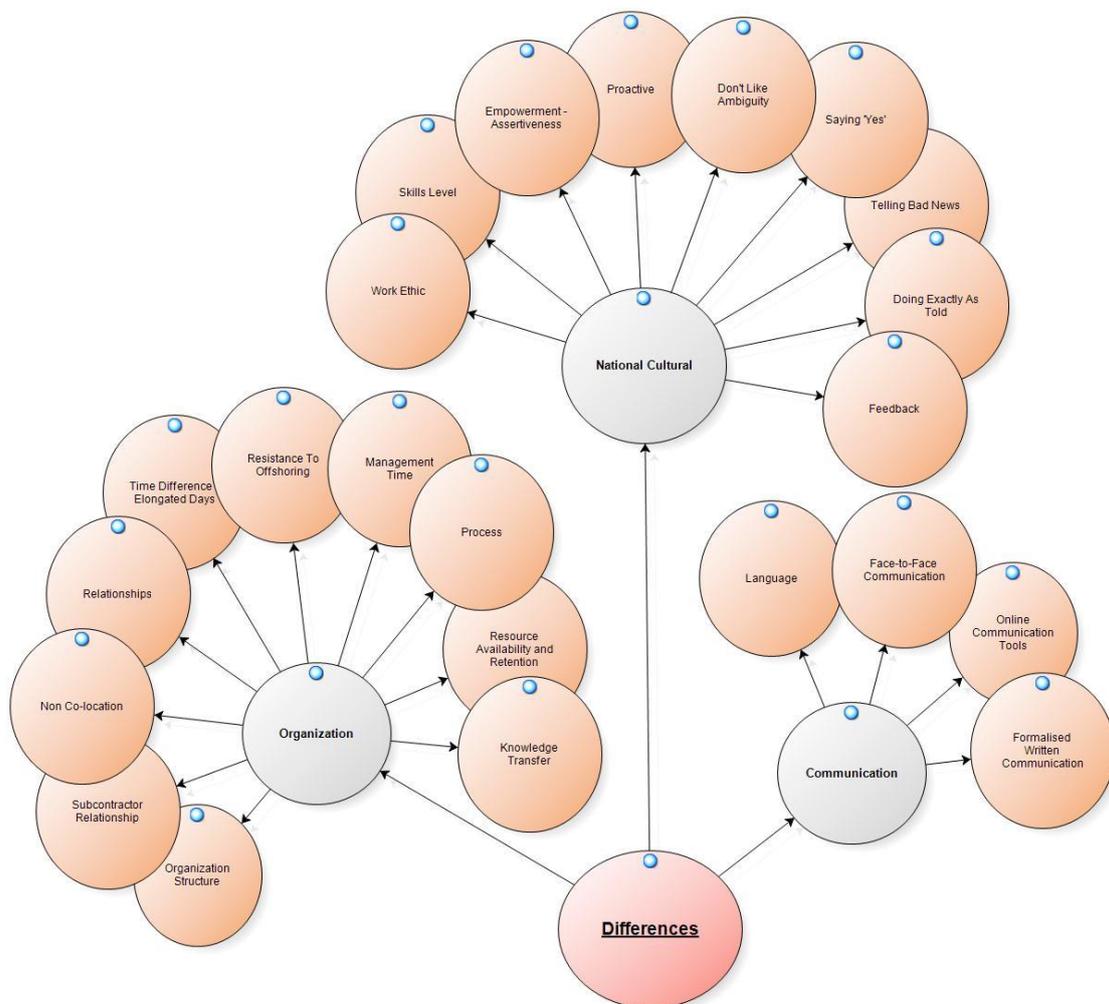


Figure 18 – Final Coding Structure

This research is composed of a collective, interpretational representation of the key realities as perceived by managers. Some authors have suggested that perceptions can

differ by individuals' organisational function or level (Dearborn and Simon, 1958; Ireland, Hitt, Bettis and Auld de Porras, 1987). The focus of this research, which is closer in spirit to Walsh and Tseng's (1998) work on organisational behaviour, concentrates on different levels within a distinct functional role in which managers conceived the realities of their world when managing offshoring projects. There are five key findings of this study:

First, consistent with the project management literature (Meredith and Mantel, 2003), the findings of this study, specifically around the organisational management structural misalignments between the UK and India, confirm that offshore outsourcing projects are often introduced without careful consideration for the implications, or expanded with few clear guidelines for implementation. Therefore, the managers must develop their own informal approaches that will allow them to interpret and deal with the internal and external environment of their organisation. The data suggest that new forms of management and structures within geographically distributed global organisations have placed much of the intra-organisational interpretation responsibilities, such as managing intra-organisational (subsidiary) relationships, and the operational work of the organisation, directly in the hands of the manager.

Second, it is clear from the data that the managers did not necessarily follow the prescribed guidelines and processes of the engagement model; in fact the engagement model was seldom mentioned. In support of Brown and Duguid (1991), greater emphasis was placed on the informal work practices they individually employed to overcome the implementation challenges they faced, which were not usually documented. Largely, the managers understood that the issues they faced were much broader than the confines of their projects; the project outcomes were directly influenced by factors, such as culture and the larger organisation which were outside their immediate control. To achieve project success, they had to find clever ways of harmonising the external organisational challenges as well as the inherent cultural and communication issues of delivering offshoring projects that, by their definition, span country boundaries. Consequently the managers worked in very different ways from those defined in the engagement processes.

Third, at the onset of this study, one of the key objectives was to establish if the typologies as described by the larger seminal cultural dimension studies such as Hofstede (1980); Hofstede and Bond (1988); House et al. (2001, 2002); Trompenaars and Hampden-Turner (1998); Schwartz (1992), actually manifest themselves in practice. These studies have been criticised as being too high level, not grounded in reality, and arguably too abstract to be operationalised (Avison and Banks, 2008; McSweeney, 2002; Wilson, 2005). The findings from this study present the reality and a detailed picture of what managers face within an organisation. Table 30 presents a summary of the cultural differences between the UK and India, based on the cultural dimension and based on Hofstede (1980), Hofstede and Bond (1988); House et al. (2001, 2002); Schwartz (1992) and Trompenaars and Hampden-Turner (1998).

Table 30 – Summary of Dimensional Differences between UK and Indian Cultures

| UK Culture | Indian Culture | Definition | Operationalisation |
|----------------------------|------------------------------|---|---|
| Individualism | Collectivism | Degree to which organisational and societal institutional practices encourage and reward collective distribution of resources and collective action. | Leaders encourage (should encourage) group loyalty even if individual goals suffer. |
| Small Power Distance | Large Power Distance | Degree to which members of an organisation or society expect and agree that power should be unequally shared. | Followers are (should be) expected to obey their leaders without question. |
| Weak Uncertainty Avoidance | Strong Uncertainty Avoidance | Extent to which members of an organisation or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events. | Most people lead (should lead) highly structured lives with few unexpected events. |
| Short-Term Orientation | Long-Term Orientation | Degree to which individuals in organisations or societies engage in future-oriented behaviours such as planning, investing in the future, and delaying gratification. | More people live (should live) for the present than for the future. (Scored Inversely). |
| Sequence Time | Synchronic Time | Different approaches to structuring time: Sequentially view time as a series of past events; Synchronically view time as past, present, and future and as being interrelated. | Sequence – time commitments are taken seriously and staying on schedule is a must. Synchronic – time commitments are desirable but are not absolute and plans are easily changed. |
| Inner Direct | Outer Direct | The meaning people assign to the environment. Inner – a belief that one can dominate nature. Outer – man is controlled by nature. | Inner – view themselves as the point of departure for determining the right action. Outer – orient their actions towards others. |
| Contractual | Relationship | Contractual – adopt autonomous values along with value tensions between mastery (in terms of self-transcendence) and egalitarian commitment/harmony. Relationship – adopts conservative values and accommodates value tensions between hierarchy and harmony. | Contractual – tension between mastery and egalitarian commitments. Relationship – accommodates value tensions between hierarchy and harmony. |
| Autonomy | Conservatism, | Tension between Mastery and Egalitarianism. Tension between Hierarchy and Harmony. The nature of the relationship or the boundaries between the person and the group. | The extent to which people are autonomous versus embedded in their groups. Autonomy – individuals express their own preferences. Conservatism – finds meaning through social relationships, shared goals. |
| Weak Gender Egalitarianism | Strong Gender Egalitarianism | Extent to which an organisation or a society minimises gender role differences and gender discrimination. | Boys are encouraged (should be encouraged) more than girls to attain a higher education. (Scored inversely). |

Some of the cultural dimensions have been supported by the data from this study and others have not been wholly supported or refuted. Each theme will be discussed in turn.

Individualism/Collectivism: The findings from the data were found to be at odds with the cultural dimension studies. The data suggest the Indians to be less collective than their UK counterparts; this was evident from their not taking full ownership for their tasks, not operating as one team with shared objectives and common goals. It could be argued that perhaps the collective nature of the Indians can be found within and amongst the Indians, as this study has shown that, when brought onshore, the Indians did not socialise much and tended to stick together.

Larger Power Distance: Within the Indian culture, this theme was clearly supported by the findings for Empowerment, Assertiveness, and Proactive/Initiative where, in comparison to their UK counterparts, the Indians were seen to be more reluctant to take ownership of the project deliverables. Junior project team members were reluctant to make decisions in the absence of their superiors. In addition, the larger power distance was evident from the Indians' inability to say 'no' and the fear of giving unfavourable news to those seemingly in positions of authority and was also evident from the Indians' failing to be more assertive with their UK counterparts during the knowledge transfer stages which resulted in, on occasion, their returning to India with insufficient expertise to carry out their tasks. The respect for positions of authority can also be seen in receiving feedback, in which the Indians responded very favourably to praise from their managers, but took their criticism to heart. The Indians were seen as very willing workers and clearly eager to please, but responded badly when receiving performance "Feedback" that, in their own interpretation, was not meeting the expectations of their superiors.

Uncertainty Avoidance: There is evidence to support the stronger tendency of the Indians towards uncertainty avoidance in the emergent themes "Do not like Ambiguity"; here, they were seen to be highly reluctant to undertake activities and tasks without detailed specifications, when compared to their UK counterparts. This was evident with "formal written communication" in which the Indians showed a stronger preference over their UK counterparts towards having things explicitly defined in the written word. In addition, in "Doing Exactly as Told" the Indians would follow instructions to the letter: nothing more, nothing less; whereas the UK team would be expected to apply some level of initiative and discretion when undertaking similar tasks. To a lesser degree with "Subcontractor Relationship," a more formalised working relationship was introduced by the Indians with balanced scorecards, success factors and work package agreements – even for the smallest elements of work. In fact, this could be argued to be a refutation of the finding in the cultural dimension studies which found the UK to adopt autonomous values, with the Indians having a stronger tendency towards more conservative values.

Short-Term vs. Long-Term: There was strong evidence to support the Indians' being more long-term oriented when compared to their UK counterparts. This was obvious from the Indians taking a longer term view of their careers; they were more formally qualified with greater focus on their educational qualifications relevant to their careers.

In addition, they had stronger work ethics, were found to be very hard working, and sought to take on roles along defined career paths that would support their long-term career goals and aspirations. They were found to be much more status conscious than their UK counterparts, and keen to further their careers as a result of which, their performance ratings, which directly affected career growth, were of more significance and importance to them than to their UK counterparts.

Contractual vs. Relationships: The data provide contradictory evidence to the literature in “Subcontractor Relationship” where the Indians were perceived to favour a more formalised contractual working relationship than their UK counterparts. This was, again, evident from their introduction of balanced scorecards, success factors and work package agreements for the smallest elements of work.

From the data there was no evidence to support Sequence vs. Synchronic Time Orientation; Inner vs. Outer Direct; Autonomy vs. Conservatism and Gender Egalitarianism. This would lead to the suggestion that the cultural dimensions are not universally applicable; some of the dimensions are more easily applicable in certain instances and in certain industries. The four unsupported dimensions may arguably obtain in different environments from cross-border IT engagements; furthermore, there has been no evidence to support their operationalisation within this arena. The findings provide some measure of confirmation of the critics of the cultural dimension studies as being too high level, not grounded in reality, and too abstract to be operationalised.

Fourth, the findings suggest that the implementation challenges experienced by managers in offshoring engagements are not dissimilar to the concerns of implementation the challenges experienced anywhere else. Structures are required to be created or reinforced, and the right decisions made with the right level of involvement, with the suitable communication channels established. What makes the offshore implementation challenges unique are the very real-life cross-cultural differences managers face between the UK and India. Research suggests that organisations worldwide are growing more similar, while the behaviour of people within organisations is maintaining its cultural uniqueness (Adler, 1986). The organisation in India may look the same as in the UK from the outside but significant behavioural differences become apparent on closer inspection within them and across them. This was clearly evident from the differences in their management structures, and the differences in the behaviour and treatment with regard to the subcontractor relationship. Stark differences can be observed in their adoption of processes, even when working on the same project. As is clearly evident from the data, in spite of the engagement processes and the relationships developed, the offshoring engagement resembles that of an external supplier.

Finally, the findings of this study illuminate our understanding of the critical importance of communication in such cross-border engagements, which could be the direct manifestation of organisation or national culture. Coordination by feedback in a

distributed delivery setting involves communication between the interdependent units regarding their latest state, and providing information regarding their expectations. According to Vlaar, van Fenema and Tiwari (2008), achieving shared, mutual and common understanding among geographically dispersed teams is a central concern in the distributed teams' literature. This is consistent with the findings of this study in which managers highlighted the importance of shared understanding, and the importance of the lack of ambiguity. This study has also shown that Language, Face-to-Face Communication, and Online Communication Tools are integral components of distributed working. The results, which support the distributed literature, indicate that distributed workers not only use acts of interpretation, active collaboration (online collaborative tools and face-to-face communication), to prevent problems of understanding, but also to transfer pre-existing understanding and clarify expectations. These acts are also used to co-create novel understandings, and to explore how value can be created in distributed delivery settings. For example, this is specifically relevant for a software development project, which often involves a high level of coordination of complex and changing patterns of interdependence (Cataldo, Wagstrom, Herbsleb and Carley, 2006; Orlikowski, 2002). Ensuring coordination, creating reciprocal predictability of action among developers working on various parts of a software system, to avoid interference, or incompatibility, and enable smooth integration, is thus critical (Herbsleb and Mockus, 2003).

The findings of the study have presented the differences and implementation challenges as perceived by UK managers when managing cross-national projects. These findings have gone some way to answering the research questions and presenting a real life non-abstract representation of what obtains in practice. These findings have, in a few cases, supported some of the major cultural dimensions, but have also challenged the findings of these dimensional studies and added to the debate by making contributions to the body of knowledge on national culture. This study has highlighted that the people who are selected to manage these cross-national relationships are also of prime importance and play a pivotal role within the organisation. Managing successful relationships requires a new breed of managers (Leiblein et al., 2002; Oza, et al., 2006). In fact, offshoring is still about project management but in a different way, with different sets of skills. Most importantly, offshoring is all about the decisions made by organisations, who are involved in these decisions, what skill sets they own and the level of involvement of senior management in each stage of the process. As has been found in this study, offshore subsidiaries face similar challenges and risks, but are more internally focused than subcontractor or third-party relationships. The best designed programmes, the most cutting-edge tooling, and the best initiatives will not ease the challenges faced if global organisations do not put their efforts into creating processes that foster a working relationship in support of a more distributed style of working (Davis, Ein-Dor, King and Torkzadeh, 2006; Nair and Prasad, 2004).

In summary, this study has examined one operational aspect of offshoring by investigating managers' perceptions of the differences between the management of traditional co-located projects and those located offshore. The research found that managers perceived there were three key areas of difference: Organisation (differences relating to the organisational structures and the nature of relationships between regions); National Culture (striking peculiarities as a result of the different national cultures); and Communication (differences in the style and use of language). This study brings to life the significant differences in working style and practices that managers are likely to encounter when managing an offshoring engagement and as a result makes a contribution to the body of knowledge on culture. It also helps to illuminate the discussion on the distributed literature which has been largely supported in this study by live examples from managers in a distributed delivery setting. It is clear from the results of this study that managers do not necessarily follow the prescribed guidelines and processes; it is more the informal work practices they employ to overcome the implementation challenges faced, which are not usually documented, that prevail. These additional challenges are likely to further impact on the delivery of what are already sophisticated projects.

3.6.1 Patterns Established

The responses varied depending on the type of role being undertaken by managers. The roles that involved software maintenance services, where customer domain knowledge was critical to the success of the service, found the on-boarding costs of offshore resources to be sometimes prohibitive and could neutralise the cost benefits of using offshore resources in the short term. They also found that securing and retaining the right skills to be a challenge, having to bear the cost for technology-specific training only to lose the knowledge and expertise further downstream due to visa restrictions on the length of stay permitted in the UK or the departure of the resource. Depending on the delivery model adopted, offshore resources were sometimes required to be co-located with their onshore project counterparts. There was no noticeable difference if the resources were located offshore or onshore; the managers experienced the same level of cultural and communication differences and difficulties with their offshore project personnel.

For application development managers, whose project activities typically lasted for shorter, intense periods, team collaboration and communication were key issues. Manager perceptions appeared to centre on the challenges associated with national, cultural differences, and the need for the Indian resource to be more proactive in their interaction, less reluctant to take ownership and also reluctant to bear bad news – all of which could have an impact on the timely delivery of the project within such short timescales. The senior managers had greater expectations of the skill level and amount of project ownership of their offshore counterparts. Their expectations were often not met and, as a result, demanded greater involvement and hands-on management than had

initially been anticipated. Further enquiries were run to see if any further patterns were discernible, but no further patterns were recognised.

3.6.2 Research Gap

Given the ten factors for offshoring identified in Project 1, MNEs may have inadvertently both directly and indirectly increased their managers' management overheads of running these offshore projects: directly, in terms of affecting the operational, management costs and overheads, and indirectly, by introducing additional risks and exposure to global elements outside the control of the managers. Furthermore, as identified in this study, the managers are all too often not involved in the actual decision-making process to offshore or outsource but are the executors of such projects and consequently the findings of this project (the differences in organisation, culture and communication), making offshore projects difficult. In addition to this, these projects are often introduced or expanded with few clear guidelines for implementation. Therefore, the managers must develop their own informal approaches that will allow them to interpret and deal with the internal and external environment of their organisation. As evident from the findings in Project 1, organisations no longer offshore/outsource simply for cost savings reasons or competitive advantage; in seeking the inherent benefits of the ten factors identified, organisations may not have given careful consideration to the risks and associated downsides of entering into offshore arrangements.

If MNEs are to achieve the benefits suggested by the ten factors (Project 1) while still faced with the implementation challenges in this study, it becomes logical to argue that competitive advantage will not be achieved by outsourcing alone, but by the most effective management of the outsourcing arrangement, i.e. the engagement processes. As argued by Chung et al. (2004), the challenge of global sourcing is to have a sourcing model that is difficult to be imitated by competitors. Therefore, the unique advantage is how well the internal and external offshoring process is managed. So, is it possible to develop an offshore engagement model that will address the interplay between the opposing factors (between the challenges identified in this study) while seeking to maintain the inherent benefits of the ten factors identified in the findings of Project 1?

This empirical data from this study suggests that new forms of management and structures within globally distributed global organisations have placed much of the intra-organisational interpretation responsibilities, such as managing an intra-organisational (subsidiary) relationship, and the operational work of the organisation, directly in the hands of the managers. This study has highlighted that the people who are selected to manage these cross-national relationships are also of prime importance as continuous improvements are required to be refined and implemented. Managing successful relationships requires a new breed of managers. In fact, offshoring is still about project management but in a different way, with different sets of skills. Offshore outsourcing is all about decisions made by organisations, senior managers and how

involved they are in each stage of the process, but most importantly, what skill sets they own and how they are using them.

Given these inherent difficulties, it is important to understand the benefits that organisations are seeking to accrue when moving IT services offshore (Project 1). Therefore, in order to develop successful engagements, organisations need to overcome the difficulties (Project 2) and understand the strategic rationale that drives the decision to offshore (Project 1). Thus in seeking access to what is regarded as valuable supplier services – locations, human capital, infrastructure – and also to capitalise on the benefits that trade liberalisation provides in the emerging markets, organisations need to be mindful of and also consider the practical difficulties in making such arrangements work (Project 2) if they are to achieve their strategic goals.

Furthermore, given the strategic reasons for moving IT operations offshore, as highlighted in Project 1, and the inherent difficulties (Project 2), how do organisations balance the need to achieve competitive advantage (Project 2) and to resolve the difficulties (Project 1)?

Similarly, taking into account the difficulties found in this project, a study could be undertaken to explore good working practice(s) for MNEs moving their operations offshore – how do organisations undertake the move to offshore operations?

Both of these potential research questions for Project 3 could lead to case study(ies) of why organisations stay offshore or indeed why they do not.

In summary, a follow-on study undertaken as Project 3 would empirically explore the findings of Projects 1 and 2 or a combination of both projects' findings. This will also help to answer the overarching DBA question that seeks to understand effective engagements for captive offshoring within IT services.

3.6.3 Implications for Theory

This study makes two contributions to theory:

First, the major criticisms that cultural dimension studies, such as those of Hofstede (1980), Hofstede and Bond (1988); House et al. (2001); House et al. (2002); Schwartz (1992) and Trompenaars and Hampden-Turner (1998), suffer from are that they are deemed to be too general, high level, and difficult to operationalise. This study brings to life the cultural differences that managers are likely to encounter when managing an offshoring engagement and consequently makes a contribution to the body of knowledge on culture.

Second, some of the cultural dimension studies have not been wholly supported by the findings from this study. Could it be the case that these studies may be partially wrong? This study helps to illuminate the discussion on the distributed literature which has been largely supported by real life examples from managers in a distributed delivery setting.

3.6.4 Implications for Practice

This study makes five implications for practice:

First, the findings from this study could be useful to enhance the understanding of how work is accomplished in practice as organisations adapt to the changes of working in a global environment. The increased use of global outsourcing as a project delivery strategy by major organisations suggests that as managers are at the forefront of such engagements, organisations require greater input from their managers when making the decision to move work offshore.

Second, organisations will need to train their managers to make them more culturally aware and sensitised, to enable them to deal with the challenges of offshoring.

Third, the awareness of these known challenges could also play a major role in designing and implementing efficient and workable processes that are more likely to succeed and facilitate the operational processes of global organisations.

Fourth, the knowledge gained from the findings of this study could be used to design global initiatives that foster greater collaboration between regions within the global organisation.

Finally, at the organisational level, the findings from this study illuminate the problem areas – as perceived by managers who are at the forefront of these deliveries. These findings could be used to fine-tune the problems with the offshore business model, such as hidden costs, subcontractor relationships and the use of online communication technology, and to raise the visibility of the impact of frequent changes to the management structure in different regions.

3.6.5 Research Limitations and Biases

This study has four limitations:

First, as an aspiring researcher, this study represents my interpretation of reality, adopting an interpretive research stance where a notion of objectivity does not apply (Sandberg, 2005). As an active participant and an offshore delivery manager, my biases and assumptions may have influenced my interpretations. The analysis represents my thinking at a point in time, my major consideration being the notions of truthfulness to the experience of my interviewees.

Second, all the respondents work for a single global company; therefore, it is possible they all share similar points of views about offshoring. Caution is advised about generalising these results to a wider context.

Third, this study was conducted from the perspective of UK offshore managers; in order to gain a more balanced view, further research with managers from the offshore subsidiary in India should be undertaken.

Lastly, given the inclusion of a single global organisation, one suggestion for future research would involve a similar interpretive study with a larger sample size and the participation of a larger set of IT global organisations. It would be worthwhile to include the perspectives of other countries to test the results of this research.

3.6.6 Personal Learning

For me, the entire process was an enlightening experience, and a steep learning curve: from struggling with finding a suitable methodological approach, to gathering the data, to answering the research question. The process was sometimes disorganised and demanded an advanced level of clarity of thought and focus which I sometimes feared that I lacked. The prescribed iterative steps of grounded theory development – interviewing, transcribing, checking the transcripts, coding, and writing my findings were involved and time-consuming. One of the most challenging areas was analysing the data and being allowed to be led by the data. During the coding of the data, at some points I felt challenged by the process and had to undergo several iterations. I have found the learning exercise a worthwhile endeavour that will see me in good stead for future qualitative research with a view to becoming a research professional. I have also learnt that it is important to establish my own identity, and to formulate my style – realising the beauty of simplicity is imperative to my personal development.

3.6.7 Conclusion

As evident from the findings of this study, managers form the backbone of the captive offshore delivery model. They are the individuals within the organisation who provide the critical link in such engagements and are an invaluable part of the organisation's value chain. Managers will need to be empowered and allowed to make a greater contribution to organisational decision-making. The role of the manager, as suggested in this study, is one of managing the implementation challenges – building and maintaining relationships with various offshore units whilst ensuring the achievement of the long-term objectives of the organisation.

While these studies have greatly enhanced my understanding of how to address some of the offshore-specific implementation challenges, little attention has been given to the alignment of organisational and management practices to specific project properties, which may lead to the impression that practices are similar in onshore and offshore projects. This view is at odds with the findings of this study of offshore subsidiaries which discovered that beyond the downstream importance of management practices (the decision on what to offshore and how to offshore), the delivery approach and methodology, the skills required, the navigation of cultural barriers, and effective communication, all have important implications for offshoring success.

Captive offshoring as a governance or delivery strategy for software projects poses unique implementation challenges for global organisations. The differences, as perceived by managers, will continue to be an ongoing challenge which, until such time

as a seismic mental shift is undertaken by the workforce, these will persist. Organisational and national cultural factors will continue to exist until organisations are able to come to terms with the inevitability of globalisation and consequently offshoring as a delivery model.

Chapter 4 – Project 3

IT governance in captive offshore arrangements

Glossary:

| | |
|--------------------------|--|
| Bespoke Solutions | IT systems tailored to meet specific requirements |
| SAP | Customised Enterprise Resource Planning (ERP) software provider |
| Oracle | IT software and hardware provider |
| Java Technology | A programming language |
| .Net Framework | Microsoft development framework |
| Non-proprietary packages | Packages built on open source technologies |
| IPA | Inter Project Agreement |
| SLAs | Service Level Agreements |
| CMMI | Capability Maturity Model Integration |
| RACI | Responsible Accountable Consulted Informed |
| BPO | Business Process Outsourcing |
| Two-tier architecture | The processing power (the system workload) is placed on the client (the computer) |
| Three-tier architecture | The processing power (the system workload) is placed on a remote server and is deemed to be more efficient |

4.1 Introduction

As discussed in Projects 1 and 2, offshoring is a growing global phenomenon which has taken on an increased pace in recent years. Since the beginning of the twenty-first century, the high demand for ebusiness and web-based software solutions and the maintenance and re-engineering of legacy systems can be seen as major drivers for this enduring trend (Oshri et al., 2009). This has been driven by the impulse to take advantage of cost efficiencies and the availability of a growing pool of talented employees in offshore locations.

Given the scale of the offshoring phenomenon over the last ten years, it is only logical that offshoring continues to attract considerable practical and theoretical attention. As highlighted by Willcocks, Oshri, Kotlarsky and Rottman (2011) and Gopal, Espinosa, Dosain and Darcy (2011), the recent economic downturn has further spurred the quest (from both client and service providers) for efficiencies through the restructuring of IT operational activities and more efficient management of IT offshore projects. On the rise is that organisations based in high-wage economies are hiring skilled workers in lower wage, developing economies to perform service tasks that can be performed remotely using the Internet, such as IT services operations. Falling telecommunication costs mean that most activities that do not require the need for local knowledge, complex face-to-face exchanges with colleagues, or customer contact, can be performed remotely. Thanks to trade liberalisation and a reduction in the perceived risks of operating offshore, organisations can choose to perform an activity in a lower cost offshore location, if this appears to be advantageous for them (Kotlarsky and Oshri, 2008).

Offshoring can be broadly split into two types: first there is “offshore outsourcing”, whereby a client organisation outsources operations to a third-party vendor located in a lower cost location; the second is “captive offshoring”, whereby multinational organisations develop wholly owned subsidiaries (captive operations) in lower cost locations (such as India) to perform work on behalf of themselves. The work that is offshored to a captive centre can vary from business process to most common software maintenance and development activities (Farrell, Laboissiere and Rosenfeld, 2006). Oshri, Kotlarsky and Liew’s (2008) review of global sourcing trends suggests that captive offshore centres appeared in the mid-1990s. The number of captive centres in India increased significantly between the years 2000 and 2006 and is now considered an established business practice in the US (Allweyer, Besthorn and Schaaf, 2004; King, 2004). At present, 70-80% of all offshoring projects worldwide are commissioned by US companies. Among the Forbes 2000 companies, 44 had captive centres in India in 2000, 71 in 2003 and 110 in 2006, with about \$9 billion worth of IT and BPO activities shifted to Indian captive centres in 2006 alone. In this context, approximately 20% of these companies’ IT budgets are spent in lower wage countries, and more than 80% of this is invested in India (Wiener, Vogel and Amberg, 2010). Oshri et al. (2009) estimate that the number of captive centres will grow by 30% annually; there has been little data

on what proportion of the offshoring market goes to captive centre operations. This trend has reached Europe. Of the 500 largest companies in Western Europe, 40% have already begun offshoring IT services. The majority of European companies with offshore experience are located in the UK, which accounts for almost 66% of the European offshoring market (Wiener et al., 2010). The cultural and language-related advantages of UK-based companies appear to have facilitated this move offshore (Buchta, Linß, Röder and Ziegler, 2004).

Captive offshoring and offshore outsourcing are challenging because of increased efforts in knowledge coordination (Kanawattanachai and Yoo, 2007), time zone differences (Carmel, 2006), boundary spanning (roles straddled two or more groups) (Levina and Vaast, 2008; Mahnke, Wareham and Bjorn-Andersen, 2008), cultural differences (Hahn et al., 2009), the need for greater controls and difficulties in managing dispersed teams (O’Leary and Cummings, 2007; Vlaar et al., 2008). The operational challenges established in Project 1 suggest that IT work is more difficult to outsource than work in other domains, such as call centres and low-end transaction processing, as often the business/user requirements are less certain. In addition, IT work requires extensive domain-specific knowledge which is gained from close interaction with the client business (Cha, Pingry and Thatcher, 2008; Oshri et al., 2007; Ramasubbu, Mithan, Krishnan and Kemerer, 2008).

Despite extensive research in the fields of project management and IT on outsourcing over the past two decades, a clear understanding of outsourcing and consensus on good management practices in the outsourcing domain has yet to emerge. From keyword searches across major management sciences databases, academic bodies of literature and literature reviews, there has been significantly less mention about the management of offshoring projects in captive arrangements. Against this backdrop, understanding the management of IT outsourcing projects in an international context presents a significant challenge. The principle objective of this study is to understand how governance is implemented in captive offshoring engagements. This implies the need for a research design that would allow the exploration of the collective understanding of governance implementation in captive arrangements. This study is intended to make a contribution to current literature on outsourcing governance.

In section 4.2 the research problem central to this study will be discussed.

4.2 The Research Problem

In this section, the research problem will be outlined, and the justification for the research question provided. The question will contribute to answering the overarching DBA research question which examines *“In the context of organisations moving their operations offshore, what constitutes an effective engagement for captive offshoring arrangements within IT services organisations?”* In keeping with the previous studies (Projects 1 and 2), this question will be used as a touchstone to return to, in order to ensure that the empirical aspects of this work remain aligned with the theoretical basis.

Project 1 examined the outsourcing, IB, IT and strategy literature domains, exploring the rationale for multinationals moving their operations offshore. The ten factors established were: seeking lower cost locations, human capital, greater strategic/core competence focus, supplier services, competitive strategy, flexibility in outsourcing models, innovative capabilities, operational efficiencies, cost reduction and trade liberalisation. The complexities of the interrelationships between these factors were evident; MNEs enter into offshoring arrangements for all of, or a combination of these factors. Trade liberalisations have facilitated the access to lower cost locations with cheaper and well-trained human capital; the availability of high-quality infrastructures for the delivery of remote services fuels the appeal and consequently the growth of offshoring. In addition, using supplier services that use the “best fit” outsourcing model for the client can lead to innovation, increasing operational efficiency while enabling organisations to focus on their core competencies and maintain their competitive advantage.

Project 2 set out to establish the differences faced by UK managers when managing captive offshore projects. This project provided empirical evidence of the operational implementation challenges experienced as a result of the imposed nature of the governance processes when engaging with their Indian offshore counterparts. The challenges identified were around the differences in organisation structure, national culture differences, communication style and the lack of managerial input into strategic decision-making. The implementation challenges around intra-organisational structure and national culture have been described as key challenges for offshoring in the literature (Avison and Banks, 2008). This study established that externally imposed prescriptive engagement processes did not always effectively address intra-organisational and national cultural differences. Furthermore, models may hide the means by which managers learn to manage the challenges posed by these projects.

This observation is consistent with Brown and Duguid (1991, 2001), who posit that conventional descriptions of jobs and processes mask not only the ways people work, but also the learning and innovation generated in the informal communities of practice in which they work. Consequently, managers may work in very different ways from those suggested by the engagement processes. These managers provide the critical link in offshoring engagements, making them an invaluable part of the organisation. Even

within captive arrangements, evident from Project 1, there are still considerable internal and external organisational barriers to navigate. Managers must develop approaches that will allow them to navigate their organisational environments to determine what is required for success. As Lacity and Rottman (2009) argue, for senior executives to ensure their strategic outsourcing decisions are successful, they need greater input from, and a deeper understanding of, the perceptions and expectations of the managers they assign to execute their strategy.

Having established that organisations no longer offshore for just cost-saving reasons, the need has arisen for organisations to move offshore in search of overseas markets and locations while seeking operational efficiencies in the face of stiff competition. If every organisation is offshoring with a view to achieving competitive advantage, then offshoring as a strategy in itself is no longer a source of competitive advantage. As Roy and Aubert (2002) stress; “in a world of perfect competition, there is no sustainable competitive advantage. All the economic actors have access to the same information, the same technology, and the same resources. If a firm has developed expertise, competitors should be able to acquire equivalent expertise, like any other factor of production. Yet, we can observe several companies which seem to enjoy some preferred position in a given market for extended periods of time” (p. 2). The unique advantage is how well the internal and external offshoring process is governed, leading to a greater likelihood of achieving the competitive edge.

Governance is ultimately concerned with creating the conditions for both ordered rule and collective action (Stoker, 1998). Robust governance models support the delivery of corporate objectives and institutionalise good working practice at the operational (project) level. Specifically, “good corporate governance allows organisations to work productively and efficiently while minimising corruption and abuse of power by providing managerial accountability” (Sharma et al., 2009, p. 30). So, governance is the means by which this collective action is coordinated to deliver the ordered rule necessary for the achievement of the strategic objectives. The challenge remains that “while strategic sourcing decisions are crafted by senior executives, who are ultimately accountable for corporate governance, strategic sourcing is executed by middle managers and staff who may not share the vision or enthusiasm of their senior leadership team” (Lacity and Rottman, 2009, p.4). As these authors argue, by understanding the effects of the challenges on managers, senior management can better understand the evolving roles and responsibilities of global managers and increase overall success by empowering their management team with the organisational support and resources needed to successfully engage offshore.

Competitive advantage should, in theory, go to those IT services organisations that can manage the interplay between two apparently opposing strands: the realisation of the strategic objectives behind offshore working and the operational implementation challenges of offshore working, thereby delivering greater value to the IT services companies’ clients. These strands can be viewed as first, reasoned justification (the

strategic objectives for offshoring) and second, a strategic, instrumental action (the ability to overcome the implementation challenges revealed in Project 2). For justified and coordinated action (i.e. the delivery of an offshore project to a client that achieves both the client's and vendor's objectives for the project) there is a need for both reasoned justification for the collective action and the realisation of that action. "Such action requires the interplay between both reasoned justification and an instrumental rationality oriented to a practical mastery of the world and knowledge of the empirical conditions of action" (Townley et al., 2003, p. 1047).

Without this interplay, there may be agreed strategic objectives without mechanisms in place to manage the operational challenges that deliver the strategic benefits of offshoring. Where the organisation focuses on meeting the operational challenges, offshore projects can fail without any understanding of the reasons for their failure. The resolution of this interplay is an empirical question. These conditions for resolution are, arguably, more likely in theory to be met within a captive offshore organisation by virtue of their captive relationship. By definition, both the onshore and offshore teams belong to the same parent organisation. As a result of this, there is a shared or at least a similar organisation culture, shared overarching corporate objectives, joint ownership of the process of governance implementation and a greater feeling of connectedness, thereby making the seamless implementation of governance somewhat easier.

This research seeks to understand the practices undertaken, in a captive offshoring environment, which reconciles the operational challenges with the overarching strategic objectives. The literature domains that will inform this study will be examined in section 4.3.

4.3 Literature Review

The literature on outsourcing and governance will be reviewed; the question posed for the literature review is: *“What does literature say about the governance of offshore arrangements?”*

Research on outsourcing indicates that “senior technology managers are focusing on ways to add greater value through outsourcing by increasing the flexibility and efficiency of their client–vendor relationships” (Simon et al, 2009, p. 111). Vendors have been shown to be an important ally in the value creation mechanism (Kedia and Mukherjee, 2009; Zaheer, Lamin and Subramani, 2009) and the success of offshoring is largely contingent on their performance. Multiple sourcing options (e.g. in/outsourcing, domestic outsourcing, offshoring, captive offshoring) exist, some of which are viable options, thus increasing the complexity of implementation and implementation decisions (Marcolin and Ross, 2005). The issues (geo-political, loss of human capital, cultural mismatch) with offshore outsourcing have also been examined (Peterson, 2004; Ranganathan and Balaji, 2007). As discussed, a considerable amount of the literature to date has focused on the factors of selecting and working with vendors, firm-specific resources, such as third-party IT services providers (Feeny, Lacity and Willcocks, 2005; Gopal et al., 2011; Lahiri and Kedia, 2009), strategic deployment and leveraging (Sirmon and Hitt, 2003; Sirmon, Gove and Hitt, 2008), with only modest consideration of the offshore ‘captive’ (Oshri, Kotlarsky, Rottman and Willcocks, 2009) context. The client - vendor outsourcing relationship has been examined using a variety of different theoretical lenses (Roy and Aubert, 2002). These include a resource-based theory (strategic and competitive advantage), a social perspective (clients and vendor relationships concerning matters such as culture, power and trust), an economic view (governance and coordination of economics agents), a strategic management view (organisations’ use of strategy to achieve their business objectives and goals), and more recently, governance (best practice, choice of governance modes, and IT and business goal alignment) (Ali and Green, 2012; Hutzschenreuter et al., 2011; Roza et al., 2011; Tate et al., 2009).

There has been a rapid rise in interest in “governance” or “corporate governance” from the academic and practitioner literature, particularly since the demand for greater organisational accountability. Reviews of the literature generally conclude that the term “governance” is used in a variety of ways and has a variety of meanings (Rhodes, 1996). According to Stoker (1998), governance is ultimately concerned with creating the conditions for ordered rule and collective action. “The governance concept points to the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and other influencing actors” (Kooiman and Van Vliet, 1993, p. 64). While the proliferating uses of the word “governance” have been criticised as a result of popularity or fashion (Frederickson and Smith, 2003; Pierre and Peters, 2005; Rhodes, 2000), many of the same scholars insist

that the term nevertheless conveys important transformations in the relations between State and society (Pierre and Peters, 2005), or a “fundamental shift in the purposes and methods of government” (Frederickson and Smith, 2003; Kooiman, 2000).

In its broadest organisational sense, governance is concerned with control; whereas management involves making and implementing decisions, governance is more concerned with guiding and constraining these actions (Pound, 1995). Corporate governance is concerned with board roles, board composition, board characteristics, board and organisational structure and process, in order to develop, implement and monitor corporate strategy (Bebchuk et al., 2009; Hart, 1995; Korac-Kakabadse and Kakabadse, 2001). Corporate governance covers the entire enterprise and its activities; “good corporate governance allows organisations to work productively and efficiently minimising corruption, the abuse of power and providing managerial accountability (Sharma et al., 2009, p. 30). Corporate governance is about ensuring that managers provide suppliers of finances a fair share of their entitled profits (Shleifer and Vishny, 1997). Many studies have been devoted to understanding the phenomena of corporate governance (Bainbridge, 2008; Hilb, 2005; Huse, 2007; Knell, 2006; Zakhem, Palmer and Stoll, 2008). Knell (2006, p. 5) defines corporate governance as “the regulating influence applied to the affairs of a company to maintain good order and apply predetermined standards”. Corporate governance promotes an ethical environment with accountability and adherence (Abraham, 2012).

Corporate governance is basically the policy process in this new, multinational and highly networked corporate environment. For example, Pierre and Peters (2005) define four activities of governance: goal definition (articulating a common set of priorities), coherence (consistency and coordination), steering (finding ways of achieving goals) and accountability (who are answerable). The organisation’s role is critical for setting collective goals and defining accountability, according to Pierre and Peters (2005), although in some arenas (for example, in corporatist arrangements), goal setting may be shared across departments (e.g. IT, Finance). In the past, oversight and governance have often been addressed by “ignore unless there is a problem”, then review and criticise (Johnstone et al., 2006, p. 23). Therefore, active execution of oversight and governance responsibilities is as important as effective execution of management responsibilities (MacDonald, 2000).

IT governance can be viewed as an integral part of corporate governance due to the pervasive nature of IT. “Modern IT crosses organisational activities and has become strongly aligned with business activities” (Ko and Fink, 2010, p. 662). Given the pivotal role of IT, academics and practitioners have developed a corresponding interest in IT governance, with its focus on the tools of control where IT-related issues are concerned. Weill’s (2004) study found a correlation between firm performance and IT governance; his qualitative study of more than 250 enterprises found that firms with above-average IT governance performance had more than 20% higher profitability than firms with poor governance following the same strategy. Weill (2004) defines IT governance as

specifying the framework for decision rights and accountabilities to encourage desirable behaviour in the use of IT. A desirable behaviour they describe as one that is consistent with the organisation's mission, strategy, values, norms and culture, such as behaviour promoting entrepreneurship, sharing and reuse, or relentless cost reduction. IT governance concentrates on the structure of relationships and processes to develop, direct and control IT resources to achieve the enterprise goals. In this way, IT governance has become an important, integral part of corporate governance; effective IT governance assists in the achievement of corporate successes. The integration of the two forms of governance is highly desirable as it has been shown that factors (e.g. risks, security) that significantly impact on corporate governance will cascade to IT governance (Korac-Kakabadse and Kakabadse, 2001). The main thrust of this study includes: IT governance; controlling IT-related decisions and behaviours; IT project governance; and controlling IT project-related decisions and behaviours.

IT governance can be viewed from diverse perspectives. For example, the requirement for governance as leadership, according to the IT Governance Institute (2003), Peterson (2004) examines IT governance as organisational capacity exercised by the board, executive and IT management. Other views are, in combination with processes and leadership structures, organisations should ensure that IT governance achieves the fusion of business and IT (van Grembergen, 2002; Willcocks et al., 2006). All of these perspectives of governance are required to ensure that "IT systems sustain and extend the organisation's strategies and objectives" (IT Governance Institute, 2003, p. 10). The ITGI's publication on "Unlocking Value" (IT Governance Institute, 2008) specifies that the key areas are: strategic alignment with overall objectives and goals; maintaining and extending current value while delivering new value; managing IT-related risks as well as business risk; resource provision and management; and performance measurement in realising corporate objectives. Another ITGI publication, *Governance of Outsourcing* (IT Governance Institute, 2005), focuses on the importance of the governance of outsourcing; it defines governance of outsourcing as: "the set of responsibilities, roles, objectives, interfaces and controls required to anticipate change and manage the introduction, maintenance, performance, costs and control of third-party-provided services" (p. 7). These practitioner-based publications, while providing context and thus remaining relevant, are limited as they provide no empirical bases for their claims, and it is unclear how they were developed.

Given the growing tendency for organisations to outsource their work offshore and the inherent challenges, it is critical that researchers examine how IT and business activities are aligned to achieve organisational goals. A search of key databases such as ABI Inform Global (ProQuest), Business Source Complete (EBSCO) and ScienceDirect, using search strings such as offshor*, outsourc* and governance found over 2,517 articles. Ordered by relevance, a review of the title and abstracts of the top 100 articles revealed a dearth of academic and practitioner literature on the governance of IT captive offshoring arrangements. Furthermore, including the search term "captive" limited the

returned results to 15 articles, with only one article mentioning governance. Nothing from the literature so far has offered a clear answer to the review question which seeks to understand the implementation of governance in captive offshore arrangements. Simon et al.'s (2009) study provides a meta-review of the literature of over 100 articles, out of which 11 were chosen, which examines mature governance practices in successful client - vendor offshore outsourcing relationships. Although Simon et al. (2009) do not specifically focus on captive offshore engagements; their guidelines provide a preliminary basis for extending the governance of outsourcing to captive offshoring.

These articles suggest that mature client - vendor relationships are moving towards a highly collaborative model in which the offshore vendor is moving further up the value chain and considered to be a strategic partner (Cullen, Seddon and Willcocks, 2005; Lacity et al., 2003; Mani, Barua and Whinston, 2006) with fixed price contracts (Gopal, Mukhopadhyay and Krishnan, 2002). These mature client - vendor relationships use a wide range of communication techniques, from written documentation to face-to-face interactions (Ranganathan and Balaji, 2007); a larger number of the vendor staff are situated offshore (Oshri et al., 2007); different trust building techniques and methods are used (Kaiser and Hawk, 2004; Ranganathan and Balaji, 2007); and a vast range of work coordination methods and techniques are employed for work requirements, formal specifications for communication, and management metrics (Carmel, 2006; Rottman and Lacity, 2004). A high amount of information flow in both directions is exhibited in mature relationships (Oshri et al., 2007), there are attempts to minimise communication challenges (Kaiser and Hawk, 2004), and value is delivered through a variety of ways (Levina and Ross, 2003; Ross and Beath, 2002). The literature suggests that techniques addressing each of these nine attributes should exist in mature client – vendor relationships. A summary of the literature and how each study contributes to the nine attributes is given in Table 31:

Table 31 – Summary Table of the Literature

| Attributes & Articles | Types of Relationships | Types of Contract | Comms Methods | Vendor Staff Location | Trust Building | Work Coord. Methods | Info Flow | Comms Challenges Experienced | Value Delivered |
|----------------------------|------------------------|-------------------|---------------|-----------------------|----------------|---------------------|-----------|------------------------------|-----------------|
| Oshri et al. 2007 | | | x | x | | x | x | | x |
| Mani et al. 2006 | x | | | | | | | | |
| Kaiser & Hawk, 2004 | x | | | | x | x | | x | |
| Cullen et al. 2005 | x | | | | | | | | |
| Carmel, 2006 | | | | | | x | | | |
| Ranganathan & Balaji. 2007 | x | | x | | x | x | | | |
| Lacity et al. 2003 | x | | | | | | | | |
| Rottman & Lacity, 2004 | | | | | | x | | | x |
| Ross & Beath, 2002 | x | | | | | | | | |
| Gopal et al. 2002 | | x | | | | | | | |
| Levina & Ross, 2003 | | | | | | | | | x |

Source: Simon et al., 2009

As a meta-review, these articles provide a useful insight into outsourcing governance and present a good platform for further examination of the governance of offshoring. Simon et al.’s (2009) study is open to criticism for examining a single mode of offshoring (offshore outsourcing). Had their study taken a broader contextual view of offshoring, the nine chosen attributes may have been different. Additionally, the most recent study of the 11 articles was conducted at least five years ago, therefore events may have overtaken. Taking into account their shortcomings, Simon et al. (2009) provide the only meta-review and a basis, to be used as an initial template, from which to extend their model into the captive offshoring.

4.3.1 Summary and Research Question

Research questions are the vehicles through which a research problem is made researchable. There are three main types of research question: “what,” “why,” and “how.” “What” questions seek descriptions; “Why” questions seek understanding or explanations, or the reasons for the existence of a particular phenomenon, and “how” questions are concerned with intervention and problem solving and bringing about change (Blaikie, 2007). According to Eisenhardt and Graebner (2007), “how” and

“why” research questions are typically suited to theory-building cases, using cases in unexplored research areas. An initial definition of the research question, in at least broad terms, is important in theory building from case studies. No matter how small the sample or area of interest, it is always good to go into organisations with a well-defined focus to collect specific kinds of data systematically (Eisenhardt, 1989). Without a well-defined question or a research focus, it is easy to become overwhelmed by the volume of data.

The previous section reviewed the outsourcing literature, establishing that outsourcing relationships between the client and vendor can be viewed through a variety of theoretical lenses including: resource-based, economic view, social perspective, strategic management and governance. The concept of governance was examined; the various meanings, metaphors and typologies such as: corporate governance, IT governance, outsourcing governance were examined. While considerable reference work (Ali and Green, 2012; Oshri et al., 2007; Simon et al., 2009) exists in the IT outsourcing field, IT governance has not been addressed when dealing with captive offshore engagements. In fact, virtually none of the IT governance literature to date makes an explicit mention of captive offshoring. Simon et al. (2009) provide a meta-review of the outsourcing governance literature which has a clear focus on the governance of the client - vendor relationship. Although they do not offer any explanation for captive arrangements, in the absence of relevant literature they provide an initial template from which to extend their research. This gap in the literature presents an opportunity for an empirical study on captive arrangements. Given this gap, it is worthwhile reviewing the rationales and issues of offshoring.

As found in Project 1, organisations no longer outsource/offshore simply for cost savings reasons. If organisations are to achieve the benefits suggested by the ten factors found in Project 1 and are faced with the operational challenges in Project 2, competitive advantage will not be achieved by outsourcing/offshoring alone but by managing the operational challenges established in Project 2 such that the benefits established in Project 1 can be achieved. However, organisations may not have given careful consideration to the risks, internal conflicts and associated downsides of entering into offshoring arrangements that were established in Project 2. Given this, organisations may have inadvertently increased their management overheads when running offshore projects. As offshore projects are often introduced or expanded with few clear guidelines (Willcocks and Griffiths, 2010), managers must develop working practices that will allow them to interpret, navigate and harmonise the management challenges presented by the internal and external environments in order to arrive at an understanding of what will be required for successful implementations (Karlsen and Gottschalk, 2006; Weill, 2004). Therefore, competitive advantage is not the act of outsourcing/offshoring itself, but arguably the implementation of governance that will help managers address the operational challenges and at the same time achieve the strategic benefits of offshoring. Therefore, is it possible to develop and utilise a set of

governance practices that resolve these apparently conflicting demands? This leads to the research question:

“How do organisations achieve the strategic benefits of offshoring while overcoming the operational challenges of captive offshore project delivery?”

It is envisioned that this research will contribute to the literature on IT outsourcing governance. Section 4.4 will address the ontological and epistemological foundations that will underpin the research design.

4.4 Methodology

This section outlines the ontological and epistemological positions and the research design adopted for this study.

4.4.1 Approaches to Management Research

The aim of this section is to consider the main philosophical positions that underlie the design of management research. There are two contrasting views of how social science research should be conducted: positivism and social constructionism (Easterby-Smith et al., 2008).

The key idea of positivism is that the social world exists externally and that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition. The French philosopher Auguste Comte (1853) was the first person to encapsulate this view as he said: “All good intellects have repeated, since Bacon’s time, that there can be no real knowledge but that which is based on observed facts” (cited in Easterby-Smith et al., 2008, p. 57). This statement contains two assumptions: first, the ontological assumption that reality is external and objective; and, second, the epistemological assumption that knowledge is only of significance if it is based on observations of this external reality.

Social constructionism was developed by philosophers in response to the application of positivism to the social sciences. It emphasises the making of knowledge by communities of individuals. Berger and Luckmann (1966) claim that organisational members actively create, or enact, the reality they inhabit. Their central claim is that persons and groups interacting together in a social system form, over time, concepts or socially constructed representations of one another’s actions, and that these concepts eventually become habituated into reciprocal roles played by the actors in relation to one another. When these roles are made available to other members of society to enter into and play out, the reciprocal interactions are said to be institutionalised. In the process of this institutionalisation, meaning is embedded in society. Knowledge and people’s conception (and belief) of what reality is becomes embedded in the institutional fabric of society (Berger and Luckmann, 1966). This paradigm has been the subject of criticism (Cromby and Nightingale, 1999): individual meanings tend to disappear in favour of collective meanings reinforced by the paradigm’s emphasis on the social making of meanings and its tendency to understate individual modelling, finding or interpreting metaphors of gaining knowledge. Offshoring is a socially constructed practice involving teams of individuals in different locations working on a common project; as the aim of this study is to explore the collective working practices of captive offshore teams, it would appear logical to select an approach that supports collective action in a socially created phenomenon. This leads to the selection of social constructivists as the chosen approach. The paradigm embodied is strongly biased towards the interpretive tradition where the social realities of the actors (project personnel) are being explored.

For the reasons mentioned above, the interpretive literature suggests that managerial views of important events are critical (Keisler and Sprull, 1982). Some scholars (Daft and Weick, 1984; Morgan, 1986) have contended that managers serve a significant cognitive function in organisations by interpreting events and ultimately using those interpretations to frame meaning for other organisational participants. In captive offshore engagements, managers' interpretations are critical in illuminating our understanding of this social construct, given the pivotal role they assume within the organisation and also in managing the intra-organisation relationships in such engagements. Managers' dominant reality (Gephart, 1984) or logic (Prahalad and Bettis, 1986) may influence the construed realities of others (Daft and Weick, 1984; Gray et al., 1985). Since managers have the formal authority to prescribe interpretations, their viewpoints and how they shift during events can be highly significant and instrumental. Authors such as Bennis and Nanus (1985) and Pfeffer (1981, 1982) have said that theirs is the social architecture from which organisations draw meaning and significance. Finally, as interpretations tend to be formulated after, not during, events, interpretive research is often built upon events that have already transpired and around which a collective viewpoint has had time to emerge.

4.4.2 Ontological and Epistemological Foundations

Based on the arguments presented in the previous section, the ontological and epistemological basis for this study assumes that social reality is relative and that ideas are representational. The perspective proposed within this study is strongly biased towards social constructionist. The epistemological stance believes that the basis of knowledge is more interpretive and sociologically oriented towards the interpretive tradition. Social realities such as offshoring are assumed to be social constructs. The ontological foundation is relativism, which assumes multiple, apprehendable and sometimes conflicting social realities are the products of human intellect but may change as their constructs become more informed and sophisticated. The research conclusions will be reached by discovering the characteristics and interpretations of offshoring from the respondents. The ontological and epistemological foundations have driven the chosen research approach in section 4.4.3, that will make the research problem and question researchable.

4.4.3 The Selection of Research Approach

Given the positioning of this research towards social constructionism, interpretive methods offer a number of methodological alternatives, which could be used to explore the issues at an individual or communities of individuals level (Wolcott, 1992). The research question requires a targeted and deep exploration of the governance of captive offshoring phenomenon: a broad, or "thin", rendering of the subject matter will offer little help. It is worth clarifying the unit of analysis targeted by this research as this will help reduce the methodological options available, and provide the basis for a proposed approach (Yin, 1994). This research focuses on comparing a community of individual

perspectives on governance when managing captive offshore engagements: this is the unit of analysis targeted by this work. As argued by Brown and Duguid (1991), without a clear understanding of those intricacies and the role they play, the practice itself cannot be well understood, engendered or enhanced (through innovation). Therefore the methodology to be applied must provide ways of opening up the social lives of the “actors” involved in the offshore engagement. If these intricate dimensions are to be uncovered, then the data that need to be unearthed are held at personal and individual levels. For this reason, this research needs to incorporate both individual and collective accounts of the project’s governance.

The question then is which method to adopt. There are a number of meta-reviews on qualitative research (Denzin and Lincoln, 2005; Jacob, 1989; Wolcott, 1992), but as Miles and Huberman (1994, p. 5) complain, “The mind boggles in trying to get from one to another.” The Miles and Huberman (1994) qualitative analysis model provides two methodological choices: hermeneutics, or case study. Smyth and Morris (2007) argue that hermeneutic or interpretive epistemologies, hence methodologies, cover a range of issues and methods including grounded theory and case-based methods. They embrace other interpretive methods such as: ethnography, descriptions aimed at exploring cultural phenomena; discourse analysis, revealing the hidden motivations behind a text; and phenomenography, the differing ways in which people conceptualise various phenomena. All of these are suitable for understanding individual conceptions and yet have been criticised as poor at addressing the general conceptions.

This leads to one of the major decisions made in developing the research methodology: using a grounded theory approach. As discussed, the other alternatives, ethnography, discourse analysis, phenomenography were rejected due to being poor at addressing the general conceptions. According to Glaser and Strauss (1967), grounded theory is the way of discovering theories that are grounded from which generalisations can be made. Using the grounded theory method within a single case study will allow the themes to emerge organically from the data (from various sources) enabling a deeper understanding of the captive offshoring phenomenon, as is characteristic of the interpretive research approach. Grounded theory is not new to business research and Mintzberg (1979) emphasises the importance of grounded research for qualitative inquiry within organisational settings: “measuring in real organisational terms means first of all getting out, into real organisations”. Qualitative research designs, “permit[s] the researcher to get close to the data, to know well all the individuals involved and observe and record what they do and say” (Mintzberg, 1979, p. 586).

Grounded theory was developed by Glaser and Strauss (1967) as a practical method for conducting research that focuses on the interpretive process by analysing “the actual production of meanings and concepts used by social actors in real settings” (Gephart, 2004, p. 457). They argue that new theory could be developed by paying careful attention to the contrast between “the daily realities [what is actually going on] of substantive areas” (Glaser and Strauss, 1967, p. 239) and the interpretations of those

daily realities made by those who participate in them (the “actors”). They reject positivist notions of hypothesis testing and falsification and instead describe an organic process of theory development. This is based on how well data fit conceptual categories identified by the researcher, by how well the categories predict or explain ongoing interpretations, and the relevance of these emerging categories to the core issues being observed. Glaser and Strauss (1967) most significantly offer a middle ground compromise between extreme empiricism and complete relativism by articulating systematic data collection for theory development that reflects the interpretation of actors and their social surroundings. Grounded theory building simply means creating theory by observing patterns within systematically collected empirical data. This view often includes some notion of recursively iterating between, and thus constantly comparing, theory and data during analysis and theoretically sampling cases. Grounded theory has been criticised as “objectivist” (Charmaz, 2000) as the author separates the researcher from the experiences of the subject of the study; and the detailed analysis of the transcripts, prescribed by Strauss, is seen as a “fracturing of the data” which reduces the ability to present the whole experience of the individuals involved.

Since its initial development, the grounded theory method has diversified, and two approaches have emerged: Glaserian and Straussian (Halaweh et al., 2008). Glaser (1978, 1992) advocates that researchers should start with no propositions, and should allow ideas to “emerge” from the data; whereas Strauss (1987) and Strauss and Corbin (1998) recommend familiarising oneself with prior research and using structured, and somewhat mechanistic processes to stimulate theoretical sensitivity to make sense of the data (Easterby-Smith et al., 2008). Furthermore, Strauss and Corbin (1998) recommend that a research question should take the form of identifying the phenomenon to be studied and what is known about the subject. This could be seen as the start of the audit trail (Koch, 1994), but they further recommend that the researcher specifies what they want to know about the phenomenon, which could result in the researcher’s interests and preconceptions shaping the research at the expense of problems of concern to informants.

Epistemologically, Strauss, who was significantly influenced by Corbin, adopts a relativist position, which emphasises systematic and reductionist approaches to the analysis of data. Glaser, in contrast, promotes a more relaxed epistemology, insisting that the data should be analysed in their entirety and not be reduced to discrete elements. Corbin and Strauss’ (2008) approach to grounded theory goes further and emphasises elaborate processes and terminologies for how researchers should gather field data and discover theory by using a hierarchical structure of categories, relating codes (categories and concepts) to each other using axial coding. They advocate, for constant comparison, the simultaneous collection and analysis of data and theoretical sampling, the decisions about what data to collect next are determined by the theory building in progress (Suddaby, 2006). Table 32 presents a summary of the key differences between the Glaserian and Straussian approaches based on Easterby-Smith et al. (2008).

Table 32 – Points of Disagreement between Glaser and Strauss

| | Glaser | Strauss (and Corbin) |
|-------------------|--------------------------------------|--|
| Researcher roles | Maintain distance and independence | Active interrogation of data |
| Theory | Emerges from data itself | Arises from theorist/data interaction |
| Ontology | World is “out there” | Reality and experience are constructed |
| Pre-understanding | Avoid literature from immediate area | Flexible approach, insight from many sources |

The Straussian approach is deemed to be more suitable for this study for five reasons: First, it supports active interrogation of the data: the data will be actively interrogated through a highly iterative analysis process. This will be achieved using a qualitative analysis data analysis tool NVivo, which provides full transparency and traceability of the analysis process. Second, the data will be closely adhered to with constant comparison and fluid movement between the theory and data. As the themes emerge, axial coding will allow for making connections among categories and subcategories (looking for conditions, consequences, actions, interactions) from the data sources, which will be examined as a “paradigm model” (Corbin and Strauss, 2008, p. 96). This is intended to provide a comprehensive scheme that covers the variety of data sources to identify the categories and develop a representative hierarchical structure of the data. Categories/codes that seem to be related will be moved around into a network or groups to obtain a visual impression of their relationships, until such time as the theory emerges.

Third, Strauss advocates a pre-understanding of the phenomenon under study. As argued for in the literature section, a preliminary template will be used from the literature: Simon et al.’s (2009) attributes of outsourcing governance, a form of *a priori* theorising against which the emerging themes will be compared – thereby drawing insights, in this particular case from the literature to avoid totally unstructured data (Barley, 1986, 1990; Coase, 1988; Suddaby, 2006). Fourth, the Straussian ontological and epistemological foundations are consistent with the position taken in this study which assumes that phenomena such as captive offshoring are socially constructed by human intellect but may change as their constructs become more informed and sophisticated thereby adopting a relativist position with systematic and reductionist approaches to the analysis of data.

Finally, insights from a variety of sources (interviews, observation notes and project documentation) will be gained. Semi-structured interview data will be the primary data source. A highly structured interview format is rejected for two reasons: the formality it would introduce and the constraints it would put on the exploration of new themes. At the other extreme an open interview format is also deemed inappropriate due to the number of interview questions in the protocol required to form a loose framework from which to solicit new themes. A semi-structured interview format is chosen for its

suitability for use with a preliminary template: opening up dialogue and exploring new themes, encouraging new questions and reflection to help elicit from the managers information on their governance implementation.

Having argued for the appropriateness of grounded theory for this study, the next consideration is the use of the case study in this research to support the theory building. “Case studies used to frame research in terms of the importance of a phenomenon are considered appropriate to use in projects such as this one, (captive offshoring), where existing propositions do not exist” (Eisenhardt and Graebner, 2007, p. 26). Case studies (single or multiple) also add real-world experience to research theory (Siggelkow, 2007). Little on formal integrated theories addressing the management of projects or intra-organisations’ engagements in offshore IT exists in literature, further supporting the choice of the methodology (Eisenhardt, 1989; Smyth and Morris, 2007; Yin, 1994). Although criticised for being subjective, correctly done theory building from cases is surprisingly “objective” because the close adherence to the data keeps the research honest; the data provide the discipline that mathematics does in formal analytic modelling (Eisenhardt and Graebner, 2007).

Case studies can involve either single or multiple cases and numerous levels of analysis. Yin (1981, 2002), who defines case study as a research strategy, developed a typology of case study designs and described the replication logic which is essential to multiple case analyses. His approach stresses bringing the concerns of validity and reliability gained from multiple cases in experimental research design to the design of case study research. Due to its multidimensional focus, a broadly applied multi-site case study may offer less convincing contributions than a deep investigation of a single, well-formed, case (Flyvbjerg, 2006; Atkins and Sampson, 2002). Stake (2006) distinguishes between instrumental and expressive studies. The former involves looking at specific cases in order to develop general principles; the latter involves investigating cases purposefully selected by virtue of being information-rich, critical and because of their unique features which may, or may not, be generalisable to other contexts. The interest for this study is in the latter, theory generation from a single case study, selected on the basis of providing a unique insight into the implementation of governance in captive offshoring arrangements. Furthermore, due to the unique nature of the case and the dearth of captive offshore literature, the findings may be generalisable to other peer organisations.

The availability of access to an information-rich organisation was a key consideration. There are many IT services organisations that engage in captive offshore arrangements, and so ostensibly there are multiple data points that could be collected. This research requires a highly targeted and focused approach to illuminate the discussion on governance in captive offshoring, therefore it specifically focuses on collating the individual perspective. For these reasons, a single site case study approach of an information-rich organisation is more appropriate where the goal is to enhance our understanding of offshoring based on a rigorous and detailed rendering of the research site (Siggelkow, 2007) which, as Buchanan notes, is based “not on representativeness,

but on opportunity or potential for learning” (1999, p. 77). It should be noted that this view of the power of a single site case study is not universally accepted (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). The scope of this empirical study is limited to an information-rich organisation selected on the basis that it is seen as a benchmark amongst peer organisations having effectively managed their offshore operations, winning successive client contracts and expanding their captive offshore operations to new locations, making the case within it “critical” (Patton, 2002).

Stake (2002) advocated for conducting a within case analysis as part of the theory generalisations process from a single case. Generalisations from cases are not statistical; they are analytical and based on reasoning. There are two broad principles of reasoning: deductive and inductive (Johansson, 2003). Deductive principles are based on theory development and testing; inductive principles are based on theory generation, or conceptualisation, based on data from within a case. The latter, inductive principle, is consistent with the aim of this study, given that the primary concern is the development of theory – not to test it. Stake (2000) also focuses on theory generation and advice about methodology, recommending data collection through using multiple methods such as archives, interviews, questionnaires and observations. In keeping with the methodological theme in this study, data will be collected from a variety of sources, such as interview data, notes (from interviews and discussions), meeting observations and project documentation, from an information-rich organisation. The “case” will be elaborated upon in section 4.5 which discusses the research method for this study.

4.5 Method

Consistent with the chosen methodological approach, grounded theory, the main features of the research design and how they were applied are outlined in this section.

4.5.1 The Case

This case study is based on a single UK IT services organisation (the supplier) that has a wholly owned captive offshore subsidiary in India. The organisation is a business and technology services organisation employing 41,000 people globally with an annual turnover of £3.9bn. It provides technology integration and outsourcing services to many of the UK's largest businesses and multinational organisations globally. To maintain their competitive edge, a key strategic objective of the organisation is to, wherever possible, move all "turn handle" processes and software services offshore, including central function business processes such as accounting, payroll and bid management. A key aspect of the software services operations is the provisioning of tailored software solutions to their clients in a wide range of industries delivered using the onshore/offshore model. This organisation represents a suitable setting in which to explore the research question, as it has established and well-recognised intra-company working practices. Evident from their many successes and resultant expansion of their offshore operations and renewals of client contracts, these practices exemplify good working practice between the onshore teams, making effective governance intrinsic to achieving project and strategic goals. The label "onshore" is generally used to refer to the UK client facing team and "offshore" the Indian technical development team.

The data for the case study were collected from a project within a high profile software programme for a UK client. A key factor in selecting the programme was that it represented the outsourcing setup: onshore/offshore delivery model, and challenges: strategic benefit realisation, challenging cost and time pressures. This client contract had been in existence for over ten years and had recently received its third five-year extension. The supplier initially provided bespoke software services for the client using a traditional onsite/onshore model. Over the course of the contract, the client/supplier relationship matured into a strategic partnership requiring less onsite supplier staff presence. Due to the supplier organisation's offshore delivery successes, a brand new offshore centre was opened in a new location in India. The supplier transitioned the software development activities to the new offshore centre, making the client a "first generation" offshore client. This was done to realise greater value for both the client and the supplier, also in support of the client's transformation programme.

The client as part of its transformation programme to open a flagship state-of-the-art, one-stop shop, day cancer centre, in early 2011 awarded a major contract to the supplier to build and integrate an application across six existing systems. This was the largest and most complex business critical integration to date, with a delivery timescale of April 2012. The supplier decided to undertake the software development element of the project in their new offshore centre, providing 95% of the development team, retaining

the client management and project management elements onshore. This presented a major challenge. Of the offshore team, 90% were completely new to both organisations, the processes and the client organisation. They had to be inducted to the organisation's way of working, the project processes and importantly, the client's business environment. As found in Project 2, adopting the onshore/offshore delivery model provided the supplier with four main strategic benefits: building technical expertise in new offshore locations; access to a greater talent pool; innovative idea; and, operational efficiencies. There were other benefits, such as a greater likelihood of meeting the tight timescale which could lead to increased client confidence, thereby creating opportunities to secure future business. It is also important to note that I previously worked for the organisation under study and was actively involved in the organisation's offshore activities. The ensuing issues will be dealt with in research limitations and biases in 4.7.5.4.

4.5.2 Access

The availability of access to target organisations was a key consideration and was undoubtedly one of the most important starting points for the search for a suitable research bed. Another important and critical factor was finding an information-rich organisation, seen as a benchmark, or other measures implying the achievement of greater value for both the organisation and their clients by utilising the captive offshore model – an organisation capable of providing illuminative insights into their captive offshore governance practices and whose size and relative position in industry makes the case within it “critical”. The selection strategy adopted an intensity sampling approach seeking excellent or a rich example of the phenomenon under investigation (Patton, 2002).

Careful respondent selection is important, as obtaining the richness from the data provided is critical in shaping the study's outcome and theoretical contributions. Initial contact was made with the programme director. A short email was sent outlining the purpose of the research, the ground rules (interviewee quoted but not identified, confidentiality, sharing the results with them) and requesting to interview a number of onshore and offshore programme members, and providing contact details. The programme manager replied nominating five key onshore and offshore personnel who had agreed to partake in the study and requested that direct contact was made with the respondents to schedule interviews and, where possible, to limit the interviews to an hour. Respondents were selected from a variety of managerial roles (programme manager, delivery consultant, competence managers and project managers) to benefit from the richness of experience within the different managerial levels. This was done based on the appropriateness of their contribution and to provide variation for the reliability of their account (Partington, 2002). Each respondent was subsequently contacted by email or phone within a week of the introductory email to arrange a suitable date and time for the interview, which was usually two to four weeks after the first contact. Prior to each interview, a short email was sent to the respondent

reiterating the purpose of the research, the ground rules for the interview and confirming the date, time, mode of interview (face-to-face or telephone) and, where necessary, location.

Further access to respondents was gained through what Arber (2001) describes as network or snowball sampling, in which access is gained through personal recommendation of the interviewer to another member of the population of interest. This is also consistent with Corbin and Strauss' (2008) notion of theoretical sampling, in which the increased understanding of the theory leads the researcher to solicit additional information from specific people who can elucidate the idea. As an example, the development assurance role was introduced by the offshore delivery consultant and considered appropriate for inclusion to illuminate the study by adding an assurance perspective to the data.

A total of 14 respondents took part in this study, representing 92% of the programme's managerial population. All respondents either worked directly on the programme full-time or had ongoing involvement from either an assurance or management perspective. The respondents were drawn from both the UK and Indian subsidiaries of the organisation and worked on the programme in a managerial role. The onshore programme manager had overall responsibility for the programme of work with a direct reporting line from the onshore project manager. The onshore functional and technical team reported to the onshore project manager. The offshore delivery consultant, an onshore role, reported to the onshore project manager and had the day-to-day responsibility of managing the onshore and offshore relationship, thereby straddling both teams. Depending on the technology being used, the offshore project manager reported to either of two offshore global capability competence managers (GCCMs) and was responsible for coordinating and reporting on progress to the onshore project manager. The offshore technical (tech) leads for each of the development work streams and test team leads reported to the offshore project manager. The roles framed in red (see Figure 19) participated in the study, and the selection criteria are as follows:

1. Employee of the global IT organisation under study;
2. Direct involvement in the programme under study;
3. Currently working on, or worked on the programme within the last 12 months;
4. Working in a managerial or team leadership role with involvement in implementing the governance process.

These criteria might limit the number of qualifying interviewees relative to the size of the organisation but the richness of the data was paramount. The organisation chart for the programme is illustrated in Figure 19.

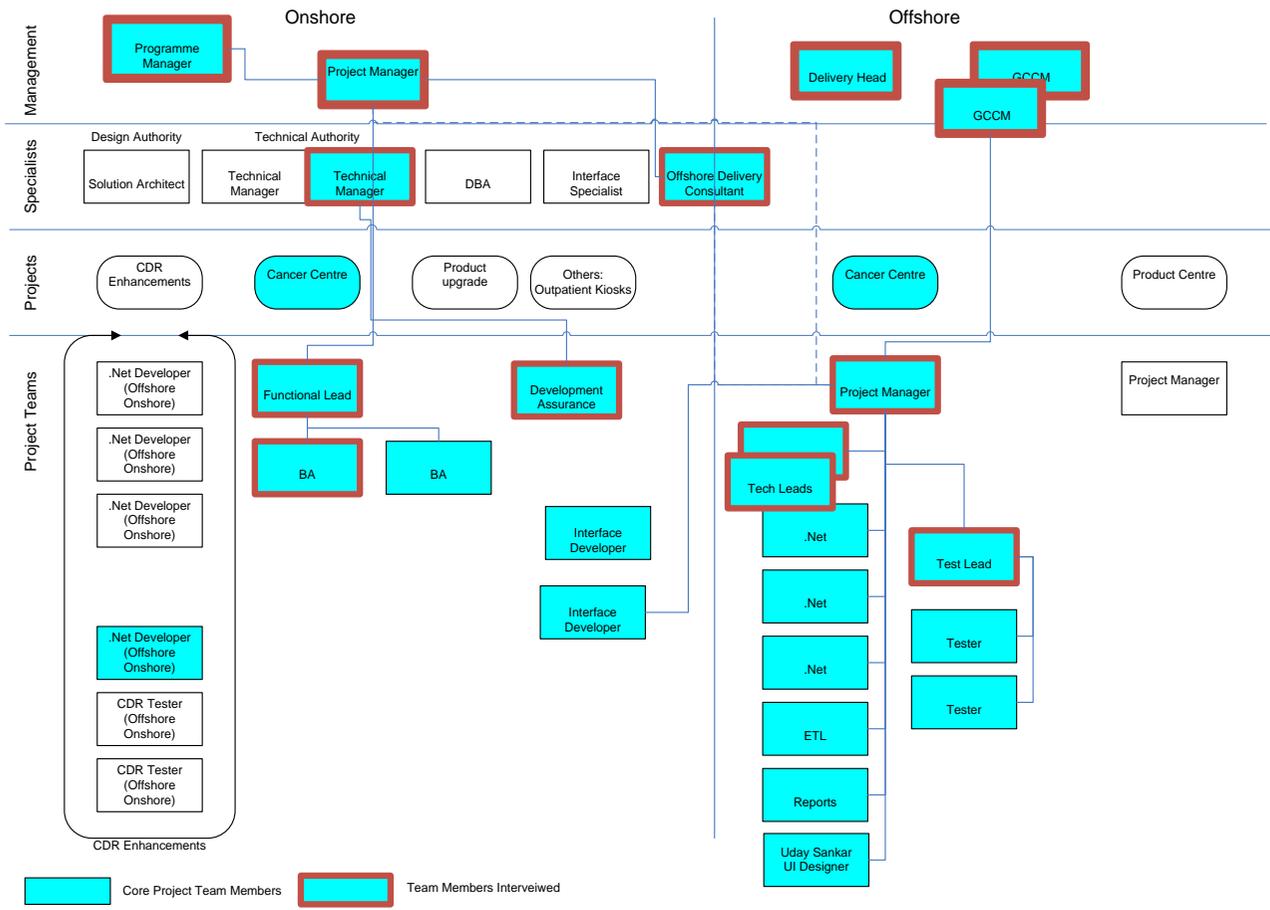


Figure 19 – Programme Organisation Chart

Demographic data for the respondents can be found in Table 33.

Table 33 – Overview of Respondents

| Respondent | Ref | Role | Length of time with org (years) | Location |
|-------------------|------------|---|--|-----------------|
| Respondent 1 | R1 | Programme Manager | 22 | Onshore |
| Respondent 2 | R2 | Project Manager | 16 | Onshore |
| Respondent 3 | R3 | Technical Manager | 20 | Onshore |
| Respondent 4 | R4 | Functional Lead | 15 | Onshore |
| Respondent 5 | R5 | Offshore Delivery Consultant | 11 | Onshore |
| Respondent 6 | R6 | Development Assurance | 6.5 | Onshore |
| Respondent 7 | R7 | Global Competence Centre Manager (GCCM) Microsoft | <1 | Offshore |
| Respondent 8 | R8 | Test Team Lead | 1 | Offshore |
| Respondent 9 | R9 | Business Analyst (BA) | 5.5 | Onshore |
| Respondent 10 | R10 | Project Manager | 1 | Offshore |
| Respondent 11 | R11 | GCCM Java | 6.5 | Offshore |
| Respondent 12 | R12 | Tech Lead (Stream 1) | <1 | Offshore |
| Respondent 13 | R13 | Tech Lead (Stream 2) | 4 | Offshore |
| Respondent 14 | R14 | Delivery Head | 5 | Offshore |

Access to project documentation was requested from the programme manager; this was granted on the condition that a non-disclosure agreement was signed prohibiting further circulation of the documentation and stipulating usage solely for the purpose intended. The non-disclosure agreement was signed by the programme manager on behalf of the organisation and by me. An organisation chart (Figure 19) was provided in the first instance to give an overview of the programme. The programme manager requested a list of the required documents which would be provided in electronic form over the course of the interviews. Meeting observations were requested but declined; instead meeting notes were provided as part of the project documentation.

4.5.3 Research Process

The elements of the research design described in the previous section were combined to develop the five-phase approach shown in Figure 20.

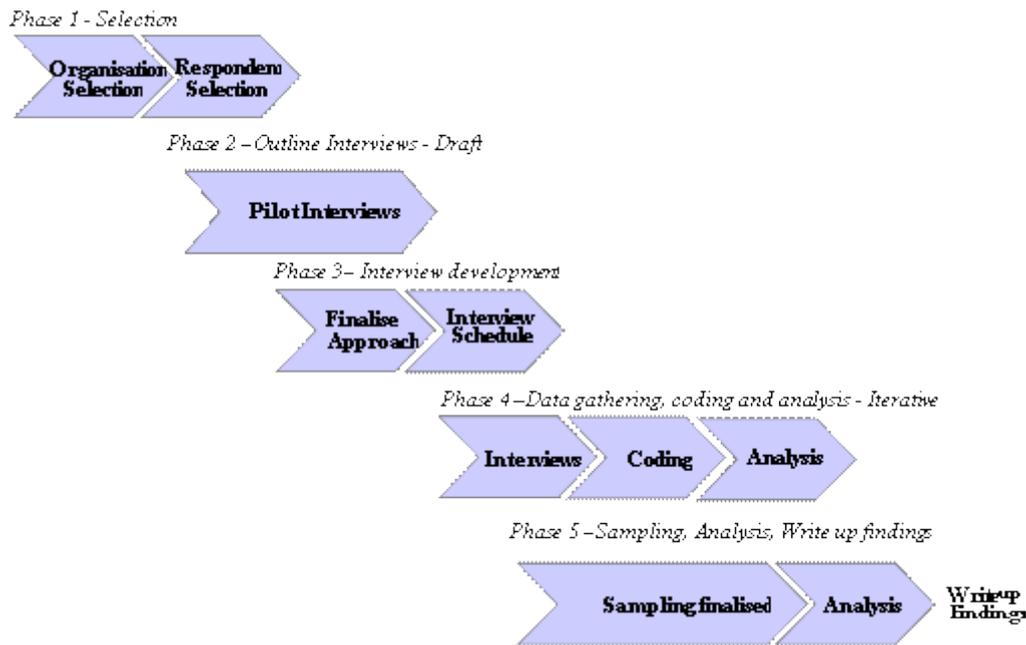


Figure 20 – Research Process Flow.

Consistent with the grounded theory approach (Corbin and Strauss, 2008), the five steps of the research process were intended to run simultaneously – not sequentially. The data analysis and coding began after the second interview and continued for the duration of the data collection process. As part of the data analysis, theoretical sampling was used to gather further information from the respondents during subsequent interviews. This was an ongoing process of interview, coding and analysis until the sampling was finalised, the analysis completed and the findings written up.

4.5.4 Data Collection

The data collection methods used in this study remain consistent with the single case-based grounded theory method which prescribes the collection of data from a variety of sources, providing a rich data repository (Corbin and Strauss, 2008; Stake, 2000).

The primary data source for this research was interview data. As argued for in section 4.4, the interview protocol was based on the nine governance attributes developed by Simon et al. (2009). The attributes were adapted into nine main questions to suit the captive offshoring engagements with three follow-on catch-all questions to provoke reflection on the part of the respondent. According to Kvale and Brinkmann (2009), the interviewer must also know when it is necessary to probe deeper, to get the interviewee to elaborate, or broaden the topic of discussion. This approach was designed to give both the interviewer and the respondent some flexibility in shaping the discussion, and to provide scope for elaboration. A draft interview protocol was prepared and reviewed by my supervisor who made two amendments: first to make the questions more focused for captive arrangements; and second, less leading for the respondents. The interview questions were designed to open up the discussion and allow new themes to emerge (see Appendix C for the full interview protocol). The draft interview protocol was piloted in

January 2012 with two respondents from the programme, and using a digital voice recorder; one was from the onshore team and the other from the offshore team. Following the interview protocol, the pilot interview for the onshore respondent was conducted in person in the London office and lasted for 27 minutes. Due to the geographic distance the offshore pilot interview was conducted by phone and took 32 minutes.

Despite the limited time, the full interview protocol was covered for both interviews. The interview recordings were reviewed to assess how the protocol worked in practice and to consider what further development of interviewing skills was required. Two areas were found to adjust the interview approach. First, as I was known by some of the respondents because I had previously been involved in the organisations' offshore activities, I had to make a note to explicitly inform those who knew me that no prior knowledge should be assumed on my part. Second, for the offshore interviews, bearing in mind the cultural differences such as the deferential and acquiescent nature of the Indians (Hofstede, 1980), the warm-up session became essential for putting the respondent at ease and establishing a familiarity.

The main study was carried out between February 2012 and March 2012. Fourteen interviews were conducted in total, lasting for between 39 and 68 minutes. Handwritten observation notes were taken during the interviews to make notes of important contextual information and points to follow up. The interviews were recorded using a digital voice recorder and verbal consent was usually obtained at the start of the interviews, without issue. Seven interviews were conducted face-to-face with the onshore team in various UK offices and because of geographic limitations, seven were conducted by telephone with the offshore team in India. Security restrictions prohibited the use of video calling technology such as Skype that may have providing greater visual context. Some of the richness of the data that may result from spontaneity, body language and inflections in the voice may have been lost (Kvale and Brinkmann, 2009). Where possible, the impact was mitigated by requesting that the offshore respondents secured quiet rooms to reduce any external interference. The warm-up session was commenced to establish rapport and empathy to bridge the geographic distance. As the interview protocol was followed, the choice of using semi-structured interviews provided the opportunity to open up dialogue with the respondents to fully explore the phenomenon.

The open dialogue nature of the interview had four notable effects. First, the flow of each interview was dependent on the respondent, with spontaneous responses sometimes being provided. Second, the focus of the interviews depended on the respondents' role and seniority in the programme. The more senior respondents tended to provide greater context on governance and the higher level strategic objectives, whereas the team leader levels provided more context on operational process implementation. Third, the interviews were interactive. For instance, one respondent, while explaining the collaborations process between the onshore and offshore teams,

sketched a diagram on a whiteboard which was captured using a digital camera (Appendix G.) Finally, where concepts or language were unclear, especially when programme or client-specific terminologies were used, further probing was done for clarification, or in some cases to encourage reflection on the part of the respondents.

During the interviews, references were made to project documents such as process documentation, guidelines, functional and technical specification, clarification logs, to mention just a few. As the interview and analysis progressed, the various pieces of documentation were requested to provide further context and also to guide the soliciting of information in subsequent interviews. Approximately 300 pages of project documentation were provided as a supplementary data source. The documentation was sometimes incomplete and further documentation or clarification was requested from the programme manager. A full list of the documentation provided can be found in Appendix H. The analysis of the data is described in the next section.

4.5.5 Analysis

This section outlines how the data for the study were analysed.

The interview recordings were each transcribed “verbatim” by a professional transcription service into an electronic written form using Microsoft Word. This resulted in a total of 392 pages of interview transcripts. On receipt of each transcript from the transcription service, the transcript was reviewed while listening to the audio file for accuracy and context in instances where industry jargon had not been understood or in some cases where the accents had not been clearly decipherable (Kvale and Brinkmann, 2009). To gain a deeper understanding of the emerging themes and what the respondents were saying about governance, each transcript was reviewed in conjunction with the audio recording for a second time. Listening for inflections in the tone of the voice provided greater context and also allowed for making connections between what each of the respondents were saying as patterns began to emerge. The edited transcripts were sent to the respondents, providing them with the opportunity to review their contribution. No changes or amendments were requested as it was important to the research to maintain the integrity of their original accounts. The transcripts were coded and analysed on an ongoing basis as the interviews progressed and emerging themes were following up during subsequent interviews. The supporting project documentation was analysed in conjunction with the transcripts to provide a deeper context and facilitate the preparation of follow-up questions in subsequent interviews.

The reviewed transcripts and project documentation were then imported into NVivo, a quantitative analysis and data management tool designed to assist researchers organise, code and report on qualitative data. In NVivo each piece of data (interview transcript and document) represented a “source”; for the transcripts 14 source files were created and for the documentation 16 source files, making a total of 30. The handwritten notes taken during data collection were linked to the various source files as “memos”

containing valuable clues and contextual material to assist with the analysis. The NVivo tool was also used to generate static and dynamic visual “models” that captured the analysis, providing snapshots of the evolving theory and full traceability. The detail of the analysis process is discussed in the following section.

4.5.6 Data Analysis Method

This study has adopted template analysis (King, 2004) using the outsourcing governance template from Simon et al. (2009). Similar to Corbin and Strauss (2008), King advocates the use of *a priori* codes as a source of understanding how the codes were developed based on the theoretical position of the research. This approach assisted the initial coding of the large volumes of data collected in which the data were constantly compared with the initial template data and new themes captured could be grouped together to facilitate the analysis process. The preliminary template is illustrated in Figure 21.

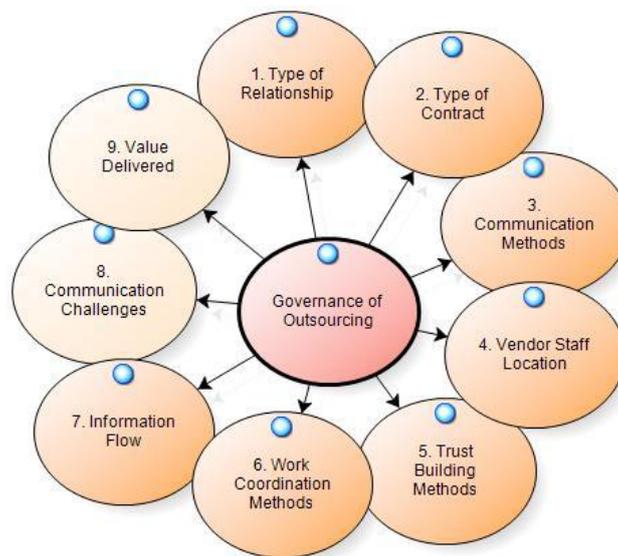


Figure 21 – Governance of Outsourcing –Nine Attributes.

The nine preliminary attributes formed an initial set of *a priori* categories or “nodes” in NVivo. In accordance with the chosen method and for robustness, the data collection, coding and analysis were carried out as an ongoing iterative process in which new nodes and relationships were established as the theory-building process evolved. As new themes emerged these were captured and new nodes were added to the preliminary nodes. These were subsequently organised in a hierarchical tree node structure comprising a parent node which was initially called “Governance” with the other nodes forming the child and freestanding nodes. This is consistent with the process of constant comparison (Corbin and Strauss, 2008), whereby new data were compared with existing data, and the tree node structure expanded as new themes organically emerged from further analysis of the data and documentation. Also, as the nodes began to expand, theoretical sampling (Corbin and Strauss, 2008) was used to solicit further information

from the respondents during subsequent interviews. The analysis was continued until stability was achieved, with several iterations of the analysis – the purpose being to ensure the integrity of the analysis process and that the concepts developed account for perceived patterns in the data. A snapshot of the data analysis and initial coding structure is illustrated in Figure 22: 28 nodes were created with 21 forming part of the tree node structure and seven as freestanding nodes.

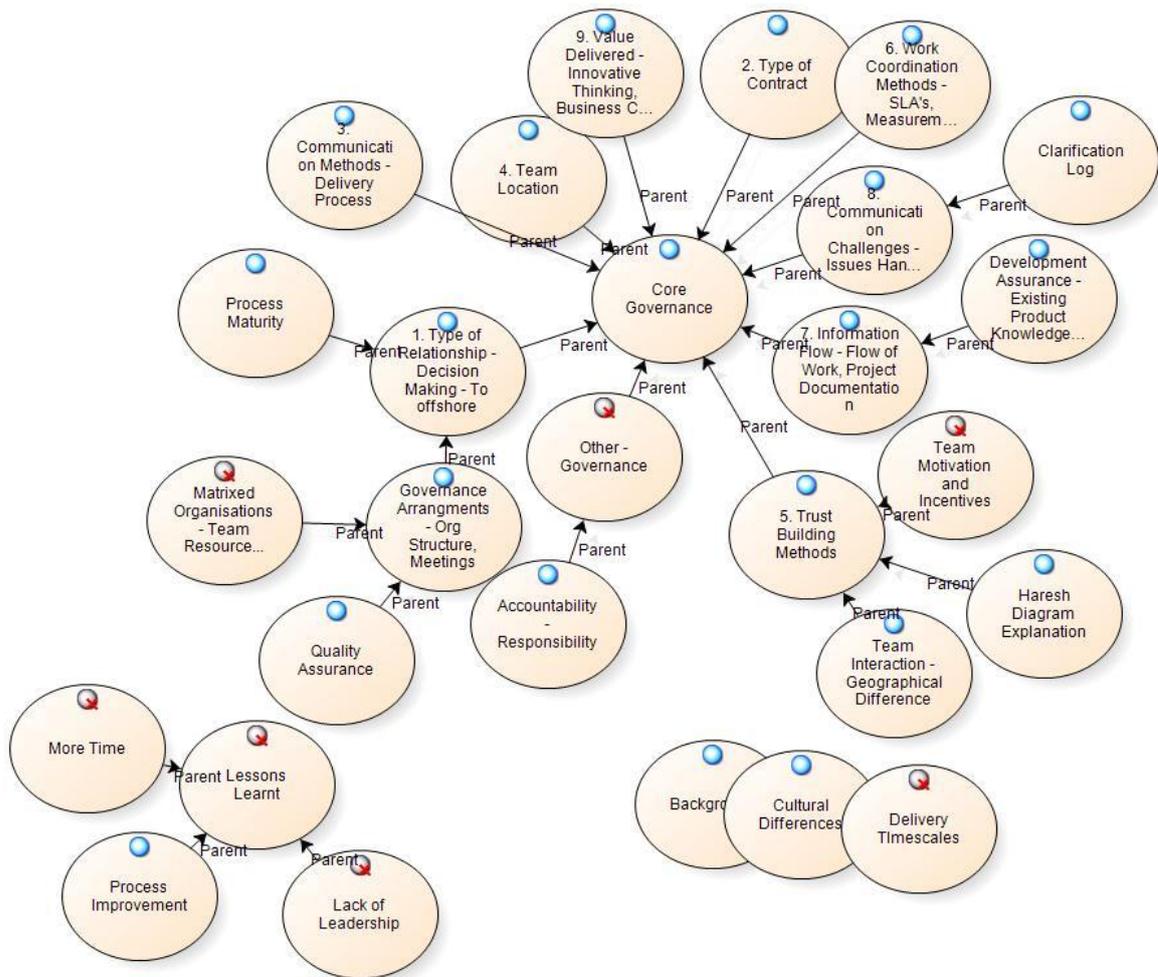


Figure 22 – Initial Coding Structure

Each of the initial 28 nodes was subject to further analysis within the nodes and between the nodes as the theory-building process continued. While the theoretical process may appear linear, clear and precise, in practice it was highly iterative and disordered. There were numerous times during the analysis and coding when the emerging concepts or context from the data were unclear. To clarify these, references were made to the interview recordings to listen to what the respondents were saying. The analysis process was restarted at a convenient point from where it had been previous halted and whenever new transcripts were added.

The initial codes were continuously modified as the interaction with the data intensified and the various conceptualisations of governance began to emerge. As a deeper

understanding of the data was gained, some nodes were merged, and linkages and relationships were established (categories and concepts) using axial coding (Corbin and Strauss, 2008) as dimensions and properties emerged. For example in Figure 22, the core categories being “Core Governance” and “Other-Governance” represented different conceptualisations of governance leading to “Accountability – Responsibility”. As the data analysis progressed, two nodes which were originally thought to be relevant appeared to trail off into nowhere such as “Delivery Timescales” and “More Time” and were deleted as they were not relevant to the research question. Some themes were merged with others as similarities emerged such as “Team Motivation and Incentives” was merged with “Trust Building”, and “Lessons Learnt” with “Process Improvement”. An intermediate coding structure is illustrated in Figure 23.

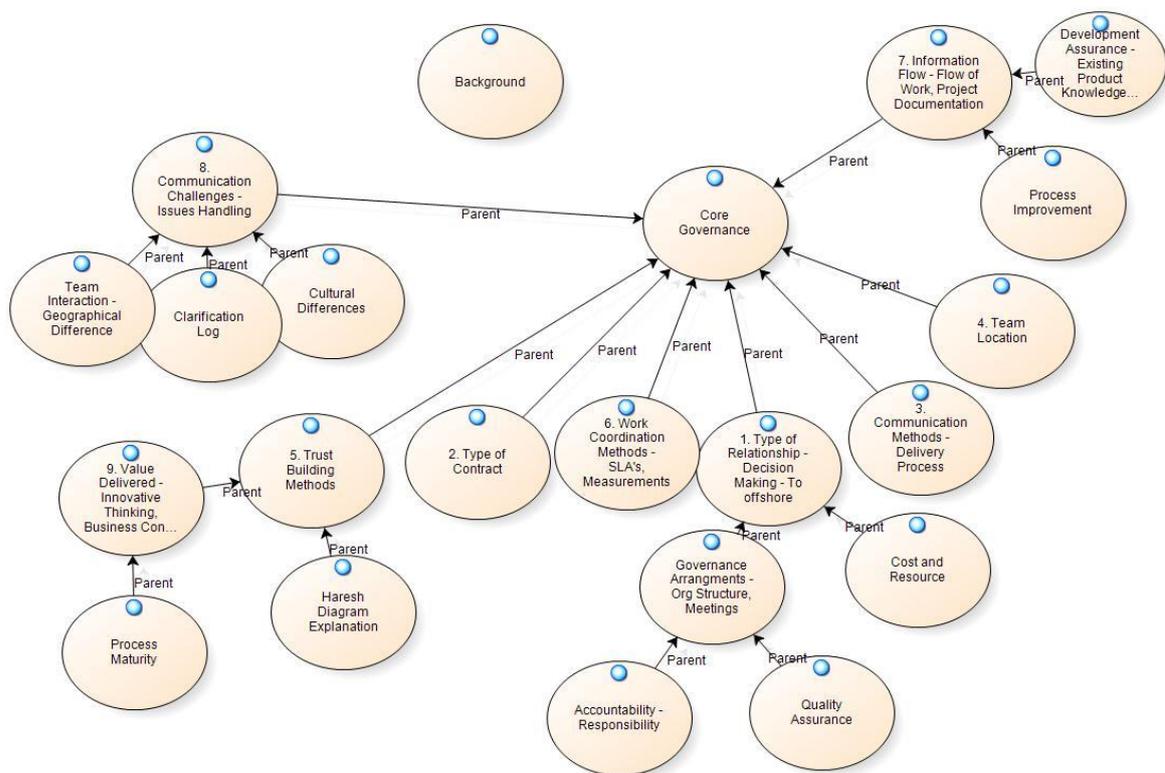


Figure 23 – Second Coding Structure

The key concepts derived from the data were always followed, never quite certain where they would lead, but always open to what might be uncovered. As a result, each category was systematically and thoroughly examined for evidence of data fitting these categories. There were two general nodes: one called “Process” which held all the relevant contextual process based data which was used to describe the governance processes; and the other was “Active Engagement Diagram” (see Appendix G), illustrated during an interview. During the final stage of the analysis, the names of five of the initial attributes (Type of Relationships, Type of Contract, Vendor Staff Location, Trust Building Methods and Value Delivered) from the Simon et al. (2009) template were changed to more appropriately reflect the emergent themes. As an example “Type

of Relationships” was changed to “Relationships” as the data represented a deeper conceptualisation of “Relationships” in captive arrangements, and not just limited to the type of relationships.

Adopting an iterative process allowed for close adherence to the data and also helped maintain control over the theory-building process. The iterative process clarified the point at which theoretical saturation had been reached after the twelfth interview, when no new themes or concepts emerged from the data. Two further interviews were conducted as part of the process of confirming data previously collected but still no new themes emerged.

The final coding structure is presented in section 4.6 in which the results of the study are presented.

4.6 Results

In this section the results of the study will be present. The final coding structure is presented followed by the results for each of the main categories of the final coding structure.

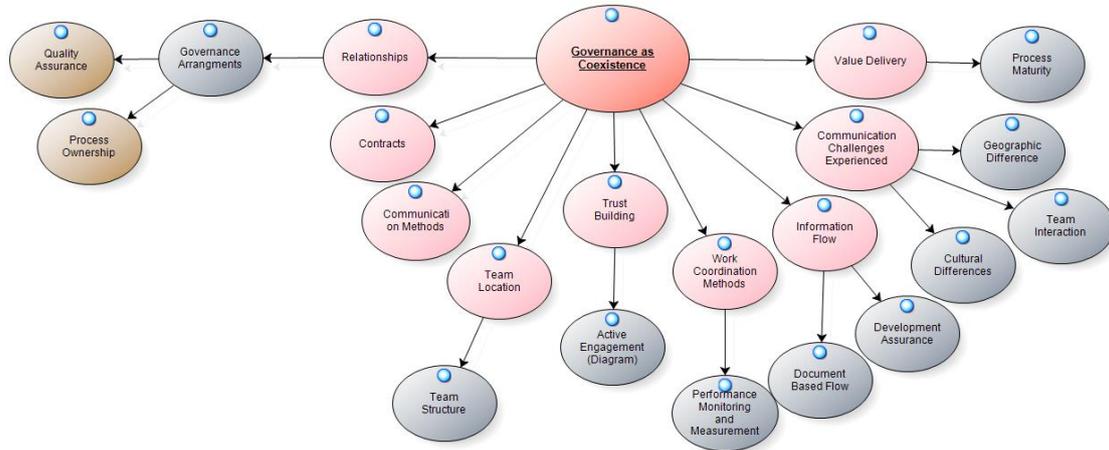


Figure 24 – Final Coding Structure

Figure 24 represents the final coding structure from the data analysis. The coding structure represents the interpretation of the data in relation to the research question.

Table 34 provides the matrix of the respondents that provided data for each of the categories in the study. The respondents held a variety of positions on the project and consequently held partially different views on each of the categories in the study.

Table 34 – Respondents’ Matrix

| | | Captive Offshoring Governance | | | | | | | | | | | | | |
|--------|--------------------------------------|-------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | R 1 | R 2 | R 3 | R 4 | R 5 | R 6 | R 7 | R 8 | R 9 | R10 | R11 | R12 | R13 | R14 |
| 4.6.1 | Governance as Coexistence | | √ | | | | | | | | √ | √ | | | √ |
| 4.6.2 | Relationships | √ | √ | √ | √ | √ | | √ | | | | √ | | | |
| 4.6.3 | Contracts | √ | √ | | | √ | | √ | | | √ | √ | | | √ |
| 4.6.4 | Communication Methods | √ | √ | √ | | √ | | √ | | √ | | | | | |
| 4.6.5 | Team Location | √ | √ | | | √ | | √ | | | | √ | | | |
| 4.6.6 | Trust Building | | √ | √ | √ | √ | √ | √ | | √ | √ | √ | | √ | |
| 4.6.7 | Work Coordination Methods | √ | √ | √ | | √ | √ | √ | √ | | √ | √ | | | √ |
| 4.6.8 | Information Flow | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | | √ | √ | |
| 4.6.9 | Communication Challenges Experienced | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | |
| 4.6.10 | Value Delivery | √ | √ | √ | | √ | √ | | √ | √ | √ | √ | √ | | √ |

(Key: √ = Data Provided)

The results of each of the categories in the final coding structure will be presented in detail in the following ten sub-sections.

4.6.1 Governance as Coexistence



Four senior respondents provided their understanding of the importance and relevance of governance in captive offshoring relationships. Their definitions were related to balancing the onshore/offshore relationship, implementing good working practice for smooth project delivery, satisfying the strategic vision and delivering dual business value for the supplier and client.

Governance was described as key, as well as being fundamental to offshore delivery success, setting up the building blocks and maintaining the relationships and processes that underpin the successful engagement between the onshore and offshore teams:

Governance, I think the key thing to successful offshore delivery is really setting up those building blocks, setting up those key relationships and keeping it going, how the teams work together and how they understand each other and how they gel is quite a fundamental part of any programme delivery (R2).

Governance was also seen as necessary for the smooth running of the project and implementing project best practice in an environment that fosters innovative ideas:

Governance meaning the project running very crisply, it's not only the project management but also in innovating ideas, creating ideas, implementing the best practice and all (R10).

Further, governance was described as important to maintain overall focus on fulfilling the strategic objectives while redressing any imbalance in the views and needs of the onshore and, importantly, the offshore teams:

In the case of an offshore relationship when two different teams are working on a particular product, the business proposal is submitted with a strategic vision and that vision also needs to be carried over to the entire development process, in that case governance is required. Governance tends to bring the offshore view (R11).

Governance was required to ensure that business value was created for the benefit of the supplier and customer alike, ensuring that tangible measurements were put in place to measure value delivered:

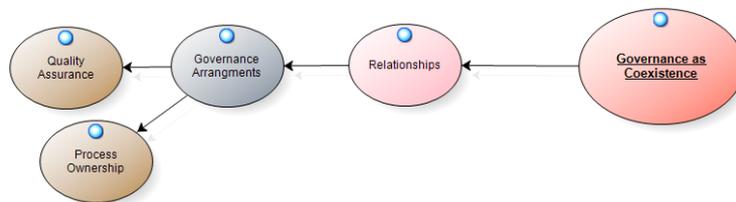
When you govern a large client, the client looks at us as a partner who needs to demonstrate business value for them, to enhance them to operate in business value space, so how does it enhance business value for the customers and not just value for our contract? We should not govern on very simple measures we

govern on – what is the impact we are making on the customer’s business value? (R14).

All of the governance definitions refer to achieving some measure of balance and coexistence between two factors: building the relationship between the onshore and offshore teams; achieving strategic objectives while neutralising any imbalances between the teams; demonstrating dual business value for the customer as well as the supplier; and, creating ideas, intervention points while implementing good working practice for the project. These difference conceptualisations of governance provide insight into the implementation of governance in captive offshore arrangements, which led to the description: “governance as coexistence”.

The following sections provide the detailed findings from the data analysis.

4.6.2 Relationships



As discussed in “Governance as Coexistence”, ‘Relationships’ was described by Respondent (R2) as one of the fundamental building blocks. These relationships were maintained with the offshore team reporting to the onshore team and partaking in strategic decision-making based on the strength of the relationship. These strategic decisions included how the Governance Arrangements: Quality Assurance: (gateway reviews, independent software quality assurance function) were tailored to suit the specific requirements of the project; Process Ownership: client engagement, team structure, responsibility matrices, intervention points, performance measurement and communication. An independent quality assurance function offshore performed key gateway reviews during the delivery cycle, ensuring the deliverables met the required standard before approval was granted to proceed to the next stage.

All of these were decided upon as part of the relationships. The factors that determined what work was sent offshore were: the cost and availability of offshore resources; shorter lead times and availability of specific technical expertise. The other factors considered were: the client’s budget; their disposition to sending offshoring; and security consideration or legal data restrictions that might prohibit work being sent outside the European Union. An offshore calculator (spreadsheet) was used during the bid phase as part of the decision-making to offshore; the spreadsheet contained specific questions that assisted the team to determine the offshorability of the work.

For the project, these internal and external relationships (the client, internal organisation and ultimately between the teams) facilitated the implementation of governance. Respondent R2 stated:

Establishing the core (onshore and offshore) governance team upfront and building the relationships between the teams was the key to successful offshore delivery (R2).

The idea behind this was that the core team was responsible for the governance arrangements, process ownership and quality assurance.

There was a strong feeling about selling the benefits of offshoring. Organisationally, offshoring was the corporate direction and although there was a push to send work offshore, an awareness of the benefits of sending work offshore remained low within pockets of the organisation; steps were being taken to sell the benefits of offshoring:

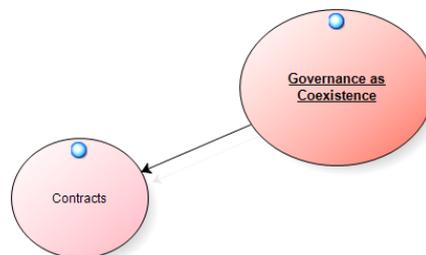
We should be selling this, saying this is going to improve your margin by 20%, you can't expect the bid manager to know that, we need to sell it to them. Even though we're all from the same company we need to strengthen the relationships and sell it (R5).

There were ongoing initiatives such as the mandatory Offshore Blueprint Document which provided practical advice on working with offshore teams and lists:

“Early Engagement” and “Relationship Building” as the critical success factors for offshoring (Appendix H, Document 4, The Offshore Blueprint – divisional handbook p. 9).

In summary, the internal and external relationships established underpin the success of the engagements. As the relationships developed, so did decision-making on the onshore/offshore work share and joint ownership for governance implementation. The programme's organisation structure had been designed to support higher level management activities onshore and detailed activities offshore. Organisationally, there was an ongoing push to build the offshore relationship across the organisation seeding offshore members at the commencement of new opportunities, raising awareness of the benefits of offshoring.

4.6.3 Contracts



In the absence of formally signed contracts, the focus was more on putting processes in place that facilitated the building of long-term sustainable relationships; these arrangements varied between subsidiaries, dependent on the project requirements:

We don't have contracts, because within one company it wouldn't have any value, there is documentation in place on the project so that they know what they need to do but internally we don't use contracts because you are not going to sue each other within the company (R1).

There were no written contracts; instead there were comprehensive documented processes that outlined the deliverables expected from both sides as equal partners and forming an integral part of the engagement. Formal governance existed between the UK organisation and the Indian organisation in the form of strict guidelines that ensured each organisation's processes were respected. Decision-making and assurance processes were followed with formal review and sign-off points for each phase of the project:

There's obviously governance between the UK organisation and the Indian organisation and that governance means certain decisions, audits and certain processes that happen between the two organisations (R2).

These processes began with the Inter-Project Agreement (IPA) which defines at a high level how the onshore/offshore teams engage. The IPA included costing, process outlines, scope brief, an RACI (Responsible, Accountable, Consulted and Informed) metric which outlined the roles and the responsibilities for the project team and what activities were undertaken offshore. The next document in the process was the project and quality plan; the definition of the project and quality plan taken from the documentation states:

This combined project and quality plan describes the objectives, structure, schedule, project organisation and resources, together with the approach, processes, the acceptable risks ratio, the communication plan, the escalation metrics controls and procedures that will be applied by project members to their work, in order to accomplish the project objectives (Document 7, Quality and Project Plan v1.1, p. 6).

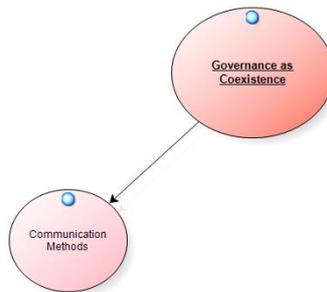
The responsibility for maintaining the project and quality plan rested with the offshore GCCM.

The offshore centre operated as a cost centre; the resources were utilised on a "staff supply" basis with terms outlined in the IPA. The type of contract with the client – fixed price or time and material – was determined on a case-by-case basis, dependent on the onshore client-facing organisation's contractual arrangement with the client. Some of the offshore resources were assigned for a fixed period of time or alternatively to undertake ad hoc minor tasks on a time-and-material basis:

A set of resources were identified to work on a specific piece of work and they were allocated to the project on a permanent basis. Whether there is work flowing in or not, these resources charge their time to the project so that was basically time and material (R11).

In summary, formal contracts did not exist between the teams: instead, the engagements were governed by the strength of the relationships between the onshore and offshore teams. There were IPAs, other supporting documentation and processes that together provide a holistic approach for governance between the regions with clear performance matrices outlined.

4.6.4 Communication Methods



The teams used a variety of communication methods such as regular face-to-face meetings, video calls, voice calls, email and instant messaging (office communicator) to keep the line of communication open between the regions.

Communication was initially established using face-to-face sessions which were subsequently moved to informal mechanisms such as phone, email, video calling, and instant messaging. The onshore team produced knowledge transfer packs, including the business solution document (BSD), used in face-to-face sessions with the offshore team and providing an overview of the functionality and guidelines to be followed:

Before offshore gets into doing any kind of development, our functional team goes out, explains to them exactly what is required of them (R2).

After the face-to-face knowledge transfer sessions, the established lines of communication were kept open with regular conference calls between the onshore and offshore teams. The team members exchanged visits at key stages of the project delivery lifecycle:

All initial aspects of the engagement were done face-to-face and beyond that regular functional and technical calls were held three times a week (R7).

During the transition from system testing to user acceptance testing (UAT), key members of the Indian team visited the UK, working alongside the onshore team on the client's site to provide immediate responses to client issues, also providing an interface back to the team in India:

After the development was completed they invited us to give UAT support onshore so I and the other tech lead travelled to the UK. We got the chance to interact with clients and it really helped us to understand who the end users are and the environment they are working in; it's a kind of, a relationship building with the client (R12).

The Blueprint document was described by the respondents as a practical-based document that contains some theory on the working practices of the different cultures, but ultimately the common message contained within the document was “active engagement”. Active engagement described the end-to-end communication practices between the client and the onshore team, and the onshore team and the offshore team, which was used to build trust. Active engagement was predicated on the knowledge that the power of body language was often lost in remote and distributed working environments. Also, an active engagement process was perceived to provide a routine framework for communicating rather than leaving things to chance in an IT environment where technical teams are not known to be very good communicators:

If you do active engagement even between ourselves and the client, and us and our offshore colleagues, then you’ll have success, if you don’t do that it’s not going to happen because when they talk about communication its 70/80 or 90% body language. One of the problems we have is we’re trying to do offshoring in an IT environment where a lot of technical people aren’t very good at communicating; active engagement is the theme in the blueprint that helps to lessen this problem (R5).

Ongoing queries and clarifications about the system development were logged in a clarification log and subsequently discussed during the clarification calls held three times a week. These meetings were primarily held via video conference calls; in the absence of video conferencing facilities, voice conference calls were held. For video conferencing, the challenge was securing meeting rooms equipped with the physical devices at both locations. This challenge was further exacerbated by the onshore team being spread around several locations in the UK:

Where we can we use video conferencing, we’ve used it a lot particularly when we haven’t been able to go out to India to deliver the Business Solution Document [BSD] functional specification and reviews (R4).

And:

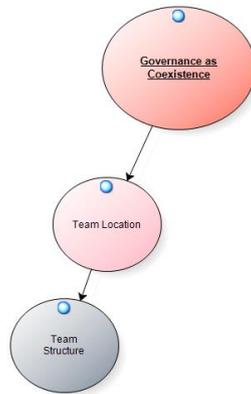
It worked fantastically because we could see individual body language, the mood, so overall the communication aspect is not only words, but the way you express those words conveys a lot of meaning and that used to help us a lot (R7).

The team members’ communication preferences varied, email being the primary mode of communication with some members preferring not use instant messaging because of interruptions to their workflow; whereas others were happy to use messaging and found it to be an efficient and quick way of closing down issues.

To summarise, the end-to-end engagement process was predicated on “active engagement” in which the communication methods such as initial face-to-face and then the use of technology (phone, video, instant messaging) were used to build trust. In addition to which, multiple lines of communication were opened using a variety of

methods to maintain contact and bridge the geographic distance between the teams. These demonstrated a prevailing use of communication methods on the project to build and sustain their relationships.

4.6.5 Team Location



One fifth of the project team were based onshore (client site), for most of the project the team members maintained their base locations. Any changes to the locations of either onshore or offshore personnel were outlined in the governance arrangements and the organisation’s structure.

The project team structure initially began as a flat structure, with single lines of communication which soon became a bottleneck. As a result of the communication issues, a hierarchical structure was adopted and communication line owners appointed for each location. The communication touch points between the onshore and offshore location are outlined in the Blueprint document and illustrated in Figure 25.

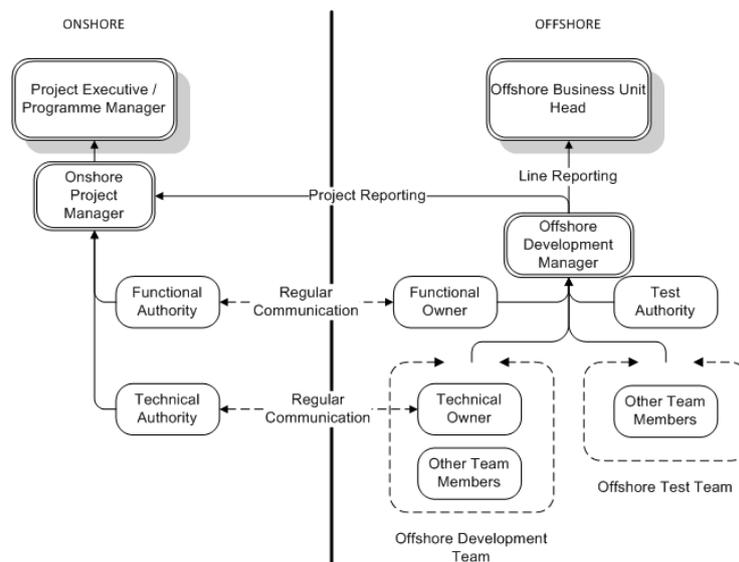


Figure 25 – Line of Communication – Onshore/Offshore

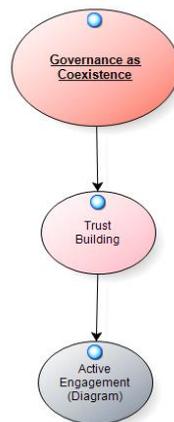
This helped to reduce the issues of communication bottlenecks and, in terms of governance of the relationship, provided defined area of ownership:

Moving to a hierarchical structure; in an offshore model the offshore project manager or the programme manager, the single person who communicated with the onshore location and soon you get bottlenecks; that's what we avoided which has been quite successful. In terms of governance also it becomes easy because then there are areas to govern which are not tied to locations, like the functionality, the delivery process, the technology which need to be governed separately, so if there are multiple communication lines, multiple people can own and govern their respective areas (R11).

Ownership for each of the “communication points” was defined in the terms of reference (ToR), with each team member taking full responsibility for all communication and keeping other relevant stakeholders informed (see Appendix I for an example of a ToR).

These data suggest that processes were put in place in the organisation's structure to minimise the challenges that arise as a result of the different team locations.

4.6.6 Trust Building



“Active engagement” was the theme used on the project to facilitate trust building between the onshore and offshore teams. Trust building started at the inception of the project and continued throughout the engagement. As discussed in “Communication Methods”, this was achieved by initially establishing face-to-face communication, subsequently continued with the use of technology. This was achieved with the early engagement of the core team (onshore project manager, delivery consultant, offshore delivery head, GCCMs and project manager) to build the relationships, agree the project organisation/processes and mobilise the rest of the team. These were seen as the key building blocks to sustaining a trusting relationship. Establishing the core team upfront enabled the processes to be defined and once a common understanding had been established within the core team, the processes become inherent and flowed down into the rest of the team. These active engagement processes underpinned the entire

development lifecycle from the system specification through to the final delivery. (See Appendix G for an illustration of the trust building process.)

Trust building was of major importance, especially with having an almost entirely new offshore team tasked with delivering a high profile business-critical system. Successful delivery was not an option but was vital to building and maintaining credibility with the client. Respondent R10 stated:

Everybody is new to this organisation, project, this client and this product, including myself... so to motivate the team, I explained about high visibility about the project. This is the first project coming to us and if you deliver good quality and meet timelines you get more business offshore and all the guys who are involved in the project will get a good name and recognition (R10).

With the tight delivery timescales, there was the recognition that keeping the team motivated was critical as the system development ran for 15 consecutive weeks, with the team members consistently working 15-hour days with no weekends or public holidays taken.

Transparency across the team was important for maintaining the trusted relationship within the team. With this in mind, three methods were used: frequent conference calls to discuss progress and clarify any issues; the introduction of a real-time dashboard to track actual progress against the plan; and building informal relationships. Furthermore, team members were encouraged to be culturally sensitive, recognising that due to the differences in culture things may be done differently. These were overcome by the teams getting to know each another better by engaging in informal activities together:

When we meet we have informal chats, informal lunches outside. Understanding the cultural differences between these two countries and realising that those differences would be there, eliminated the distance between the two teams or a gap between the two teams (R11).

The distributed style of working, with all the client domain knowledge held onshore, made it imperative that an environment was created where knowledge could be shared efficiently between the team members. This was achieved with high levels of interaction, good project documentation, and empowering the Indians to raise any concerns about the processes or the documentation:

We had very good documentation, which saved us time understanding the requirements, there were no barrier in the communication, we were told “no question is invalid” (R13).

Establishing informal relationships and taking the time to actively listen and engage with the offshore members helped to build the relationships, adding significant value to the overall quality of the delivery:

Trust is about establishing rapport early on rather than being just someone at the end of the phone that you never meet; it becomes a bit abstract then ... I've

worked on a project in the UK where we were actively discouraged from visiting other offices because they were so obsessed with minimising the travel costs. The worst project I've ever worked on, it was just so difficult, we were spending sometimes five or six hours a day on conference calls with the same people involved and really there was no rapport (R3).

And:

I know how important it is to always listen, you explain things and you're interactively answering questions, my approach is being very friendly and open and giving them the time that added a lot of value. When we were out there it was my birthday and they presented me with a cake, I was overwhelmed, it was brilliant, we just got on really well with everyone ... it's been a fantastic experience for me! (R4).

Respondent R2 pointed out that the chances of success were much greater if the team spoke the same physical and logical (process-based) language; this was achieved with the creation of a development assurance role to facilitate communication and provide consistency (processes and documentation) across both locations. Developing a project community spirit in which ideas and issues were freely shared was a key factor for the success of the relationship. This engaged people, especially with the process which was at the core of everything that was done to achieve the project's objectives. The data from Table 34 makes it clear that the highlight of the project was the team spirit:

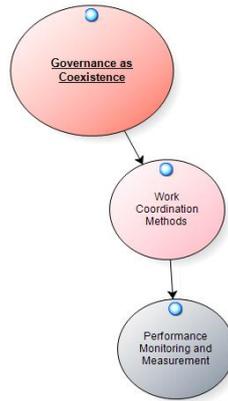
One of the highlights of the project: we really gelled together as one team, whether it was onshore or offshore (R7).

And:

Ultimately, my view of the whole thing is it's all about making people want to do it and making people proud of what they're doing, which we achieved. Beyond that it is just about communication, in a different form (R5).

The data strongly suggest that trust building was integral to the success of the onshore/offshore relationship with the theme of "active engagement" running throughout the process; the key principle was that the distributed nature of the team was lessened if the team were able to foster a community of openness and transparency. This was necessitated by the cultural and geographic distances, in which building trust with informal chats, empowerment of the offshore team and the development assurance role all minimised the impact of the inherent cultural differences.

4.6.7 Work Coordination Methods



An SLA (service level agreement) performance-based sub-sourcing model exists which defined the acceptable performance levels and the expected standard for tasks that span multiple regions. Pivotal to the SLA model employed on the project was the inclusion of a minimum threshold for performance which was subject to upward revisions with no upper limit for performance. Performance metrics that provided an overview of the project's delivery status and performance indicators were compiled by the onshore project manager in the weekly status reports (see Appendix J for an example). Daily tracking and monitoring activities were undertaken mainly by the offshore team and metrics were collated at the programme level. Project performance was measured against estimates, defect density, budget and the completion of actual work. Individual activities were tracked in real-time on a dashboard called PACE, based on Microsoft projects. These activities were calculated using earned value metrics to measure actual progress against progress planned, and managed by the offshore project manager. The dashboard was hosted on a central server, with visibility across the enterprise, and used as an early warning system for potential bottlenecks or risks to the project delivery schedule. (See Appendix K for an illustration of the dashboard.)

As part of the code sign-off process, each component of the code underwent a rigorous review that followed a stringent checklist. The initial code reviews were conducted by the offshore tech leads and the review checklist completed; the onshore technical team performed spot checks on the code and gave the final sign-off. If the code review was found to be unsatisfactory by the onshore technical team, a further review of the code was instructed until all issues had been satisfactorily resolved. The technical manager said:

We've actually relied on the offshore team doing the code review checklists and us doing some spot checks and there have been occasions where it doesn't look like it's actually been reviewed, the box has been ticked but we can point at things and say well that's not right, we've had a few conversations. So we trust you to do it but then do a spot check and find that you haven't done it. Then you let people know and hopefully things improve over time (R3).

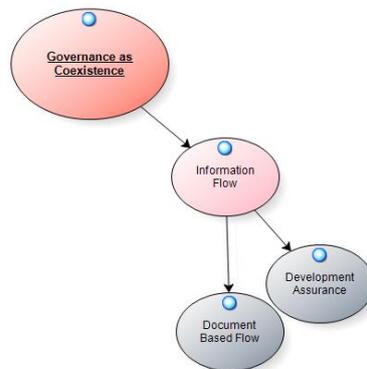
Key performance measurements, such as progress of each activity and issues outstanding, were reviewed daily; the percentage completed of a particular work item, defects, effort, the financial status and process improvements were tracked in monthly meetings. Other process-related defects were tracked in gateway audits conducted by an independent offshore software quality assurance function. During the testing phase of the project, defect density statistics were collected daily.

We used a tool to raise the defects and track them, which was the main data tracking mechanism. We send the daily status to everyone onshore and also we have a daily test assurance call, to clarify things and resolve the issues and prioritise the work. It provides a clear picture of the daily status and any deviations to be addressed to meet the delivery timescales (R8).

Additionally, progress/planning meetings were held twice a week. As India operated at CMMI level 5, all specifications and code review comments were recorded centrally. On completion of the system testing, detailed test statistics were produced that outlined the number of bugs found, the number reopened by area, by severity and by named individual.

In summary, end-to-end processes were put in place to measure performance on the project. These range from higher level indicators, to detailed measurements and reports, to recording and tracking overall project performance.

4.6.8 Information Flow



A document-based IS was implemented across the programme at the start of the engagement. The initial flow of information was from the onshore team to the offshore team which constituted documented coding standards and quality, safety and security guidelines, all with strict adherence rules. Information on client activities and general team updates were managed by the project manager in minuted team meetings held twice weekly. One manager commented:

Everything is through documentation, eventually it ends up in the written word (R2).

And:

My role involves putting up all the release plans, for example, into documents, release checklist, putting all the best practices in the documents like coding standards and putting the review templates in place (R6).

The document-based system was version controlled, using a central repository which was at the core of the information flow, accessible by all project members and referred to as the “workspace”. Built on Microsoft SharePoint, the workspace was used for storing work-in-progress documents and all records of signed-off project documentation. An excerpt from the Blueprint document provides an overview of SharePoint:

Use of SharePoint as a standard project workspace helps provide a consistent view of readily available information to all project members (Blueprint document, p. 31).

In addition to the document-based information flow, there was also verbal information flow. This was in the form of regular two-hour checkpoint conference calls with key participants from both teams, held three times a week to discuss technical and functional issues. The process began with all issues, clarification and modifications entered into the clarification log (see Appendix L for an example) which were subsequently discussed during the checkpoint calls. In cases where a solution could not be agreed during the conference calls, the issues were subsequently discussed in one-to-one calls and the clarification log updated accordingly. The clarification process was designed to follow an iterative cycle until all issues had been resolved and the supporting documentation signed off. This helped the team maximise its productivity as only the relevant people were engaged in the clarification calls:

What it meant was that actually we could dedicate those three spots in a week and I knew that I wouldn't have to worry as much about looking at clarifications other than in those three periods. An hour beforehand I'd update it and then clarify during the meeting (R9).

To enhance collaboration and the flow of information, the onshore team developed a methodology known as “enhanced waterfall”. This was an adaptation of the traditional “waterfall development methodology” with agile (iterative) techniques. This methodology essentially engaged the offshore team and the client (intrinsic to the system design) in short iterative system specification and design cycles using process diagrams and screen shots to outline the system. The output of each iterative cycle was a signed-off set of clear and unambiguous specifications. Respondent R2 raised the point that the key to successful offshoring was the ability to bridge the geographic distance between the client at one end, and the offshore team at the other. This was achieved by recreating the client interaction and context that the offshore team missed out on. The key steps for achieving this were ensuring there were clear specifications; a clearly defined process for addressing clarifications and the personal connections and interaction that “active engagement” provided:

One thing that became clear early on was we would have to take these requirements and turn them into a set of visual specifications that were very clear, unambiguous and easily understood. We did it in terms of process diagrams and various screen shots. We presented that format to the client and it has been very successful both in terms of getting the client to agree them and the offshore team being able to understand them (R4).

And:

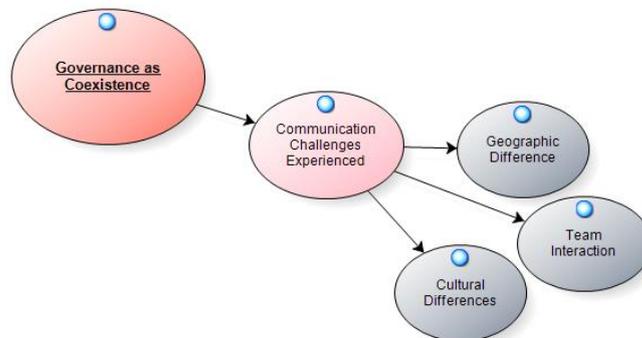
A thorough process was developed, so customers knew exactly what they were getting. The UK collaboratively wrote the specs, India did the development; the software came back and it met the specifications and from what I have seen there were quite a small number of bugs; nothing whatsoever worried me (R1).

Driven by the remote working style of the teams and the need to maintain consistency across the teams, a “boundary spanning” development assurance role was specifically created to take ownership for all the shared project documentation. This role was performed by an Indian resident in the UK who had worked on the existing programme for several years, thereby having an in-depth understanding of the existing system. This role was critical to the project in terms of knowledge sharing and ensuring that the new system adhered to the standards of the existing system. In addition, the development assurance played an important role in breaking down communication and cultural barriers within the team:

I came from India to work permanently within the teams here in the UK for a few years now; it’s good for me because I understand the psychology and both cultures well so it is easier for me to communicate the business documentation as well as the technical requirements in the role I perform (R6).

A rich array of information was exchanged between the teams, using a combination of methods and processes. These processes facilitated the steady and consistent flow of information from the client to the offshore team and vice versa.

4.6.9 Communication Challenges Experienced



Client issues were proactively managed at a programme level at weekly management meetings with the programme leadership team. As stated in the “information flow”

section, all project level issues were proactively managed by the project team. The process of “active engagement” was developed to minimise the impact of cultural differences and geographic distance, thereby creating a delivery environment that fostered a community spirit of openness and transparency. For example:

The cultural differences, I think the processes put in place were actually perfect; spot on, to make sure that it actually all worked well (R1).

In terms of the cultural differences, the lessons learnt from previous projects were taken on board, understanding that a key component for success were processes that enabled communication. Most of the respondents recognised the importance of following the process, evident from the offshore team members’ assertiveness with their onshore counterparts. One respondent said:

The cultural difference is very high, to drive that process we need more rigorous and more assertiveness with the onsite guys because they don’t always look at process but then in order to get the quality of the output you have to stick to the process because we know that works (R7).

The onshore respondents recognised that owing to the Indian culture, their offshore counterparts may be reluctant to express their concerns or raise issues in the daily calls:

I suppose we’ve learnt that due to cultural differences people can be slightly reluctant to ask questions, what I found is that even if people say “Well, we don’t think we need the call today because we don’t have any questions” if you say “We’re going to have it anyway” then there are always questions (R3).

They were continuously encouraged to ask questions which eventually paid off with an open environment. This view was supported by the offshore development leads:

The offshore team always thinks like if I ask this what will they feel? So the managers gave us the freedom saying that you are an equal part of the team and you can talk first. They’re also very soft and positive, like we are working for a target, the aim always to meet the goals rather than going for the individual things; yes it worked (R13).

And:

It’s really a good start for me in the organisation and I just thoroughly enjoyed working and was very busy in the last year. I haven’t seen before quite frequent visits from the onshore people to the offshore locations, you feel like OK he’s a person in our project, we’re sitting there, we just go and ask, it’s a kind of mental freedom (R8).

Arising from the free mode of communication, there reached a point when too many issues and suggestions were raised that potentially threatened delivery timescales:

It's about making people feel comfortable to talk and raise issues and just feel the team spirit. It did get hectic at one point where we were having too many issues and suggestions being raised which were becoming distracting! (R5).

The pressure was also felt by the offshore members and the need to prioritise issues, one offshore respondent mentioned:

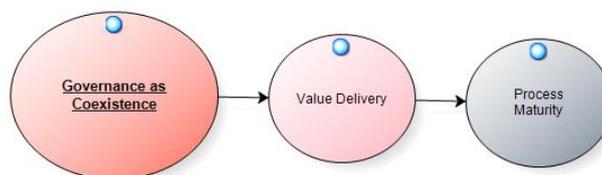
So we participate, raising the major issues so that prioritisation happens, so we could progress with the action plans (R8).

This was managed by creating additional daily clarification clinics between 1pm and 2pm in which the team members could call to raise specific issues.

As highlighted in the “information flow” section, the development assurance role played a pivotal part in balancing the cultural and communication needs of the teams. The other factor highlighted in “communication”, “staff location” and “trust” was the regular trips between the locations to strengthen the relationships, and spend more social time together. These visits served to foster a greater understanding and appreciation of the different cultures; the onshore team were better placed to assess the Indians' responses (such as saying “yes”) and encourage deeper clarification.

In summary, robust processes and practices were developed to foster openness, mitigating communication challenges experienced from the cultural differences and geographic distance.

4.6.10 Value Delivery



Value delivery was seen by the management as intrinsic to the overall delivery process. At the organisation level, innovative thinking was actively encouraged and a specific interest group for innovation was established. In addition, innovation was actively encouraged on the project, evident from the pioneering of the PACE dashboard which provided visibility and real-time status reporting across the teams. As highlighted in “staff location” and “communication challenges experienced”, the offshore team members were empowered to proactively raise suggestions for opportunities to add value to the product delivery. As found in “information flow” the collaborative methodology, “enhanced waterfall” in which the client and offshore team were actively engaged in the upfront system specification and design, provided greater value by limiting the geographic distance and ultimately producing a system that met the client's requirements. It was also acknowledged by the management team that business value was difficult to translate across the many miles to India. Accordingly, the offshore team were not simply provided with technical specifications; they were provided with as

much business context as possible, given joint ownership (with the onshore team) for the technical specifications creation and encouraged to challenge these specifications. For example:

We tell them there are real people, real patients. What does that mean when someone in radiography sees the wrong data? They make the wrong diagnosis; we give them context. They're challenging what we've written with the customer and they give us more insight into any gaps that have been uncovered, it becomes information inherently flowing from India to the UK team to the customer team, so it works for everyone (R2).

As a result of this, the offshore team ended up with a solution design that was robust and they also had a greater understanding of the business context of the system design even before they started writing the code. This speeded up the coding phase as they already understood the design because that thinking had been done upfront during the specification phase.

In addition to customer context, it was important for the offshore team to understand a day in the life of the onshore project manager and the customer's expectations:

The project manager and I went to India and I asked the project manager to talk about your days in the office, how you get beaten up by the client and what for. They need to know, they just don't want to get a spec and code and churn it out; they need to add value! (R5).

The system under construction was required to seamlessly integrate with an existing system which had been in use for over 10 years using outdated technology. This presented the offshore team with the opportunity and the liberty to significantly improve the overall system performance and user experience by using the latest technology:

We thought of innovative ideas to make improvements to the existing product in terms of performance which we developed from scratch. We had the liberty to implement all the latest technologies, improve performance, code re-usability, maintainability, we used a three-tier architecture using Microsoft.net technology which is easy to code and maintain (R10).

In summary, the data suggest that value creation was at the core of their delivery. This was done by bridging the geographic distance, providing the offshore team with a business context and actively encouraging team members to contribute ideas towards creating a better system and richer client experience. The findings from the data will be discussed in section 4.7.

4.7 Discussion

In this section the final coding structure, Figure 26, will be discussed. This will be followed by a comparison of governance as a coexistence with the other typologies from the literature. Each of the attributes will then be compared with the literature on outsourcing governance. Finally a summary of the research findings will be presented, followed by the research conclusions.

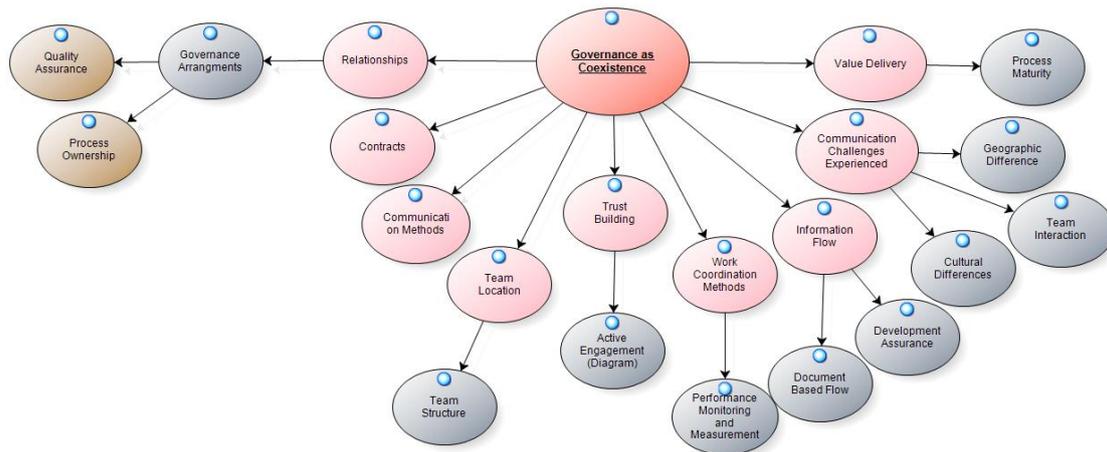


Figure 26 – Final Coding Structure

4.7.1 Review of the Final Coding Structure

The final coding structure illustrated above demonstrates that the conceptualisation of governance in a captive offshore arrangement is fundamentally different when compared to the nine attributes of the outsourcing governance model of Simon et al. (2009). The findings partially followed the construct of the nine attributes and revealed varying degrees of support for those attributes. There have been significant additions to all nine and five have been partially supported. At a lower level, when closely compared with the literature, subtleties and differences begin to emerge from in-depth analysis of the data. This is evident from five of the nine attribute names (Relationships, Contracts, Team Location, Trust Building and Value Delivery) which were changed to directly reflect the data. In some instances, the data from this study provided a much broader or deeper conceptualisation of the attributes than the original attribute names, which were found to be either not directly applicable or too narrow in their description. In other instances (Relationships, Team Location, Trust Building, Information Flow, Work Coordination Methods, Communication Challenges Experienced and Value Delivery), the attributes were extended to characterise the broader conceptualisation from the data.

These fundamental differences can be attributed to three key peculiarities of captive offshoring. First, the onshore and offshore teams belong to the same parent organisation with a shared or at least similar organisation culture, shared overarching corporate objectives and a greater feeling of connectedness. Second, the pivotal role of the non-intrusive and jointly owned set of processes that together provide the interrelationships

that underpin the governance model. Processes such as the collaborative system design process involving both teams and the client; the information flow processes and the business/technical specification review processes were unanimously perceived by the respondents as being the lifeblood of governance implementation. Finally, the absence of a formal contract between the subsidiaries reduced the formality and thus broke down the organisational and geographic boundaries. Consequently, informal practices were allowed to thrive and innovative ideas flowed in an environment with limited constraints, thereby enabling the implementation of governance. This rationale is consistent with Brown and Duguid (1991) who argue that working practices have a greater impact if they evolve from the informal collaborative practices of the actors involved and are as a result, easier to implement.

This demonstrates that the operationalisation of governance in a captive offshoring arrangement is not straightforward and considerably different from outsourcing arrangements. The findings also go a long way to suggest that while the attributes have demonstrated some degree of support in the literature (Simon et al., 2009), the findings have gone beyond this and have in effect provided a comprehensive extension with far-reaching implications for outsourcing governance. Given these findings, it becomes necessary to examine governance as coexistence in relation to the other typologies of governance from the literature. This will be undertaken in the following section.

4.7.2 Governance as Coexistence and Other Typologies of Governance

Governance as coexistence is operationalised by the collaborative creation and intelligent application of processes that together provide cohesion, balancing the needs of the team while delivering strategic value. This operationalisation suggests that this conceptualisation of governance is somewhat unlike the other typologies in the literature; these will now be examined.

Governance was understood to be a holistic set of processes implemented to balance the collective action of the onshore and offshore teams – to deliver value for both the supplier and client and also to create intervention points for corrective action on the project. The strategic objectives in Project 1 and the implementation challenges revealed in Project 2 do not exist independently or in tension; they coexist in an integrated form bringing some degree of cohesion to the collective action. This led to the development of a type of governance, “governance as coexistence”. This notion of cohesion is consistent with Chen’s (2002) “middle ground” approach; the “harmonious integration” between two opposites (such as “self” and “other”) may be interdependent in nature and together constitute a totality (“integration”). Chen (2002) introduces this notion of the “middle ground” as one means of transcending the conventional Western conceptualisation of exclusive opposites versus Eastern thinking of mutual coexistence. The concept of interdependent opposites in a “both/and” relationship, similar to the “Yin and Yang” framework, can be applied to foster reconciliation of the apparent polarities of such dichotomies as the strategic objectives and implementation

challenges. Given that the interdependent opposites achieve some form of reconciliation, governance as coexistence can be viewed as identifying the power dependence involved in the relationships between those actors engaged in collective action. Such engagements are dependent on the interrelationships between the actors for the achievement of the collective actions' objectives, and thus must exchange resources and negotiate shared understandings for the achievement of their goals.

Pierre and Peters (2005) claim that the term “governance” conveys important transformations in the relations between State and society, or a fundamental shift in the purposes and methods of government (Frederickson and Smith, 2003, 2007; Kooiman, 2000). As argued for in the literature review section, governance as a topic is far broader than “government”, and goes beyond the bounds of “public effectiveness” with various typologies such as corporate, IT and more recently outsourcing governance becoming established disciplines in themselves. Governance as coexistence is closer in spirit to Stoker (1998) who posits that governance is the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other's influencing actors. The absence of externally imposed structures and the attention to multiplicity are of particular interest to governance as coexistence, given its reliance on shared understanding and collective action. Corporate governance is more concerned with guiding and constraining the controls and decision-making/implementation processes (Pound, 1995); it is concerned with processes that develop, implement and monitor corporate strategy (Korac-Kakabadse and Kakabadse, 2001); it “allows organisations to work productively and efficiently, minimising corruption and providing managerial accountability” Sharma et al. (2009, p.30); purveyors of finances get their entitled profits (Shleifer and Vishny, 1997), promoting an ethical environment (Abraham, 2012); all of which applies some measure of control and constraint for the strategic good with a somewhat limited focus on the influences of the collective action of the actors engaged in governing.

On the other hand, IT governance emphasises encouraging desirable behaviour in the use of IT (Weill, 2004); organisational capacity exercised by the senior executives and IT management (Peterson, 2004); leadership, strategic alignment, value delivery, risk management, resource provision and measuring performance (IT Governance Institute, 2003); achieving the fusion of business and IT (van Grembergen, 2002); and outsourcing governance, a framework to control third-party-provided services (IT Governance Institute, 2005). These definitions focus on providing some measure of control and structure in order to achieve the desired strategic objectives. As Stoker (1998) states, the essence of governance is its focus on mechanisms that do not rest on recourse to authority and sanctions. Governance is not, as Knell (2006) claims, about the regulating influence of an organisation to maintain good order and apply predetermined standards. Governance in captive offshore arrangements is more than a new set of collaboratively developed managerial tools. Predetermined processes and structures were imposed in Project 2 which resulted in a variety of implementation

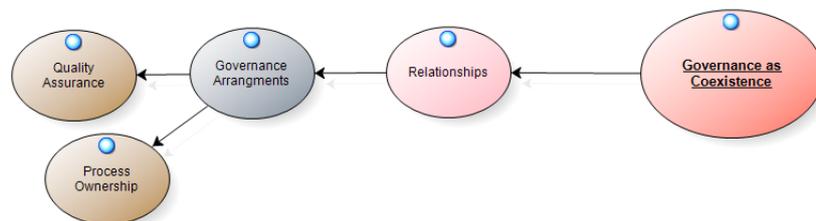
challenges. As discovered in Project 3, governance is not about the potential for contracting; neither is it about mechanisms that rest on recourse to authority and sanctions. It is about more than achieving greater efficiency and value in the provision of an IT service; it is about interrelationships between the actors that result in some form of reconciliation for the achievement of the collective objectives.

In summary, as noted by Stoker, “the outputs of governance are not different from those of government; it is instead a matter of a difference in processes” (1998, p. 17). The various metaphors of governance – coexistence, structure, order, controlling, steering, monitoring, policy process – the essence of governance and its most troublesome aspect, according to its critics, is a focus on mechanisms that do not rest on recourse to the authority and sanctions of government (Peters and Pierre, 1998; Rhodes, 1996, 1997; Stoker, 1998). Similar to governance as coexistence, Beetham (1991) suggests that for power to be legitimate it must conform to established rules; these rules must be justified by adherence to shared beliefs and the power must be exercised with the express consent of the collective action of all concerned. This is consistent with Brown and Duguid (2001) who theorise that too much attention is paid to the idea of community and too little to the implication of practice. Practice, they suggest, creates epistemic differences among the communities within an organisation and the organisation’s advantage over the market lies in dynamically coordinating the knowledge produced by these communities. Having established the relationship with the other typologies of governance, the following section compares the findings from the data with the various pieces of literature from Simon et al. (2009) used as an initial template for governance.

4.7.3 Review of the Attributes

The findings from the data for each of the attributes will now be compared with the attributes from the literature to establish the confirmations, additions and refutations of this study. This will be followed by a summary table of the findings of this study.

Relationships



The findings suggest that this attribute is more broadly understood than the descriptions from Simon et al. (2009, p. 119) who submit that “more mature governance involves vendors taking on more strategic levels of tasks that would not be possible without trust and transparency between the two parties”. In this captive arrangement, the building of trust and transparency, and internal and external relationships were seen as fundamental

to the success of offshore engagement. The overall accountability for delivery and client management rested with the onshore team. Bearing this in mind, the relationships in a captive arrangement transcended the client/supplier relationship and included other functions across the organisation. The relationships established were determined by the governance arrangements which were jointly implemented by the teams, as well as the organisation structure, quality assurance requirements for the particular engagement, and the underpinning processes.

In terms of the strategic level of tasks and decision-making, the data suggest that mature governance is not determined by where the decisions were made or who was involved in the decision to offshore, as suggested by the literature. Rather, offshoring was the routine delivery model with joint (onshore/offshore) involvement from inception to the decision to offshore work. An extract from the Offshore Blueprint document (p. 9) defines “Early Engagement” as one of the critical success factors for offshoring, stating: “for offshore delivery to succeed, the business *must* consider this early engagement phase as part of the overall project”. At the bid phase, key offshore and onshore personnel are engaged. The literature remains silent on the point at which the vendor is engaged in the decision-making. The limiting factors to sending work offshore may be the particular client’s disposition to offshoring, technology requirements (technical skills available) offshore and security/legal restrictions. Although there was a push to move more work offshore, there was the recognition that more needed to be done to sell the idea of offshoring as there remained pockets of resistance across the organisation.

Cullen et al. (2005) outline the building blocks for their third-party engagement outsourcing model and claim that the more of their nine building blocks (investigate, target, strategise, design, select, negotiate, transition, manage, refresh) that organisations adopt, the more likely they are to achieve success. From the data, the fundamental building blocks in captive arrangements are engaging the core team and building the right relationships. The collaborative system design involving the client, onshore and offshore teams provides support for investigate, strategise, design, transition, and manage building blocks, although not in the linear fashion Cullen et al. (2005) describe. As evident from the data, the building blocks overlap during the design and transition phases in which the code design is done as part of the knowledge transition. There was no evidence from the data to support the notion of “target”, “select”, “negotiate” and “refresh”. Mani et al. (2006) have developed a governance model that increases the odds of BPO success, and advocates relationship management, outsourcing contract and technical capabilities as key capabilities to increase the likelihood of success. These capabilities were partially supported by the data where great emphasis is placed on managing the relationship between the teams, and on technical capability with the sourcing of technical skills offshore. There was no evidence to support outsourcing contracts.

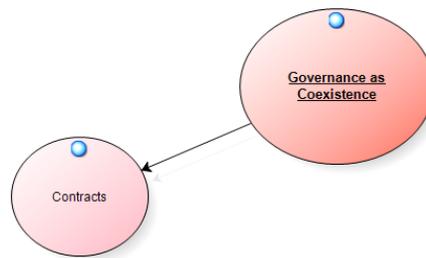
Ross and Beath’s (2002) study, although not specific to outsourcing, argues that as IT becomes more closely tied to business objectives, successful investment must consider

two dimensions: technology scope and the strategic objectives. This is supported by the data; captive offshore subsidiaries are set up to provide technology services to their client-facing organisation which in turn has delivery responsibility to the end customer. In such an arrangement, the technology scope and project/strategic objectives are inherently linked as outlined in the IPA and the project and quality plan documents. Lacity et al. (2003) examine five models of the customer/vendor outsourcing relationship (Do It Yourself; Management Consultants; Fee-For-Service Outsourcing; Joint Ventures; and Enterprise Partnership) in which the vendor bears more of the risk and the primary purpose of the enterprise is to service the customers' investment. The evidence from the data strongly refutes the idea of the supplier (which in the captive arrangement would be the offshore team) bearing more of the risk, or merely supporting the onshore requirements. This was demonstrated with the implementation of combined organisation and governance structures with joint ownership of the processes and joint responsibility for the outcome of the engagement.

In examining jointly owned enterprise partnership models, Ranganathan and Balaji (2007) argue that relationship governance requires effective collaboration, joint teams and committees, coordinated periodic reviews and meetings for shared decision-making, and formal systems for conflict resolution relying on two-way communication. There is strong evidence from the data in support of this notion, evident from the joint organisations structure and the joint involvement in decision-making on governance implementation. Furthermore, involvement from both sides in quality assurance activities and the frequency of team interaction (face-to-face meetings, video and voice calls) provides support for this notion. These collaboration mechanisms are also supported by Kaiser and Hawk (2004) who examine cosourcing as a viable option or, as a type of outsourcing. In this type of arrangement, the outsourcer and client blend their human resources to effectively form one team to accomplish the client's work. The authors conclude by providing five recommendations for cosourcing: understanding applicability, developing appropriate in-house IT competence, building trust, fostering mutual understanding, and mapping out a progression to cosourcing. These five recommendations for cosourcing were fully supported by the data and are applicable to offshoring. In essence, cosourcing bears striking similarities to captive offshoring in which expertise and competence are held in-house; trust building and fostering mutual understanding and transparency are key principles for successful offshoring, not forgetting the robust process implemented that facilitates all of the aforementioned.

These findings are in agreement with the literature but have also demonstrated the broader conceptualisation of the critical role of internal and external relationships in terms of the shared delivery responsibilities, decision-making, client involvement and the involvement of other central/internal functions in captive offshore arrangements.

Contracts



The data propose a different conceptualisation of contracts from the literature, which suggests mature governance relationships involve more fixed-price contracts that include mutually agreed (by both parties) performance measures. Formal contracts did not exist between the onshore and offshore teams; the relationship between the teams was described as being relatively informal, given that both teams work for the same parent organisation. This was evident from the less formal teaming agreement, an IPA, jointly signed by both subsidiaries. The IPA defined the higher level engagement arrangements for onshore/offshore activities which include the costing, estimates, process outline, scope of the project, the project brief, an RACI metrics which defined the roles and the responsibilities for the project team, and agreement on where (onshore/offshore) tasks will be executed.

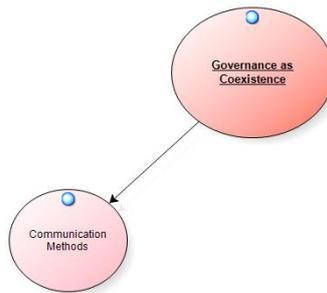
The relationship between both teams was underpinned and driven by the documented processes contained in the blueprint, the project plan, and the quality plan documents which outlined in depth the scope of individual work streams and the detailed processes to be followed – what tailoring of the process was required, high-level project schedule, acceptable risk ratio, the communication plan, escalation path and performance matrices. The data further suggest that the type of contract – fixed price, or time and material – was determined by the nature of work (work packages for fixed-price projects or staff supply for time-and-material projects) with the client and did not necessarily determine the maturity of the relationship, as suggested by the literature. Furthermore, at an overarching organisational level, the relationship maturity was strengthened further by the global supply-chain mechanism which forecasted the staffing levels, the kinds of jobs and the skills required, expected performance levels, all of which are contractually defined in intra-country SLAs.

Gopal et al. (2002) examined the effect of the contract type on performance measures and found that quality-oriented processes significantly reduced rework with more rework being performed on time-and-material contracts when compared to fixed-price contracts. From the data, there was no evidence to support the correlation between contract type and quality-oriented processes on the efficiency of the team. However, in captive arrangements, greater emphasis is placed on the depth of the engagement and collaboration between the team to satisfy their shared objectives of delivering a quality product which met or exceeded the client's expectation. In addition, performance

measures and SLAs were defined and agreed as part of the start-up process, regardless of the type of contract.

The different conceptualisation of contracts was evident in the less formal contractual arrangements between the teams with greater emphasis placed on relationships, engagement and collaboration rather than being determined by the contract type.

Communication Methods



The operationalisation of communication methods was highly developed, as is evident from the rich array of communication techniques employed in the captive offshoring engagements. This rich array is largely in support of the literature which suggests that as client - vendor relationships develop, they use an array of techniques for communication from formal documentation to rich face-to-face contact. Additionally, it was clearly demonstrated that the team appreciated the benefits of the clever use and adaptation of communication techniques which were tailored to suit the working preferences of team members. Promoted by the theme of “active engagement”, communication began at the bid phase with steady, ongoing interaction, utilising a variety of techniques, until the end of the project. This rich array of communication techniques was evident from the collaborative effort from both sides with regular visits, frequency of calls and the variety of project documentation exchanged – all of which served to enhance consistency in their understanding of the requirements. Necessitated by the geographic distance between the teams, regular weekly technical and functional video or voice clarification calls were held. Email and instant messaging were also used to resolve issues and keep the lines of communication open. In addition, the data suggest that the intelligent application and adaptive use of the variety of techniques, suited to individual preferences, enhanced the interaction and were major contributors to the richness of the engagement.

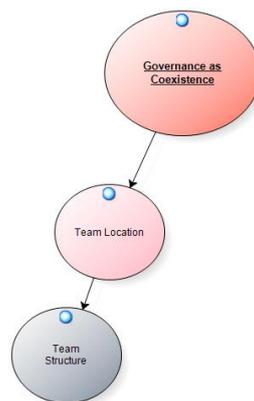
Oshri et al. (2007) explore how dispersed expertise is managed across multiple sites with knowledge management (the transfer of knowledge between the teams) as an important contributor to successful offshore outsourcing. They argue for a knowledge transfer methodology with clear communication protocols and channels. There was full support by the finding as a rich variety of communication methods such as written communication, face-to-face communication and regular video/voice calls were employed by the teams during the knowledge transfer stage and beyond. The processes

were tailored to engender highly collaborative working practices ensuring the effective management of and efficient sharing of knowledge. These processes were enhanced with frequent face-to-face interaction during the knowledge transfer phase. Post knowledge transfer, given the geographic limitations, the process was supplemented with regular weekly clarification calls keeping the lines of communication open between the locations.

Ranganathan and Balaji (2007) review knowledge management and retention capability, arguing for two types of knowledge that are common in offshore outsourcing: technical knowledge pertaining to the systems, technology, tools; and business knowledge related to business processes, organisational function, and industry know-how. This was fully supported by the data; the geographically distributed nature of the team necessitated the need for business and technical knowledge to be effectively managed through the detailed documentation of the business Solution Document (BSD), technical knowledge (technical specifications), and the resolution of anomalies through frequent clarification calls. The implementation of knowledge management was boosted by the “enhanced waterfall” in which the client and the teams worked collaboratively to capture requirements while designing the system. Furthermore, this was supplemented by providing the offshore team with a business context.

The highly developed communication methods were clearly supported by the rich array of communication techniques employed which were intelligently used and adapted to suit the working style of the team members often engaged in collaborative activities with the client.

Team Location



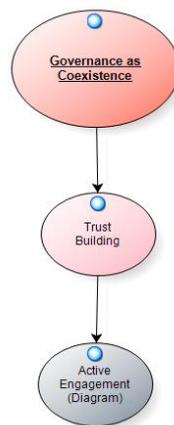
The data suggest that good governance has little to do with the physical location or level of involvement of the offshore teams, as suggested by the literature; rather, good governance is determined by the processes put in place to minimise the impact of the distributed nature of the teams. This was evident from the move to a more hierarchical team structure with defined communication ownership points designed to minimise communication bottlenecks. For captive arrangements, the team locations (onshore/offshore) were predefined. The team members reside in one location for the

duration of the project, either onshore or offshore, with members travelling between locations for short visits. The onshore team had primary responsibility for the client management and project management, and the offshore team were responsible for the technical components. Changes, necessitated by the project, to the predefined location were managed by the governance arrangements and reflected in the organisation structures.

Oshri et al. (2007) suggest that tools and processes are put in place to develop expertise management practices to leverage expertise globally, regardless of the physical location of either the expert or the expertise seeker. There was overwhelming support from the data; the delivery governance structure leveraged the management expertise onshore and the technical expertise offshore in India. The data went further with the successful implementation of a hierarchical team structure that defined ownership for each communication area (management, functional, technical) in the ToR.

The maturity of the relationship was not determined by the location but instead by how well the teams were able to manage and minimise the impact of the distributed nature of the team. These included communication area ownership, stakeholder responsibility and frequent travel between the locations.

Trust Building



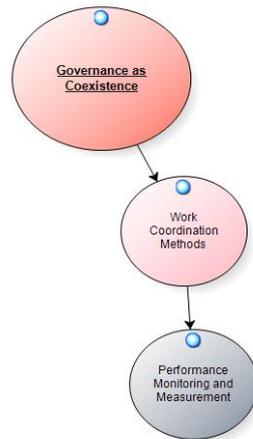
The conceptualisation of trust building was more broadly understood and applied than the descriptions from the literature, which suggests that the two parties work supportively in mature relationships, i.e. objectively reviewing data on their performance together, developing shared goals, and developing a single-team. All of this was supported by the data; however, trust building was implicitly and elegantly handled by the processes that catered for the team relationships as well as cultural differences. This was evident in the teams’ working practices from the beginning of the project with “active engagement” at the core team: a joint understanding of the process, and shared goals and objectives (credibility, visibility, and delivery excellence) were established in their working practices. The added complexity of having an almost new offshore team necessitated transparency (real-time progress dashboards and reporting

mechanisms) and inclusive working practices such as frequent clarification calls, building informal relationships, and actively sharing customer domain knowledge. Building a culturally aware community that fostered the freedom to ask questions, feelings of shared goals, and joint ownership of the processes was seen as key to solidifying the trusted relationship. There was clear acknowledgement that the process was at the core of everything required to build trust with the shared goal of meeting their joint objectives. The working practices and processes implemented were tailored towards building a united team spirit.

Kaiser and Hawk (2004) examine trust building and the avoidance of creating binding relationships, state that the vendor is viewed almost as an extension of the client's IT department in outsourcing arrangements. Vendor personnel are familiar with the technologies, current systems and the business domain. There was clear support for this notion in the data; the offshore team were an integral part of the delivery organisation, and, in fact, had ownership of the technology implementation. However, the process went further to integrate trust building, with frequent communication, knowledge sharing, and transparency (real-time progress reporting), as part of the "active engagement" process. The shared goal of delivering high quality products to the client was also emphasised and supported by the highly collaborative processes which fostered a community spirit. Ranganathan and Balaji (2007) view trust from a relationship governance perspective. They argue that firms used boundary spanner actors as conduits between the two teams due to their understanding of both the technical and business aspects, to foster trust based on relationships and work collaboratively. This was fully supported by the data as the development assurance role (R6) performed the boundary spanning activities facilitating technical and business communications. In addition, this role, with a deep understanding of both cultures, bridged the cultural gap between the teams, reducing the impact of the cultural differences between the onshore and offshore teams. Also there was a clear and explicit understanding that the chances of success were much greater if the team spoke the same physical and logical (process-based) language.

The broader conceptualisation of trust building was evident from the culturally aware community that was created which implicitly managed the relationships between the teams.

Work Coordination Methods



The findings support the notion suggested by the literature that well-defined specifications are developed which work towards continuous improvement. The performance monitoring systems transcended the literature and was not limited to well-defined specification. These systems were implemented at the organisation level to monitor and measure performance for all intra-organisation engagements. Additionally, this mechanism ensured that the minimum threshold for performance was continuously revised upward, improving ongoing performance. However, the literature has been silent regarding other kinds of measurement, such as the real-time dashboards that reported on actual progress against the planned activities, issues monitoring, incremental code quality gateway audits conducted by an independent software quality assurance function, and financial monitoring. As the Indian organisation operated at CMMI level 5, code review records were documented and key performance measurements, such as defect density reports measuring the quality of the output, were rigorously undertaken. As demonstrated, the findings from the data go over and beyond those suggested by the literature for mature governance relationships.

Rottman and Lacity (2004) argue that the issue of how to share work is resolved by creating a dual project management hierarchy, where leadership can either be from the client or the vendor. This is specific to outsourcing arrangements where leadership can come from the client or the vendor. The findings from the data partially support this notion with joint management from onshore and offshore. There was no evidence from the data to suggest that there were any issues with how to share work as the coordination of work was efficiently managed by the clearly defined division of work (business management onshore, technical management offshore) between the teams. Oshri et al. (2007) examine dispersed expertise in which they identify eight practices (mirrored client - vendor structure, knowledge transfer methodology, knowledge retention methodology, expertise development and retention, expertise development, search mechanisms for expertise, technology reuse, and continuous improvement measures) used to manage dispersed expertise. Three of the practices – knowledge

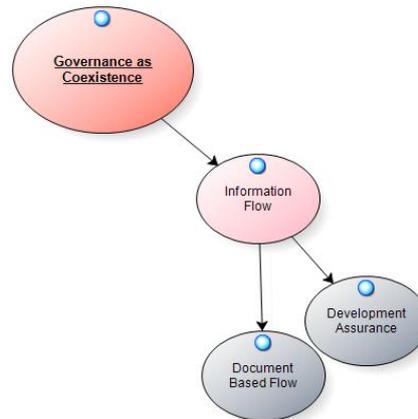
transfer, knowledge retention, and continuous improvement – were fully supported by the data where documentation, measurement and metrics were collected as part of the development process to improve the overall quality of the deliverable. There was no evidence to support the other five practices – mirrored organisations, expertise development, key organisation value, search for expertise and technology reuse – in captive arrangements.

Rottman and Lacity (2004) also argue that clients would have more efficient processes if they adopted the CMMI certification of their offshore suppliers. There was evidence from the data that CMMI processes were used to coordinate work processes. The offshore organisation operated at the highest level – CMMI level 5; there is evidence that the rigorous offshore processes implemented by the independent software quality assurance function, such as the documented specifications sign-off and code review processes were part of the CMMI process. Ranganathan and Balaji (2007), in examining a firm's offshore outsourcing capability, argue that contract facilitation reflects on a firm's ability to choose and design contractual agreements that align with the expectation of both parties. The contractual alignment to the expectation of both parties (onshore and offshore) was supported by the data. Predefined performance measures of the expected standards and SLAs were outlined at an intra-organisation level and also in the IPA, ensuring satisfactory performance measurements and delivery of the joint team objectives. In addition, daily metrics were collected to measure progress and also detailed defect density metrics produced to measure the quality of the output for the client deliverables.

Carmel (2006) examines coordination cost of time zone difference, how work is managed across different time zones and the resultant impact on the delivery processes. Carmel (2006) postulates that time differences have become the principal obstacle to efficient coordination. From the data, there was no evidence to support that time zone differences were an issue or obstacle; this was actually overcome by the granular level of monitoring, visibility across the teams (real-time dashboards) and constant interaction that reduced the impact of the time differences. Carmel's (2006) research was conducted in America where the time zone differences with India can range from $-10\frac{1}{2}$ to $-13\frac{1}{2}$ hours, resulting in a greater time impact than between the UK and India (the focus of this study) with the considerably smaller time difference of $-4\frac{1}{2}$ to $-5\frac{1}{2}$ hours.

The findings support the suggestion that well-defined specifications are developed which work towards the continuous improvement found in mature governance relationships. In addition to this, performance monitoring and measurement systems were implemented at the organisation level with minimum threshold performance levels which were continuously revised upwards, and at the project level with detailed performance indicators being collected.

Information Flow



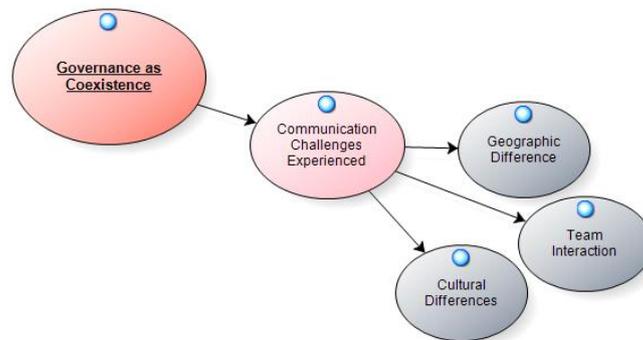
The data provide partial support for the literature which suggests that with good governance there is increased sharing of information. This includes an array of information types, mostly flowing from the client to the vendor, which enables the vendor to deliver greater value. The data provide full support for the wide range of information types: electronic, written, verbal and active collaboration. In addition, the data suggest that good governance is not about the direction of the flow of information; good governance is about the variety and methods of information exchange. At the beginning of the project the information flow was from onshore to offshore with face-to-face (verbal-based information flow) and then technology-based, utilising electronic document-based (project guidelines, checklists, coding standards). As the relationship matured, the information flow became more balanced, with the offshore team producing design documentation and also actively participating in the regular checkpoint/clarification calls held. The balance of the information flow was further enhanced with the introduction of the “enhanced waterfall” approach, further limiting the distance between the client and the offshore team and effectively increasing collaboration for all involved. The data would strongly suggest that good governance was not determined by the proportion or direction of the information flow. Rather, it was determined by the richness of the types of information and the complementary processes put in place to enhance the flow between the client and the remote offshore team.

Oshri et al. (2007) argue that in instances where the external clients’ processes are less mature than the vendor’s, to gain the benefits of information sharing, clients must step up to the challenge of managing expertise themselves. This can be achieved by collaborating with their outsourcing providers to ascertain which processes, systems, and practices they (the clients) can adopt. There was strong evidence from the data of a highly collaborative and information sharing environment between the onshore and offshore teams, and even with the external client. This was evident from the documentation flow, at the core of the process from the onset of the project with the creation of guidelines, templates and standards which set the standard for the rest of the

project. The team also developed a delivery methodology “enhanced waterfall” to improve collaboration between the offshore team and the client, creating an explicit and unambiguous understanding of the system requirements for all involved. There was also an online document-based repository “SharePoint” in which to store project documentation. In addition to this, the team created a “development assurance” role to own the flow of information, with regular checkpoint calls held to ensure the consistent and steady flow of information between the teams.

The wide range of information types shared between the teams was clearly evident. Good governance was not determined by the direction of the flow of the information, as suggested by the literature, but by the rich array of information types used.

Communication Challenges Experienced



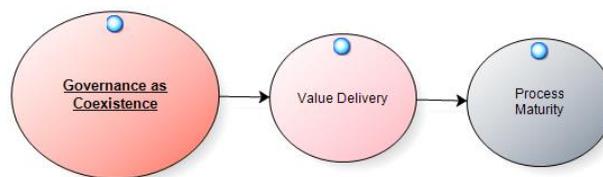
There was full support for the literature from the data, suggesting that communication challenges exist and good governance includes effective approaches for dealing with challenges for example associated with cultural differences. This support was strongly demonstrated by the governance processes put in place to break down the cultural and geographic barriers. There was overwhelming acknowledgement of the cultural differences and geographic distance between the onshore and offshore teams. These differences were minimised by implementing processes that originated from the intrinsic working practices of the teams. Cultural nuances, such as the willingness of Indians to say “yes”, were managed by regular offshore visits and ongoing informal interaction in which a greater understanding was established, enabling sounder judgement and interpretation of the different cultures. The effect of the cultural differences and geographic distance was lessened by fostering a community environment in which both teams, especially the Indians, felt comfortable to challenge and ask questions, and even became more assertive with their onshore colleagues by enforcing the use of the processes. This building of the community was so successful that a point was reached when the number of questions asked began to threaten the delivery timescales. Appropriate action was taken with the introduction of an informal daily clarification clinic as a preventative measure.

Kaiser and Hawk (2004) examine cosourcing and claim that creating successful strategic partnerships requires both parties to learn about each other’s tasks, concepts,

and critical business issues, as well as become familiar with each other's culture. They argue that when a partner comes from halfway around the world, achieving this understanding can be difficult. The intense collaboration required on co-sourced IT projects can run into difficulty unless both parties understand each other's backgrounds, motivations, and communication styles. This claim was fully supported by the data. There was recognition of the cultural differences and the need to overcome these cultural differences with the introduction of the clarification log; bridging the geographic distance between the client and the colleagues offshore by providing the offshore team with "client context"; "active engagement" through the community environment; and a "boundary spanning" assurance role with an understanding of both cultures.

The data indicated that communication challenges existed and that good governance included effective methods for dealing with the cultural and geographic challenges. This was evident from building an open and empowering community; in addition to the introduction of a framework that provided "client context" and "boundary spanning" activities.

Value Delivery



The findings from the data support the literature which suggests that mature governance includes greater economies of scale gained from smarter working and innovation provided by vendor staff. However, in this instance, more innovation was not limited to the offshore team; innovation was created by the joint contributions from both teams. The conceptualisation was not limited to value delivered to the customer but ongoing value delivery and value creation for client and supplier alike. Value delivery can be seen as the common thread that underpins all the attributes with the intelligent implementation of processes which matured overtime and creates an environment in which creative and innovative thinking is nurtured. There was recognition that increased value could be delivered by providing the offshore team with real client context which was achieved through collaborative working (enhanced waterfall) and by providing weekly client updates. In addition, the offshore team were encouraged to offer ideas and suggestions for improvement; this provided the forum for innovative ideas on improvements to the processes and the use of efficient technologies for system development. The data suggest that the greatest value delivery was the implementation of a holistic set of processes that together enabled greater internal and external collaboration, shared ownership of goals and outcomes, and the free flow of ideas on the project.

Oshri et al. (2007) examine expertise management, stating that clients can learn from providers; they can contract for collaboration services to release their own knowledge potential, while also releasing the provider's potential for mutual gain. The benefits could include speedier improvements in service performance, faster availability of expertise at lower rates, and the provider's commitment to a higher level of innovation in processes, services and technology, resulting in observable performance improvements. There was support for collaboration services from the data, evident from the successful development of robust documentation, high levels of interaction, and collaboration between the teams with a shared sense of ownership of the project deliverables. Rottman and Lacity (2004), in the wake of the political backlash to offshoring in the US, examine practices for offshore sourcing and argue that as larger suppliers gain experience and build relationships with clients, they become able to demand higher prices to reflect higher value. They consider innovative techniques, such as real-time dashboards, to improve workflow verification, synchronisation, and management. The use of innovative techniques such as the real-time dashboards was supported by the data. However, the delivery of higher value to demand higher prices was not supported by the data; rather, value delivery was seen as an integral part of the process, an opportunity to improve the client's experience and demonstrate business value.

Levina and Ross (2003) explore value proposition in IT outsourcing from a vendor perspective. They conclude that an IT application management vendor can deliver value to clients by developing a set of experience-based core competencies, which exhibit complementarities and address client needs and market conditions, resulting in efficient service delivery. The findings from the data go over and beyond this. Offshore expertise was harnessed by providing the offshore team with a relevant client business context enabling a greater understanding of the client's business. The team was involved in the design of the system but not provided with all the answers, thereby encouraging them to challenge and consequently building a more open and transparent environment. This resulted in a greater sense of ownership of the development process, allowing for greater value creation, and evident from the use of newer and more efficient technologies.

Value delivery was enhanced with the creation of an environment that encouraged collaboration, creativity, and the flow of ideas at the project and organisation levels – all of which were ultimately aimed at delivering greater internal and external value.

A summary of the findings is presented in Table 35, followed by a summary of the research.

4.7.3.1 Summary of Findings

The comparison of the findings from the data with the literature has resulted in a significant number of confirmations of the literature, additions to the literature, and refutation of the literature. Table 35 provides a summary of each of the research contributions.

Table 35 – Summary of Research Contribution to Knowledge

| Research Findings | Contribution to the Governance of Outsourcing Literature |
|---|---|
| <p>4.6.1 Governance as Coexistence</p> | <ul style="list-style-type: none"> • <u>Confirmation of the definition of Governance:</u> <ul style="list-style-type: none"> ○ Governance is ultimately concerned with creating the conditions for ordered rule and collective action. • <u>Additions to the definitions of Governance:</u> <ul style="list-style-type: none"> ○ “Governance as coexistence” can be described as the collaborative creation and intelligent application of processes that together provide cohesion, balancing the needs of the team while delivering strategic value. |
| <p>4.6.2 Relationships</p> | <ul style="list-style-type: none"> • <u>Confirmation:</u> <ul style="list-style-type: none"> ○ Mature governance involves vendor (offshore) taking more strategic level tasks. ○ Five building blocks “investigate”, “strategise”, “design”, “transition” and “manage” are in existence in captive offshoring engagements. ○ Technology scope and strategic objectives are inherently linked to the provision of technology services to the customer. ○ Relationship governance requires effective collaboration – joint meetings, committee and shared decision-making. ○ Cosourcing is a viable option as a type of outsourcing arrangement. ○ Relationship management and technical capability are core governance capabilities. • <u>Addition:</u> <ul style="list-style-type: none"> ○ Type of relationship is further determined by the availability of resource offshore and level of quality assurance required. ○ There is shared delivery responsibility and decision-making between onshore and offshore teams with offshore involvement from the bid stage. |

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| | <ul style="list-style-type: none"> ○ The inclusion of an independent quality assurance role is part of the governance model. ● <u>Refuted:</u> <ul style="list-style-type: none"> ○ Four building blocks “target”, “select”, “negotiate” and “refresh” are not present in captive arrangements. ○ The supplier (offshore team) bears more of the risk and merely supports the onshore requirements. |
| 4.6.3 Contracts | <ul style="list-style-type: none"> ● <u>Addition:</u> <ul style="list-style-type: none"> ○ Less formal contracts exist between the subsidiaries in captive offshore arrangements; the relationship is governed by documented processes at organisation and project levels. ○ In a captive arrangement there is greater emphasis on the levels of engagement and collaboration, rather than contract type, to satisfy shared objectives. ● <u>Refuted:</u> <ul style="list-style-type: none"> ○ The linkage between the contract type and quality-oriented processes on the efficiency of the team; more mature governance relationships involve more fixed-price contracts. |
| 4.6.4 Communication Methods | <ul style="list-style-type: none"> ● <u>Confirmation:</u> <ul style="list-style-type: none"> ○ Mature client - vendor relationships use a variety of communication techniques. ○ Knowledge management is an important contributor to the successful management expertise dispersed across sites. ○ There are two types of knowledge management common in outsourcing – technical knowledge and business knowledge. ● <u>Addition:</u> <ul style="list-style-type: none"> ○ The intelligent use and clever adaptation of communication techniques tailored to suit the working preferences and collaborative needs of team members. ○ The implementation of a new, highly collaborative delivery methodology “enhanced waterfall”, involving the customer and offshore team, increasing collaboration while iteratively capturing requirements alongside system design. |
| 4.6.5 Team Location | <ul style="list-style-type: none"> ● <u>Confirmation:</u> <ul style="list-style-type: none"> ○ Tools and processes are put in place to developed expertise management practices to leverage expertise globally, regardless of the physical location. |

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| | <ul style="list-style-type: none"> • <u>Addition:</u> <ul style="list-style-type: none"> ○ Governance maturity has little to do with the location or level of involvement of offshore teams but more by the processes in place (frequent interaction and face-to-face) to minimise the impact of the dispersed locations of the teams. ○ The implementation of a hierarchical team structure with defined ownership for communication areas (management, functional, technical) in the team members’ terms of reference. • <u>Refuted:</u> <ul style="list-style-type: none"> ○ Governance maturity is determined by the location and level of involvement of the vendor staff. |
| <p>4.6.6 Trust Building</p> | <ul style="list-style-type: none"> • <u>Confirmation:</u> <ul style="list-style-type: none"> ○ The two parties work cooperatively in mature relationships – reviewing performance data together objectively, developing shared goals, and developing a one-team atmosphere across both parties. ○ The vendor (offshore) is viewed almost as an extension of the client’s IT department in outsourcing arrangements. Vendor personnel are familiar with the technologies, current systems and the business domain. ○ The use of “boundary-spanners” as conduits between the two teams due to their understanding of the technical and business aspects, to foster trust-based relationships and work collaboratively. • <u>Addition:</u> <ul style="list-style-type: none"> ○ Trust building began with face-to-face interaction followed by the use of technology (email, phone, messaging and video call) to maintain the relationships. ○ The methods of implementing trust building were implicitly and elegantly handled by the processes that catered for the team relationships as well as cultural differences. ○ The implementation of non-intrusive working practices and processes that built a culturally aware community which nurtured the feeling of freedom, shared goals, and joint ownership solidifying the trusted relationship. ○ The integration of trust building, such as frequent communication, knowledge sharing, and transparency (real-time progress reporting), as part of the “active engagement” process. ○ The “boundary spanning” role bridged the cultural gap in addition to the technical and business aspects. |
| <p>4.6.7</p> | <ul style="list-style-type: none"> • <u>Confirmation:</u> |

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| <p>Work Coordination Methods</p> | <ul style="list-style-type: none"> ○ Well-defined specifications are developed which work towards continuous improvement. ○ Work sharing issues are resolved by creating a dual project management hierarchy with shared leadership. ○ Three practices, knowledge transfer, knowledge retention and continuous improvement, are used to manage dispersed expertise. ○ The use of CMMI certification to improve the coordination of work processes. ○ Contract agreements aligned to reflect the expectation of both parties. ● <u>Addition:</u> <ul style="list-style-type: none"> ○ Performance measurements and monitoring systems were implemented at the organisation level to monitor and measure intra-organisation performance. ○ Intra-organisationally the minimum threshold for performance is continuously revised upward leading to continuous improvement for delivery. ○ Performance indicators are collected at detailed levels – daily real-time dashboard, defect density reports and code quality assurance gate reviews. ○ The coordination of work activities and time zone differences are managed by the processes implemented. ● <u>Refuted:</u> <ul style="list-style-type: none"> ○ Five practices – mirrored organisations, expertise development, key organisation value, search for expertise, and technology reuse – are used to manage dispersed expertise. ○ As a result of the dispersed nature of the team, work sharing issues may exist between the regions. ○ Time differences have become the principal obstacle to the efficient coordination of work. |
| <p>4.6.8 Information Flow</p> | <ul style="list-style-type: none"> ● <u>Confirmation:</u> <ul style="list-style-type: none"> ○ In mature governance, increased sharing of information is found, including a wider range/variety of information types. ○ The benefits of information sharing are gained from managing expertise and collaboration. ● <u>Addition:</u> <ul style="list-style-type: none"> ○ Maturity of governance is further determined by the richness of the types of information and the complementary processes put in place to enhance the flow between the client and the remote offshore team. |

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| | <ul style="list-style-type: none"> ○ The delivery methodology of the “enhanced waterfall” to improve collaboration between the offshore team and the client. ○ The use of a central document-based flow repository called “SharePoint” to store project documentation. ○ The creation of a “development assurance” role to own the flow of information. ○ Regular checkpoint calls held to ensure the constant and steady flow of information and common understanding between the teams. |
| <p>4.6.9 Communication Challenges Experienced</p> | <ul style="list-style-type: none"> ● <u>Confirmation:</u> <ul style="list-style-type: none"> ○ Communication challenges exist and that mature governance includes effective methods for dealing with challenges e.g. cultural differences. ○ Creating successful strategic partnerships requires both parties to learn about each other’s tasks, concepts, and the critical business issues, as well as to become familiar with each other’s culture. ● <u>Addition:</u> <ul style="list-style-type: none"> ○ Cultural differences were managed by building an open and empowering community. ○ Cultural differences and geographic distance were limited by the introduction of a framework that provided client context, boundary spanning and regular visits between regions. |
| <p>4.6.10 Value Delivery</p> | <ul style="list-style-type: none"> ● <u>Confirmation:</u> <ul style="list-style-type: none"> ○ More mature governance includes greater economies of scale with more innovation added by vendor staff. ○ Clients can contract for collaboration services to release their own knowledge potential, while also releasing the provider’s potential for mutual gain. ○ The use of innovative techniques such as the real-time dashboards. ○ IT application management vendor can deliver value to its clients by developing a set of experience-based core competencies, which exhibit complementarities and address client needs. ● <u>Addition:</u> <ul style="list-style-type: none"> ○ Value creation was achieved by the intelligent implementation of process, creating an environment in which creative and innovation thinking was encouraged. ○ Innovative thinking and ideas were encouraged at the organisation level. |

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| | <ul style="list-style-type: none">○ Offshore expertise was realised by their involvement in the system design, encouraging them to ask questions and building an environment in which there was the freedom to challenge and ask questions, thereby delivering value – use of the latest technology.○ Providing a business context to the offshore team to deliver greater client value.● <u>Refuted:</u><ul style="list-style-type: none">○ As large suppliers gain experience and build relationships with clients; they would be able to demand higher prices to reflect higher value. |
|--|---|

4.7.4 Summary of Research

This single exploratory case study has explored the working practices and effectively operationalised the governance framework within an information-rich IT services captive offshoring engagement. The role of the single case study required a highly targeted and focused approach with close adherence to the data. This allowed for the exploitation of the richness of the qualitative data generated from the respondents and project documentation within the specific project setting and organisation. Prior to this study, little was known about governance frameworks within captive offshoring arrangements. The use of the semi-structured interview approach, without being limited or constrained by the use of *a priori* codes, ultimately allowed for the generation of novel knowledge and the development of a type for outsourcing governance; “governance as coexistence”. While the characteristics of governance in offshore outsourcing arrangements are known, this case study has extended the thinking on outsourcing governance, creating new insight into the characteristics of governance in captive offshoring.

The findings from the study have demonstrated that the interplay between the two opposing strands, the implementation challenges and their strategic rationales, is resolved by the implementation of intelligent and flexible people-centric processes that allows the strands to coexist – governance as coexistence being the point at which the opposing strands meet (Chambers, 1995; Weill, 2004). The organisation under study had tried-and-tested project management approaches and well-defined offshore people-centric governance processes, both of which were perceived by the respondents to be critical to ensuring successful project delivery. The people-centric offshore governance approach had been developed in recent years and had undergone considerable enhancement and improvement as a result of the collective effort of the people involved in the process development.

This leads to the conclusion that the essence of governance is its focus on mechanisms that do not rest on predetermined standards, recourse to authority and sanctions. Effective governance is not about controls or processes being imposed, it is more about the process development (people-centric processes), what is being done (the working practices), and about how the process has been developed and implemented. Governance as coexistence is about interdependent opposites (strategic rationale and operational challenges) achieving some form of reconciliation and identifying the power dependence involved in the relationships between the actors (onshore and offshore teams) engaged in the collective action (captive offshore projects). This is consistent with Brown and Duguid’s (1991) study of workplace practices which argues that the ways in which people work actually differ fundamentally from the ways organisations describe them in manuals, organisational charts, and job descriptions. Nevertheless, organisations rely on the latter in their attempts to understand and improve work practice. Conventional descriptions of jobs mask not only the ways people work, but the significant learning and innovation generated in the informal communities of practice in

which they work is also lost. Brown and Duguid's (2001) study on knowledge and organisations theorises that too much attention is paid to the idea of community and too little to the implication of practice. Practice, they suggest, creates epistemic differences among the communities within an organisation and the organisation's advantage over the market lies in dynamically coordinating the knowledge produced by these communities.

By developing highly participative, people-centric processes and governance structure, the project was effectively able to minimise the impact of the vagaries, cultural nuances and operational challenges of offshoring experienced in Project 2. In Project 3 trust was seen as critical to building the relationships with offshore teams which was perceived as a major challenge, with the apparent lack of trust in Project 1. Although not directly solicited from the respondents, there was little mention of challenges experienced as a result of cultural differences. Instead, respondents focused on the process and how the processes implemented, such as "active engagement" and "enhanced waterfall" methodology, helped to reduce the impact of cultural challenges and the geographic distance. Furthermore, the transition of knowledge and the domain knowledge were challenges faced in Project 1 which were overcome in Project 3 with the development of the "enhanced waterfall" methodology and providing the offshore team with a business context.

In terms of addressing the strategic rationale, this was found to be inherently addressed with the implementation of a non-intrusive process that focus on delivering cost efficiencies and value creation for both the supplier and client's benefit. The strategic objectives did not appear to be at the forefront of the mind but were never far away, as they were seamlessly addressed by the process. Clearly, non-intrusive governance processes specifically designed to suit the working practices of the team had been implemented to meet their business. The complexity of the contradictory forces that put an organisation's assumptions and core beliefs in direct conflict with members' ability to work, learn and innovate, arises from a misunderstanding of what working, learning, and innovation are. As a result of such misunderstanding, many modern processes and technologies, particularly designed without informed practices, threaten the robust working, learning, and innovation communities and practices of the workplace, as identified in Project 2.

4.7.4.1 Validity and Reliability

As a qualitative researcher, I live with a dichotomy. On the one hand, I have been taught in my research training that one cannot generalise much from qualitative research, if at all. On the other hand, what has emerged, first of all, is that people do generalise from qualitative research, and second, they may well have good reason to do so. Good reason means that the generalised decisions that are made on the basis of the findings of qualitative research are sound, that the findings have indeed been generalised

successfully, i.e. when the findings are applied more generally, it may be found that the generalisation proves to be valid and reliable.

Furthermore, in this case study, the target of a social enquiry is seldom an individual person or enterprise. Unfortunately, it is such single objects that are usually thought of as “cases” (Stake, 1978). A case is often thought of as a component member of a target population. And since single members poorly represent whole populations, the case study is seen to be a poor basis for generalisation. The case need not be a person or enterprise. It can be whatever “bounded system” is of interest as in this study – the interrelationship between the subsidiaries of the organisation. It is distinctive by giving great prominence to what is and what is not “the case” with the boundaries constantly kept in focus. What is happening and deemed important within those boundaries is considered vital and determines the content of the study.

Often, however, the situation is one in which there is need for generalisation about that particular case or generalisation to a similar case rather than generalisation to a population of cases. Then the demands for typicality and representativeness yield to needs for assurance that the target case is properly described. As others recognise essential similarities to cases of interest to them, they establish the basis for naturalistic generalisation. Case studies are likely to continue to be popular because of their style and their real-world application for exploratory studies. The universality and importance of experiential understanding of case studies, and their compatibility with such understanding, can be expected to continue to have an epistemological advantage over other inquiry methods as a basis for naturalistic generalisation. For ways of discovering “Truth”, the case study method has been tried and found to be a direct and satisfying way of adding to experience and improving understanding.

4.7.4.2 Updated Literature Review

Subsequent studies in this field that address captive offshore governance have been limited; Hutzschenreuter et al.’s (2011) quantitative study examines “governance modes for offshoring” in which a framework of multiple theoretical perspectives is built to explain the governance mode choice of firms. Captive offshoring is examined as one of several modes of governance. Their study suggests that “firms choose between an internal (captive offshoring) and external (offshore outsourcing) governance mode based on their institutional environment, the offshoring behaviour of similar firms in their reference group, firm-specific characteristics and objectives, and the particular setting of specific implementations” (p. 291). Roza et al. (2011) examine how firm size (small, medium, large) affects governance mode. Captive offshoring is examined as a mode of governance in which both small and medium-sized firms were found not to be constrained by their size to choose an equal proportion of offshore implementations to be executed with a captive governance mode.

4.7.5 Conclusion

In this section the wider theoretical and practical implications of this study will be discussed. In addition to which, the suggested agenda for future research, the limitations of this research, as well as the personal learning from undertaking this study are presented.

4.7.5.1 Implications for Theory

This study addresses one of the shortcomings of Simon et al. (2009), by extending the literature on outsourcing governance to the captive offshoring engagements. In addition, this study provides novel insight into a new type of governance, “governance as coexistence”. At a broad level there was partial support for the nine attributes, while at the more detailed level there have been significant additions to all of the nine attributes and refutations to five of them, as outlined in section 4.7.3.1. These would strongly suggest that there are greater levels of complexity in captive offshore engagement than in the governance of outsourcing arrangements. Prior to this study, very little research has been conducted on the operationalisation of governance within projects in captive offshore engagements.

4.7.5.2 Implications for Practice

The essence of undertaking the DBA is specifically to provide the translation and intersection between theoretical research and the ability to carry this over into practice. This makes the practical elements of this research of particular focus and importance. This highly targeted and focused exploratory case study has provided an invaluable opportunity to examine the real-world governance practices through the perceptions of senior practitioners engaged in the captive engagement. This tightly focused case study has resulted in novel insight into the practices and processes in the delivery of a project between the UK and India subsidiaries of a global organisation. Through this lens, we are now able to extend our knowledge of outsourcing governance by this means, providing practical advice and guidance based on empirical evidence, for outsourcing and captive offshoring arrangements in particular.

This study has provided new and novel insight into the construct of “governance as coexistence”, presenting a new paradigm through which governance can be viewed. Previous to this study, governance has been viewed as controlling, monitoring and steering, to mention a few. The findings of this study present a good opportunity to apply this conception to multinationals that are experiencing similar tensions in their offshoring and outsourcing practices to establish if these can be reconciled with the implementation of people-centric processes that foster coexistence.

The main implication for practice is that, for outsourcing and more especially captive offshoring engagements, attention needs to be given to address IT strategy alignment between the decision-making corporate level and the project operations execution level,

i.e. the return on investment from IT projects. This is especially true when managing operations that are beyond the bounds of traditional projects and cross international boundaries, as is the case with offshoring projects. Strategic decisions are usually made by the senior executives and the operations executed by middle management, in this case managers. Senior management involvement is critical for the success of IT and project governance. Therefore, middle managers need more engagement in the strategic decision-making and be empowered to implement processes and governance that are more likely to result in project success. The following questions should to be asked:

- What type of governance is required?
- What is the power dependence of those actors engaged in collective action?
- Do offshore projects have specific governance requirements that are outside of the existing organisations approach to governance?

Cultural differences are real and processes of governance implementation need to take these “real” factors into account. Awareness of the impact that cultural differences can have on offshore projects should be raised, but if not effectively managed can have an adverse impact on the successful outcome of the project.

As evidenced from this study, the proper implementation of end-to-end processes is critical to achieving good governance. The chances of project success are greatly improved if these processes are developed out of, and tailored towards, the working practice and intricacies of the team members. As Brown and Duguid (1991) argue, without a clear understanding of those intricacies and the role they play, the practice itself cannot be well understood, engendered (through training), or enhanced (through innovation). Therefore the methodology to be applied should find ways of opening up the social lives of the ‘actors’ involved in the project. This study has demonstrated that by the intelligent development of people-centric processes, there is a greater likelihood of achieving greater governance maturity. Organisations, in their attempts to understand and improve work practice, need to recognise that the ways people work actually differ fundamentally from the ways formally described and implemented. In order to achieve greater success, the organisation will need to take a bottom-up approach, taking into account and opening up the social lives and informal practices of the people involved, thereby increasing the chances of implementing effective governance.

Another practical implication is implementation of the findings that informal processes are just as valuable, if not more valuable, than the formally documented processes. In recent times, an increasing number of organisations are coming to realise that prescriptive processes may not be as effective as processes that are developed out of their own organisation culture and in effect out of the informal working practices of employees. This research will help illuminate that thinking, not just around offshore practices but for the project management discipline as a whole.

This study although limited in its focus to the UK and India, could be transposed to other contexts such as other countries and modes of engagement. Caution is advised in

taking the findings of this study in their entirety as these have been specifically designed or tailored toward the UK and India. This study could be used as a template for engagements and inform other studies on engagements between the “developed” world and other “emerging economies”.

4.7.5.3 Research Limitations and Biases

This study has seven known limitations.

- This study was undertaken as a single case study (interviewed managers on a single programme within a specific organisation), and by definition single members poorly represent whole populations. The findings represent the working practices and processes for a specific organisation. It is highly likely that the operating model, working practices, and processes will differ in other similar IT services organisations with captive offshore arrangements. As a result of this, care should be exercised when the results of this study are used as a basis for naturalistic generalisation.
- In adopting Simon et al. (2009) as a template for the initial analysis, this study does not endorse their study in its entirety. The known limitations of their study have been discussed; the template provided a useful initial platform for the extension of outsourcing governance. Furthermore there may have been alternative ways of examining this issue besides the governance lens.
- It is important to recognise that I previously worked for the organisation under study and was actively involved in the organisation’s offshore activities, and as such may have been too close to the process. As I was known to some of the respondents, there may have been assumptions that, due to my involvement in the initial process, I knew more than I did and they may not have gone into as much detail as they could have done. I sometimes had to remind respondents that no previous knowledge should be assumed.
- As this study is highly UK and India specific, caution is advised about generalising these results to a wider context. It is important to note that there are other offshore locations (countries) of choice due to their close proximity to the client-facing organisation (onshore), in addition to their language and cultural affinities. If this study were to be undertaken with different offshore and onshore countries, the findings may be different.
- In resolving the interplay between the two opposing strands of the strategic objectives (Project 1) and, implementation challenges (Project 2) results from studies from two different organisations were compared. There remains the likelihood that the organisations had different structures which may not have been considered as part of the study. More research could be done across other organisations to obtain more representative results.

- In relation to the literature, the field has evolved and become more diverse resulting in significant change over the past 10 years which may result in some inconsistencies and a limitation of its usefulness.
- Given the self-selecting nature of the interview respondents, coupled with the restriction of the respondents to managerial levels, the results may have been different had other project levels been included in the sample.

4.7.5.4 Future Research

This study presents an excellent starting point that, it is hoped, will inspire further research into governance as coexistence.

Further research could:

- Extend this single case study to a wider audience of IT services organisations with captive offshore subsidiaries, thereby presenting results that have been synthesised from multiple cases that provide a greater representation of the IT services captive offshore industry.
- Investigate the apparent misalignment between corporate governance and project governance.
- Given the significant additions to and refutations of the outsourcing governance maturity model in the study, further studies could be undertaken using real-world cases, within captive arrangements, that could provide a possible expansion and verification of the governance model. These studies could explore, what theories are applicable for:
 - The determinants for the type of relationship and who is involved, at what point in the engagement they are involved in the strategic decision-making process to send work offshore. Four determining factors for sending work offshore have been revealed in this study; it would be useful to find out if there are other determining factors.
 - The existence of contracts and if so, the type of contracts that exist and further testing the linkage between the type of contract and quality-oriented processes.
 - The locations of the team members and the correlation between maturity of governance and the location of the offshore team members. Is there indeed a linkage or is this linkage tenuous, as has been found in the study?
 - Resulting from the dispersed nature of the teams within the organisation, if work sharing issues exist and if so what measures are in place to manage these issues?
 - If time differences become the principle obstacle to efficient coordination of work as a result of the dispersed nature and geographic distance between the teams.

All of these will provide greater insight into the governance maturity levels for captive offshore engagement.

4.7.5.5 Personal Learning

This has been an interesting and enjoyable process which sometimes became overwhelming with the amount of data and literature to be handled. Dealing with grounded theory again presented new challenges, but in a different form: using grounded theory within a single case study presented a steep learning curve. Also, as close interaction with the data is one of the core principles of grounded theory, this presented a challenge when having to “lift” the data to higher levels of abstraction and making sense of the data; sometimes it was a struggle to see the wood for the trees!

The core construct being examined, “governance”, was new and presented another steep learning curve to gain a good understanding of governance itself, and also to be able to understand and apply governance to the concept of offshoring. The learning process was sometimes frustrating, but overall incredibly enlightening.

4.7.5.6 End Note

As highlighted by this study, captive offshoring bears certain similarities to offshore outsourcing, evident from the data that were in support of the literature. However, fundamental differences remain which have not been appraised in the outsourcing literature to date. It is hoped that this study will offer the avenue for others to undertake further research which will extend the body of knowledge in this domain.

The findings provide support for studies which suggest that the development and implementation of governance processes is a main contributor to the success of outsourcing projects. The success of IT and project governance depends on the level of engagement between the teams, management support and good project management capability, thereby leading to the appropriate application of people-centric governance processes. As Sharma et al. (2009, p. 44) find, “project management, project governance, and IT governance are not the same. However, it is possible to have strong project management and weak project (and indeed IT) governance.” The findings are in support of the idea that changing how offshore projects are governed by the implementation of an appropriate process plays an important part in achieving successful outcomes. This seems a better approach than relying on accidental success to deliver the business objectives.

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Appendices

Appendix A Interview Protocol – Version A

- **Warm-up statement will include:**
 - Personal statement by interviewer
 - Interview outline – confidentiality, consent to the use of a voice recorder, transcript available to review, approximate length of the interview
 - Purpose of the interview in detail – outline, subject matter
 - Could you please tell me your name?
 - Could you please talk me through your career to date?
 - What role do you hold within the organisation?
 - What types of projects have you worked on for the organisation?
 - Could you tell me a little further about your work on this project?
- **Primary Questions:**
 - (1) In your experience as an offshore project manager, what do you perceive the cultural differences to be between the UK and India?
 - (2) What action(s) do they take as a result of these differences?
 - (3) Is there anything else you want to say about managing the cultural differences between the UK and India?
- The above questions may be elaborated and substantiated by follow-up questions, such as:
 - What do you mean by that?
 - Can you explain that further?
 - Can you give me an example?

This will encourage reflection and allow the interviewees to elaborate and demonstrate what their statements mean in practical situations.

Appendix B Interview Protocol – Version B

- **Warm-up statement will include:**

- Personal statement by interviewer
- Interview outline – confidentiality, consent to the use of a voice recorder, transcript available to review, approximate length of the interview
- Purpose of the interview in detail – outline, subject matter
- Could you please tell me your name?
- What role do you hold within the organisation?
- What types of projects have you worked on for the organisation?

- **Primary Questions:**

- (1) In your experience as an offshore project manager, what do you perceive the differences to be between the UK and India?
- (2) What action(s) do they take as a result of these differences?
- (3) Is there anything else you want to say about managing the differences between the UK and India?

- The above questions may be elaborated and substantiated by follow-up questions, such as:

- What do you mean by that?
- Can you explain that further?
- Can you give me an example?

This will encourage reflection and allow the interviewees elaborate and demonstrate what their statements mean in practical situations.

Appendix C Interview Protocol

- **Warm-up statement will include:**

- Personal statement by interviewer
- Interview outline – confidentiality, consent to the use of a voice recorder, transcript available to review, approximate length of the interview
- Purpose of the interview in detail – outline, subject matter
- Could you please tell me your name?
- Could you please talk me through your career to date?
- What role do you hold within the organisation?
- What types of projects have you worked on for the organisation?
- Could you tell me a little further about your work on this project?
- What is your role on the project?

- **Primary Questions:**

- (1) How would you describe your relationship with the offshore team? Level of involvement in decision making?
- (2) Is there a contract in place with the offshore team? Are there jointly agreed performance measures?
- (3) Tell me about your ongoing communication methods with the offshore team?
- (4) How much personal interaction is there between the teams? Are the teams co-located?
- (5) How do you develop the “one team” spirit? What sort of activities are undertaken to build trust between the teams?
- (6) How do you coordinate the flow of work between the teams? Is there an agreed process in place?
- (7) How does the sharing of information work?
- (8) How do you deal with issues as they arise? – can you give me an instance of an issue and how it was resolved? Communication, cultural, organisational.
- (9) How do you stimulate more value input and innovative thinking from the offshore team?

Is there anything else you want to say about the governance of these? – Catch-all questions.

The above questions may be elaborated and substantiated by follow-up questions, such as:

- What do you mean by that?
- Can you explain that further?
- Can you give me an example?

This will encourage reflection and allow the interviewees elaborate and demonstrate what their statements mean in practical situations.

Appendix D List of all Papers

| Authors | Title | Journal | Pub Year | Publication Type | Study Type | Summary of Paper |
|---|---|--|----------|------------------|--------------|---|
| Ahsan,Mujtaba;Haried,Peter;Muster,Martina | Understanding the Relationship between Uncertainty and International Information Technology Sourcing Strategy: a Conceptual Framework | Academy of Information & Management Sciences Journal | 2010 | Peer Reviewed | Conceptual | This conceptual paper investigates how IT managers address and match uncertainty with their IT offshoring strategy. |
| Alter,Allan | Finding Success Offshore | CIO Insight | 2005 | Trade | Practitioner | CIO insight into - companies go offshore to save money but they stay for the service and flexibility. |
| Bhalla,Ajay;Sodhi,ManMohan S.;Son,Byung-Gak | Is more IT offshoring better?: An exploratory study of western companies offshoring to South East Asia | Journal of Operations Management | 2008 | Peer Reviewed | Empirical | This study adopts a quantitative approach to understand broad patterns of offshoring activity by large western companies and to test the link between company performance and the extent of its offshoring focusing on large western companies that offshored various IT-enabled services to South-East Asia. Four patterns of offshoring - Level 1 - 4 (advanced). There was no clear link between across clusters or sectors - this does not mean that offshoring does not benefit the top or bottom line of the company, but rather motivate researchers and companies to better understand the relative benefits of different ways of offshoring including not offshoring at all. The offshore decision needs to be seen in terms of motivation - open markets and understanding when a company should offshore |
| Brandel,Mary | Offshoring Grows Up | Computerworld | 2007 | Trade | Practitioner | This practitioner article traces the origin of offshoring and how far offshoring has come. It also discusses the reasons why organisations choose to offshore their IT to India. |
| Carmel,Erran;Gao,Guodong;Zhang,Ning | The Maturing Chinese Offshore IT Services Industry: it Takes 10 Years to Sharpen a Sword | MIS Quarterly Executive | 2008 | Peer Reviewed | Conceptual | This conceptual article provides an analysis of the Chinese offshore IT services industry, with a focus on the large, dominant players. Potential customer of Chinese offshore provider will need to make trade-offs determined by the attributes of the three types of providers - Multinational ventures, Legacy and New generation. |

| | | | | | | |
|---|--|---|------|---------------|--------------|--|
| Chandrasekaran,N.;Ensing,Geert | ODC: A Global IT Services DELIVERY MODEL | Association for Computing Machinery.Communications of the ACM | 2004 | Trade | Practitioner | This practitioner paper discuss the offshore delivery model for offshore development centers ODC and global development centers GDC between IT vendors and the client. This relationship allows both the client and vendor to focus on their core competencies. This paper also discusses why companies choose the ODC route. |
| Chung,Walter W. C.;Yam,Anthony Y. K.;Chan,Michael F. S. | Networked enterprise: A new business model for global sourcing | International Journal of Production Economics | 2004 | Peer Reviewed | Conceptual | This theoretical paper discussed the challeng of global sourcing which is to have a management in sourcing operations that is difficult to imitate by competitors. Global companies are ow striving to develop a sourcing strategy to support a new businessmodel tat caters for operations in any part of the world. A framework is developed to describe the dynamics of business model. |
| Demirbag,Mehmet;Mellahi,Kamel;Sahadev,Sunil;Elliston,Joel | Employee service abandonment in offshore operations: A case study of a US multinational in India | Journal of World Business | 2011 | Peer Reviewed | Empirical | A quantitative study that statistically analyses job abandonment in a BPO centre in India - an offshore captive centre for a large American insurance company. The study concludes that tenure is negatively associated with abandonment of service. |
| Dhar,Subhankar;Balakrishnan,Bindu | Risks, Benefits, and Challenges in Global IT Outsourcing: Perspectives and Practices | Journal of Global Information Management | 2006 | Peer Reviewed | Empirical | This qualitative study identifies the main risk factors and best practices in global IT outsourcing. Two case studies were analysed using the transaction based theory model. The study concludes that selecting the right outsourcing partner is an important factor in successful outsourcing project - mutual trust and long term commitments is also an important factor. |
| Doh,J.;Bunyaratavej,K.;Hahn,E. | Separable but not equal: The location dete | Journal of International Business Studies | 2009 | Peer Reviewed | Empirical | This quantitative paper draws from research on the unique attributes of services and more recent analyses of the transnational unbundling of business processes to offer a more comprehensive account. A three-dimensional theoretical |

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|---|---|--|------|---------------|------------|--|
| Dossani,Rafiq;Kenney,Martin | Lift and Shift: Moving the Back Office to India | Information Technologies & International Development | 2003 | Peer Reviewed | Empirical | This study reports an exploratory research that uses India as a case study to examine the business, knowledge-related and technological considerations that drive the globalisation of business process fulfillment. It also examines the industry structure that is emerging in India for the work and concludes that regardless of industry sector, it is nearly certain that in terms of its contribution to employment and value addition, the BP industry will soon overtake software. |
| Giroud,Axèle;Scott-Kennel,Joanna | MNE linkages in international business: A framework for analysis | International Business Review | 2009 | Peer Reviewed | Conceptual | This theoretical paper is in response to calls for further research on foreign-local firm relationship, and in particular, their firm developmental potential. This study captures the relevant dimensions of inter-firm linkage intensity and has contributed by presenting a framework of future analysis of inter-firm linkage. The framework extends previous work by developing three key attributes based on critical dimensions, and by intergrating each of these within the context of either individual or multiple relationships between firms. |
| Hahn,Eugene D.;Doh,Jonathan P.;Bunyaratavej,Kraiwinee | The Evolution of Risk in Information Systems Offshoring: the Impact of Home Country Risk, Firm Learning, and Competitive Dynamics | MIS Quarterly | 2009 | Peer Reviewed | Empirical | This quantitative study explores firm-level and environment-level 'push' factors that drive firms to accept increasingly greater degrees of host country risk. The findings are that firm-specific experience and the core 'risk gap' between home and the host country are predictive of companies pursuing progressively riskier locations, but that their effort dissipate as environment-wide experience is incorporated into the model. The analysis suggests that broader dynamics in the competitive environment are powerful contributors to the overall observation that IS offshoring is moving to increasingly high-risk locations. |
| Henley,John | Outsourcing the Provision of Software and IT-Enabled Services to India | International Studies of Management & Organization | 2006 | Peer Reviewed | Conceptual | This theoretical article provides an analysis of the origin and development of the Indian software and IT-enabled services sector. It highlights the political and socio-economic context from which it has grown - in particular, the failure of state-led industrialisation behind high tariff barriers to deliver high rates of economic growth. It concludes by stating that software and IT-enabled services outsourcing is about fundamentally credibility, competence and cost. |

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|---|---|---|------|--------------------|--------------|---|
| Jain,N.;Kundu,S.;Niederman,F. | Offshoring Propensity in Information Technology | Management International Review | 2008 | Peer Reviewed | Conceptual | This conceptual paper examines the dynamics of the offshoring of IT service work.This paper evaluates the IB theories associated with offshoring - institutional theory, transaction cost economies theory and co-evolution theory. |
| Jain,V. | The Expert Opinion | Journal of Global Information Technology Management | 2011 | Academic/Scholarly | Practitioner | Interview with a VP of a service provider that explains, from a vendor perspective, why clients choose to offshore. |
| Javalgi,Rajshekhhar (Raj) G.;Dixit,Ashutosh;Scherer,Robert F. | Outsourcing to emerging markets: Theoretical perspectives and policy implications | Journal of International Management | 2009 | Peer Reviewed | Conceptual | This theoretical paper provides a better understanding of the concepts of offshoring and outsourcing business models; discusses the relevant theoretical perspectives related to outsourcing (RBV, TCE, RDT); presents a taxonomy of outsourcing strategies drawing on the extant literature and discusses public policy implications. |
| Joshi,K.;Mudigonda,S. | An analysis of India's future attractiveness | Journal of Information Technology | 2008 | Peer Reviewed | Conceptual | This paper presents a framework to assess the attractiveness of a target company for offshoring of services which identifies various motivating, inhibiting and facilitating factors that may influence the attractiveness and also provides useful competitor analysis. This study concludes by stating that India is likely to maintain its leading position in the service sector for a long time. |
| Kedia,Ben L.;Mukherjee,Debmalya | Understanding offshoring: A research framework based on disintegration, location and externalization advantages | Journal of World Business | 2009 | Peer Reviewed | Conceptual | A theoretical paper that presents an analytical framework that address the question: why do firms offshore their business functions? This paper proposed that firm embark on offshoring when they perceive three sets of interrelated advantages: siintergration advantages (D), location specific resourcing advantages (L) and externalisation advantages (E). |
| Kelly,S.;Noonan,C. | Anxiety and psychological security in offshoring relationships: the role and development of trust as emotional commitment | Journal of Information Technology | 2008 | Peer Reviewed | Empirical | This empirical longitudinal, qualitative, interpretive study (grounded theory analysis) explores the role of anxiety and psychological security in the development and sustenance of information systems offshoring relationships. Factors such as trust play an important part for 1st generation clients |

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|--|--|---|------|---------------|------------|--|
| Kenney, M.; Massini, S.; Murtha, T. | INTRODUCTION; Offshoring administrative and technical work: New fields for understanding the global enterprise | Journal of International Business Studies | 2009 | Peer Reviewed | Conceptual | This theoretical paper discussed the offshoring of Administrative and Technical Services (ATS) within the IB context. ATS offshoring requires researchers to take into account not only the business imperative of cost-savings, but also a more complex set of underlying factors and potential outcomes. |
| Kern, Thomas; Willcocks, Leslie P.; van Heck, Eric | The Winner's Curse in IT Outsourcing: STRATEGIES FOR AVOIDING RELATIONAL TRAUMA | California management review | 2002 | Peer Reviewed | Empirical | This paper discusses the failure of IT providers to live up to the expectation of the clients once a deal has been sold. Clients need to be careful when selecting a supplier and suppliers should not oversell their capability in order to secure new business. |
| Koong, Kai S.; Liu, Lai C.; Wang, Yong Jian | Taxonomy development and assessment of global information technology outsourcing decisions | Industrial Management + Data Systems | 2007 | Peer Reviewed | Conceptual | Based on the literature review of a range of established theories the major determinants of global sourcing are formulated into an integrated model. It was found that outsourcing decisions can be explained using transaction cost, agency and resource dependence theories. In addition, innovation adoption or diffusion theory can also provide invaluable insight into the outsourcing phenomenon because their determinants and dynamic processes are particularly relevant to decision-making. |
| Kotabe, Masaaki; Murray, Janet Y. | Global sourcing strategy and sustainable co | Industrial Marketing Management | 2004 | Peer Reviewed | Conceptual | This conceptual paper evaluates global sourcing by exploring the potential limitations and negative consequences of outsourcing strategy on a global scale. |
| Kotlarsky, J.; Oshri, I. | Country attractiveness for offshoring and offshore outsourcing: additional considerations | Journal of Information Technology | 2008 | Peer Reviewed | Conceptual | A theoretical paper that is an addition to Johi and Mudigonda's study that two additional factors need to be considered when looking at country attractiveness - clarifying strategic intent and through what means they intend to achieve this strategic intent. |

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|---|--|--|------|---------------|------------|---|
| Kumar, Sameer | An explorative study of established software leaders and their key outsourcing partners | International Journal of Business Performance Management | 2007 | Peer Reviewed | Empirical | This is an exploratory study of the SWOT analysis of the top Indian IT software companies and how they have gone about attracting MNE customers. It concludes that new entrants into the software industry have become very successful in a short period of time - this has been achieved by creating global profiles, stock options, cheap labour and forming alliances as global outsourcing partners. |
| Kundu, Sumit K.; Merchant, Hemant | Service Multinationals: Their Past, Present, and Future | Management International Review (MIR) | 2008 | Peer Reviewed | Conceptual | The conceptual paper reviews the internationalisation of the service industries in both developed and the developing world. |
| Lacity, Mary C.; Willcocks, Leslie P.; Rottman, Joseph W. | Global outsourcing of back office services: lessons, trends, and enduring challenges | Strategic Outsourcing: an International Journal | 2008 | Peer Reviewed | Conceptual | This theoretical study presents lessons learned from the documentation of 20 years research in the rise of globalisation of IT and business services outsourcing. This study documents how organisations have been learning, experientially and often painfully, how to manage back-office outsourcing. |
| Levina, N.; Vaast, E. | Innovating Or Doing as Told? Status Differences and Overlapping Boundaries in Offshore Collaboration | MIS Quarterly | 2008 | Peer Reviewed | Empirical | This is an interpretive case study approach undertaken in a large multinational financial services firm with various divisional headquarters in the United States and western Europe - provides an in-depth examination of the multiple, overlapping boundaries that can impact collaboration in offshore IS development proposing a practical theory-based framework for understanding limit collaboration effectiveness especially in the context of offshore IS development. |
| Levina, Natalia; Su, Ning | Global Multisourcing Strategy: The Emergence of a Supplier Portfolio in Services Offshoring | Decision Sciences | 2008 | Peer Reviewed | Empirical | A qualitative case study paper that investigates global multisourcing supplier strategy for companies and builds a theory. This is the combination of IT and business services from multiple suppliers. Their success is dependent on sourcing process (a set of organisational practices that facilitate discovering new supply opportunities, evaluate suppliers, developing supplier relationships). The paper concludes by identifying the value of multisourcing which should be done in combination with a carefully designed sourcing process. |

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|---------------------------------|--|-------------------------------------|------|---------------|------------|--|
| McCann, Philip; Mudambi, Ram | The Location Behavior of the Multinational | Growth and Change | 2004 | Peer Reviewed | Conceptual | The rationale for this conceptual paper is that while there is a great deal of research into the investment location behaviour of MNEs, the influence of the location analyses familiar to economic geographers and regional scientists in most discussion of MNE location behavior is very limited. Such theories are largely unable to deal with the complexities of the MNE location decision. |
| Mudambi, R.; Venzin, M. | The Strategic Nexus of Offshoring and Outsourcing | The Journal of Management Studies | 2010 | Peer Reviewed | Conceptual | This paper argues that offshoring decisions are closely linked to outsourcing strategies, which are linked with finding the optimal level of control for the firm's activity. This paper is about competing business models in which offshoring and outsourcing are strategies used to orchestrate the firm's overall value chain. Using transactional cost theory, it argues that the firm disaggregates the value proposition and selects the components over which to maintain control. |
| Nachum, Lilach; Zaheer, Srilata | The Persistence of Distance? the Impact of Technology on Mne Motivations for Foreign Investment | Strategic Management Journal | 2005 | Peer Reviewed | Empirical | This quantitative paper examines how variation in the costs of distance, caused by technological developments, affect one aspect of international activity - the rationale for foreign investment. This paper explains why when technology has made it possible to do business at a distance, firms continue to invest overseas. The findings show that technology differently influences the strategic implications of distance across industries. Different investment motivations display varying sensitivity to the costs of distance. |
| Niederman, Fred | International business and MIS approaches to multinational organizational research: The cases of knowledge transfer and IT workforce outsourcing | Journal of International Management | 2005 | Peer Reviewed | Conceptual | This theoretical paper presents a discussion of two areas where IB and MIS researchers each have interests in discovering and inventing new understanding knowledge transfer. IB includes a broad set of increasingly well-understood influences on the factors associated with KT particularly market and country level; MIS contributes include models of mechanisms by which such knowledge can be effectively distributed. In outsourcing especially offshoring, IB contribution include providing a broad set of variables that influence the more general decisions regarding work location. MIS, however, contributes to understanding of the nature of the work, the contrast in infrastructure between nations and a growing literature on IT personnel in general. |

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|---|---|--|------|---------------|--------------|---|
| Olsson, Helena Holmström; Ó Conchúir, Eoin; Ågerfalk, Pär J.; Fitzgerald, Brian | Two-Stage Offshoring: an Investigation of the Irish Bridge | MIS Quarterly | 2008 | Peer Reviewed | Empirical | This qualitative exploratory study investigates two-stage offshoring as experienced by the Irish sites of two large global companies, headquartered in the United States, with significant software development operations. Using a framework derived from relational exchange theory (RET), we conducted multiple case study research to investigate and develop an initial theoretical model of the implementation of this two-stage offshoring bridge model. |
| Palmisano | The Globally Integrated Enterprise | Foreign Affairs | 2006 | Trade | Practitioner | This practitioner paper track the evolution of the MNC from the 19th century and the factors that have enable the growth of MNC and what has influence the global expansion of companies and global collaboration. |
| Ramachandran, J.; Khorakiwala, Habib F.; Rao, Jerry; Khera, Pramod; Dawa r, Niraj; Kalyani, B. N.; Karki, Rajnish | Indian Companies in Overseas Markets: Perspectives, Patterns, and Implications | Vikalpa: The Journal for Decision Makers | 2004 | Peer Reviewed | Practitioner | Practitioner paper discussing the expansion and global competitiveness of Indian companies overseas - the reverse of FDI to India |
| Rangan, Subramanian; Sengul, Me tin | Information technology and transnational integration: Theory and evidence on the evolution of the modern multinational enterprise | Journal of International Business Studies | 2009 | Peer Reviewed | Empirical | This quantitative empirical study central argument is that whereas the conventional MNE was duly concerned with the mitigation of transaction costs in cross border exchange, the modern MNE, enabled by ICT organises international exchange to also push down production costs. |
| Saggi, K. | Foreign direct investment and international technology transfer | The Princeton Encyclopedia of the World Economy | 2009 | n/a | Book | This article examines several questions related to international technology transfer and the relevance of FDI technology transfer from the developed to the developing world. |
| Sia, S.; Soh, C.; Weill, P. | Global IT Management: Structuring for Scale, Responsiveness, and Innovation | Association for Computing Machinery. Communications of the ACM | 2010 | Trade | Practitioner | This paper discussed MNEs global expansion through the use of shared service centres, IT centres of excellence and IT value managers. |

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|---|--|--|------|--------------------|-----------|--|
| Simon,J.;Poston,R.;Kettinger,B. | Creating Better Governance of Offshore Services | Information Systems Management | 2009 | Peer Reviewed | Empirical | A case study based approach that look at IT governance in offshore services. The paper argues that relationship management and performance monitoring are two critical components of IT governance. The study identified 9 practices that may require more management attention. |
| Tang,Linghui;Trevino,Len J. | ICT Development and the Regional vs. Global Strategies of MNEs | Multinational Business Review | 2010 | Peer Reviewed | Empirical | This paper discussed the role of ICT development in the geographic dispersion of FDI. It posits that ICT development in source countries has no or limited impact on overall outward FDI activities, even though ICT development in host countries strengthens their ability to attract FDI over long distances. It is also hypothesised that ICT has a greater impact on FDI between OECD countries than it has on FDI between OECD and non-OECD countries. |
| Ted,Tainyi Luor;Hsi-Peng Lu;Yu-Hui Tao;Lin, Tom M. Y.;Chi-Hsiang Tung | Determinants of Client Intention of Software Outsourcing Vendors: a Model from Taiwan's Financial Industry | Journal of the Academy of Business & Economics | 2008 | Peer Reviewed | Empirical | A quantitative study that statistically analyses client intentions for outsourcing IS services within the financial sector in Taiwan. Three implication were described: Security; trust as a bridge between beliefs and intentions and a model is proposed for acquiring client intentions. The study concludes by proposing a theoretical-based model to address this issue in the context of the financial industry. The study propoerts to propose useful and proactical findings for IS outsourcing vendors to aquire client's intention to adapt. |
| van Welsum,Desirée;Reif,Xavier | Potential Offshoring: Evidence from Selected OECD Countries | Brookings Trade Forum | 2005 | Academic/Scholarly | Empirical | This paper examines the relationship between the share of employment potentially affected by offshoring and other economic and structural developments, using some simple descriptive regressions on a panel of OECD economies between 1996 and 2003. |
| Westner,Markus;Strahinger,Susanne | Determinants of success in IS offshoring projects: Results from an empirical study of German companies | Information & Management | 2010 | Peer Reviewed | Empirical | This study employs a confirmatory-quantitative research approach to understand the determinants of offshore project success. A model is developed and empirically tested. The model posites a direct effect of offshoring expertise and trust in offshore service provider on success, as well as an indirect effect mediated by project suitability, knowledge transfer and liaison quality. |

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|--|---|-----------------------------|------|--------------------|--------------|---|
| Willcocks,Leslie;Feeny,David;Olson,Nancy | Implementing Core IS Capabilities: Feeny-Willcocks IT Governance and Management Framework Revisited | European Management Journal | 2006 | Peer Reviewed | Empirical | A qualitative case study paper that uses the Feeny-Willcocks framework to understand the resource-based view of firms in undertaking outsourcing arrangements. The paper concludes that core IS capabilities framework producing significantly better results in terms of control of IT destiny, effective working with business units, supplier management, and better control of financial aspects of IT. |
| Yamin,Mo;Sinkovics,Rudolf R. | Infrastructure or foreign direct investment?: An examination of the implications of MNE strategy for economic development | Journal of World Business | 2009 | Peer Reviewed | Conceptual | This theoretical paper discussed the paradox in the relationship between MNE current strategies and economic development. On the one hand there is evidence that the positive development impact of FDI flows is strongly conditional on high levels of human capital and thus on the existence of 'good' infrastructure in recipient countries. This is all linked to the connection between MNE strategies and poverty reduction. |
| Zainulbhai,Adil S. | What executives are asking about India | McKinsey Quarterly | 2005 | Academic/Scholarly | Practitioner | This article focuses on potential obstacles and benefits for multinational corporations interested in investing in India. It states that India is a stable democracy despite its varied segments, and possesses a stable economy. It comments on the continued advancement of economic reforms started in 1991 which are backed by the country's major political parties, but cautions that state-level government regulations can be an impediment to investment strategies. It talks about India's offshoring industry, especially in the information technologies field, and how there is a growing shortage for skilled employees, which has driven up wages for knowledge employees. It comments on India's infrastructure, which needs significant repair after years of neglect. |

Appendix E List of Articles by Literature Domain

| Author(s) | Title | Information Technology | International Business | Strategy |
|---|---|------------------------|------------------------|----------|
| Ahsan,Mujtaba;Haried,Peter; Musteen,Martina | Understanding the Relationship between Uncertainty and International Information Technology Sourcing Strategy: a Conceptual Framework | * | | * |
| Alter,Allan | Finding Success Offshore | * | | |
| Bhalla,Ajay;Sodhi,ManMohan S.;Son,Byung-Gak | Is more IT offshoring better?: An exploratory study of western companies offshoring to South East Asia | * | | * |
| Brandel,Mary | Offshoring Grows Up | * | * | * |
| Carmel,Erran;Gao,Guodong; Zhang, Ning | The Maturing Chinese Offshore IT Services Industry: IT Takes 10 Years to Sharpen a Sword | * | * | * |
| Chandrasekaran,N.;Ensing,Geert | ODC: A Global IT Services DELIVERY MODEL | * | * | * |
| Chung,Walter W. C.;Yam,Anthony Y. K.;Chan,Michael F. S. | Networked enterprise: A new business model for global sourcing | * | * | * |
| Demirbag,Mehmet;Mellahi, Kamel;Sahadev,Sunil;Elliston, Joel | Employee service abandonment in offshore operations: A case study of a US multinational in India | | * | |
| Dhar,Subhankar;Balakrishnan, Bindu | Risks, Benefits, and Challenges in Global IT Outsourcing: Perspectives and Practices | * | * | |
| Doh,J.;Bunyaratavej,K.;Hahn,E. | Separable but not equal: The location determinants of discrete services offshoring activities | | * | |
| Dossani,Rafiq;Kenney,Martin | Lift and Shift: Moving the Back Office to India | * | * | * |
| Giroud,Axèle;Scott-Kennel,Joanna | MNE linkages in international business: A framework for analysis | | * | * |

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| Hahn,Eugene D.;Doh,Jonathan P.;Bunyaratavej,Kraiwinee | The Evolution of Risk in Information Systems Offshoring: the Impact of Home Country Risk, Firm Learning, and Competitive Dynamics | * | * | * |
| Henley,John | Outsourcing the Provision of Software and IT-Enabled Services to India | * | * | * |
| Jain,N.;Kundu,S.;Niederman,F. | Offshoring Propensity in Information Technology Services: A Firm and Country Level Analysis | * | * | * |
| Jain,V. | The Expert Opinion | * | * | * |
| Javalgi,Rajshekhhar (Raj) G.;Dixit,Ashutosh;Scherer, Robert F. | Outsourcing to emerging markets: Theoretical perspectives and policy implications | * | * | * |
| Joshi,K.;Mudigonda,S. | An analysis of India's future attractiveness as an offshore destination for IT and IT-enabled services | * | | |
| Kedia,Ben L.;Mukherjee,Debmalya | Understanding offshoring: A research framework based on disintegration, location and externalization advantages | * | * | * |
| Kelly,S.;Noonan,C. | Anxiety and psychological security in offshoring relationships: the role and development of trust as emotional commitment | * | | |
| Kenney,M.;Massini,S.;Murtha,T. | INTRODUCTION; Offshoring administrative and technical work: New fields for understanding the global enterprise | * | * | |
| Kern,T;Willcocks,L P.;van Heck,E | The Winner's Curse in IT Outsourcing: STRATEGIES FOR AVOIDING RELATIONAL TRAUMA | * | | * |
| Koong,K S.;Liu,Lai C.;Wang,Yong Jian | Taxonomy development and assessment of global information technology outsourcing decisions | * | * | * |
| Kotabe,M;Murray,J. Y. | Global sourcing strategy and sustainable competitive advantage | | * | * |

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|--|--|---|---|---|
| Kotlarsky, J.; Oshri, I. | Country attractiveness for offshoring and offshore outsourcing: additional considerations | * | * | * |
| Kumar, Sameer | An explorative study of established software leaders and their key outsourcing partners | * | * | * |
| Kundu, Sumit K.; Merchant, Hemant | Service Multinationals: Their Past, Present, and Future | * | * | * |
| Lacity, Mary C.; Willcocks, Leslie P.; Rottman, Joseph W. | Global outsourcing of back office services: lessons, trends, and enduring challenges | * | * | * |
| Levina, N.; Vaast, E. | Innovating Or Doing as Told? Status Differences and Overlapping Boundaries in Offshore Collaboration | * | * | * |
| Levina, Natalia; Su, Ning | Global Multisourcing Strategy: The Emergence of a Supplier Portfolio in Services Offshoring | * | * | * |
| McCann, Philip; Mudambi, Ram | The Location Behavior of the Multinational Enterprise: Some Analytical Issues | | * | * |
| Mudambi, R.; Venzin, M. | The Strategic Nexus of Offshoring and Outsourcing Decisions | | * | * |
| Nachum, Lilach; Zaheer, Srilata | The Persistence of Distance? the Impact of Technology on MNE Motivations for Foreign Investment | * | * | * |
| Niederman, Fred | International business and MIS approaches to multinational organizational research: The cases of knowledge transfer and IT workforce outsourcing | * | * | |
| Olsson, Helena Holmström; Ó Conchúir, Eoin; Ågerfalk, Pär J.; Fitzgerald, Brian | Two-Stage Offshoring: an Investigation of the Irish Bridge | * | * | |
| Palmisano | The Globally Integrated Enterprise | * | * | * |
| Ramachandran, J.; Khorakiwala, Habil F.; Rao, Jerry; Khera, Pramod; Dawar, Niraj; Kalyani, B. N.; Karki, Rajnish | Indian Companies in Overseas Markets: Perspectives, Patterns, and Implications | * | * | |

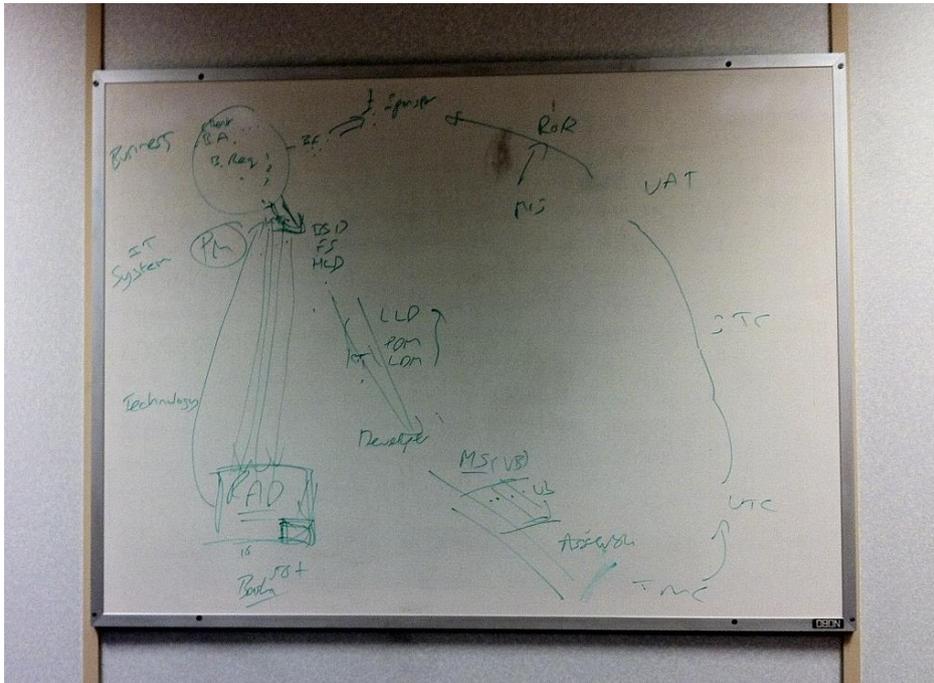
Appendix F Key Themes

| Description | | | Factors | | | | | | | | | |
|---|----------|--------------|---------------|-----------------|-----------------------|----------|-------------------|-------------------|------------|------------------------|----------------|----------------------|
| Authors, Primary | Pub Year | Study type | Human Capital | Strategic Focus | Competitive Advantage | Location | Supplier Services | Outsourcing Model | Innovation | Operational Efficiency | Cost Reduction | Trade Liberalization |
| Ahsan,Mujtaba;Haried,Peter;Musteen,Martina | 2010 | Conceptual | | | | √ | | | | | | |
| Alter,Allan | 2005 | Practitioner | | √ | | √ | √ | √ | | √ | | |
| Bhalla,Ajay;Sodhi,ManMohan S.;Son,Byung-Gak | 2008 | Empirical | | | | | | | | √ | | |
| Brandel,Mary | 2007 | Practitioner | | | | √ | | | | | √ | |
| Carmel,Erran;Gao,Guodong;Zhang,Ning | 2008 | Conceptual | | | | √ | | | | | | |
| Chandrasekaran,N.;Ensing,Geert | 2004 | Practitioner | √ | √ | | | | | | | | |
| Chung,Walter W. C.;Yam,Anthony Y. K.;Chan,Michael F. S. | 2004 | Conceptual | | | √ | | | | | √ | | |
| Demirbag,Mehmet;Mellahi,Kamel;Sahadev,Sunil;Elliston,Joel | 2011 | Empirical | | | | | | √ | | √ | | |
| Dhar,Subhankar;Balakrishnan,Bindu | 2006 | Empirical | | √ | | √ | | √ | | √ | √ | |
| Doh,J.;Bunyaratavej,K.;Hahn,E. | 2009 | Empirical | | | | √ | | | | | | |
| Dossani,Rafiq;Kenney,Martin | 2003 | Empirical | √ | √ | √ | √ | | √ | | √ | | |
| Giroud,Axèle;Scott-Kennel,Joanna | 2009 | Conceptual | √ | √ | | √ | | | | | | |
| Hahn,Eugene D.;Doh,Jonathan P.;Bunyaratavej,Kraiwinee | 2009 | Empirical | | | √ | √ | | √ | | | | |

| Description | | | Factors | | | | | | | | | |
|---|----------|--------------|---------------|-----------------|-----------------------|----------|-------------------|-------------------|------------|------------------------|----------------|----------------------|
| Authors, Primary | Pub Year | Study type | Human Capital | Strategic Focus | Competitive Advantage | Location | Supplier Services | Outsourcing Model | Innovation | Operational Efficiency | Cost Reduction | Trade Liberalization |
| Henley, John | 2006 | Conceptual | √ | | | √ | | | | | | |
| Jain, N.; Kundu, S.; Niederman, F. | 2008 | Conceptual | √ | | √ | | √ | | | | | |
| Jain, V. | 2011 | Practitioner | | | | √ | √ | √ | √ | √ | √ | |
| Javalgi, Rajshekhar (Raj) G.; Dixit, Ashutosh; Scherer, Robert F. | 2009 | Conceptual | √ | | √ | √ | | | √ | | √ | √ |
| Joshi, K.; Mudigonda, S. | 2008 | Conceptual | √ | | √ | √ | √ | | | | √ | √ |
| Kedia, Ben L.; Mukherjee, Debmalaya | 2009 | Conceptual | √ | √ | √ | √ | √ | | | √ | √ | |
| Kelly, S.; Noonan, C. | 2008 | Empirical | | | | √ | | | | | | |
| Kenney, M.; Massini, S.; Murtha, T. | 2009 | Conceptual | √ | | | | | | √ | | | |
| Kern, Thomas; Willcocks, Leslie P.; van Heck, Eric | 2002 | Empirical | | | | √ | √ | | | | | |
| Koong, Kai S.; Liu, Lai C.; Wang, Yong Jian | 2007 | Conceptual | √ | √ | √ | √ | √ | | √ | | | √ |
| Kotabe, Masaaki; Murray, Janet Y. | 2004 | Conceptual | | √ | √ | | √ | | √ | | | |
| Kotlarsky, J.; Oshri, I. | 2008 | Conceptual | | √ | | √ | | √ | | | | |
| Kumar, Sameer | 2007 | Empirical | | | √ | √ | | | | | | |
| Kundu, Sumit K.; Merchant, Hemant | 2008 | Conceptual | √ | | √ | | | | | | | |
| Lacity, Mary C.; Willcocks, Leslie P.; Rottman, Joseph W. | 2008 | Conceptual | | | | √ | √ | √ | √ | | √ | |
| Levina, N.; Vaast, E. | 2008 | Empirical | √ | | | | | | | | | |
| Levina, Natalia; Su, Ning | 2008 | Empirical | | √ | | | √ | √ | | | | |
| McCann, Philip; Mudambi, Ram | 2004 | Conceptual | | | | √ | | | | | | √ |

| Description | | | Factors | | | | | | | | | |
|---|----------|--------------|---------------|-----------------|-----------------------|----------|-------------------|-------------------|------------|------------------------|----------------|----------------------|
| Authors, Primary | Pub Year | Study type | Human Capital | Strategic Focus | Competitive Advantage | Location | Supplier Services | Outsourcing Model | Innovation | Operational Efficiency | Cost Reduction | Trade Liberalization |
| Mudambi,R.;Venzin,M. | 2010 | Conceptual | | √ | √ | √ | | √ | | | | |
| Nachum,Lilach;Zaheer,Srilata | 2005 | Empirical | | √ | √ | √ | | | | √ | | |
| Niederman,Fred | 2005 | Conceptual | | | | | | √ | | | | |
| Olsson,Helena Holmström;Ó Conchúir,Eoin;Ågerfalk,Pär J.;Fitzgerald,Brian | 2008 | Empirical | | | | | | √ | | | | |
| Palmisano | 2006 | Practitioner | √ | √ | √ | √ | | | √ | | | |
| Ramachandran,J.;Khorakiwala,Ha bil F.;Rao,Jerry;Khera,Pramod;Dawar, Niraj;Kalyani,B. N.;Karki,Rajnish Rangan,Subramanian;Sengul,Metin | 2004 | Practitioner | √ | | √ | | √ | | √ | | | √ |
| Saggi,K. | 2009 | Empirical | | | | | | | | | | |
| Sia,S.;Soh,C.;Weill,P. | 2009 | Book | | | | √ | | | √ | | | |
| Sia,S.;Soh,C.;Weill,P. | 2010 | Practitioner | | √ | | | | √ | | | | |
| Simon,J.;Poston,R.;Kettinger,B. | 2009 | Practitioner | | | | √ | √ | | | | | |
| Tang,Linghui;Trevino,Len J. Ted,Tainyi Luor;Hsi-Peng Lu;Yu-Hui Tao;Lin, Tom M. Y.;Chi-Hsiang Tung | 2010 | Empirical | | √ | | √ | | | | | | |
| van Welsum,Desirée;Reif,Xavier | 2008 | Empirical | | | | | √ | | | | | |
| van Welsum,Desirée;Reif,Xavier | 2005 | Empirical | | | | | √ | | | | | |
| Westner,Markus;Strahinger,Susanne | 2010 | Empirical | | | | | √ | | | | | |
| Willcocks,Leslie;Feeny,David;Olson,Nancy | 2006 | Empirical | √ | | | | | | √ | | | |
| Yamin,Mo;Sinkovics,Rudolf R. | 2009 | Conceptual | √ | √ | | √ | | | | | | |
| Zainulbhai,Adil S. | 2005 | Practitioner | √ | | | √ | | | | | | √ |

Appendix G Active Engagement Diagram



Appendix H List of Documentation Provided

Document 1 – Inter-Project Agreement (IPA)

Document 2 – Terms of Reference (ToR)

Document 3 – Coding guidelines

Document 4 – The offshore blueprint – divisional handbook

Document 5 – The development process document

Document 6 – The Business Solution Document (BSD)

Document 7 – Quality and project plan

Document 8 – Project Org chart

Document 9 – Project Organisation Governance chart

Document 10 – An example of a functional spec, LLD, test script

Document 11 – Snapshot of the PACE dashboard

Document 12 – Snapshot of the clarifications Jog

Document 13 – Example of project metrics collected – testing defect density stats, dev. stats

Document 14 – Higher Level Design (HLD)

Document 15 – Sample of code review log

Document 16 – Offshore calculator

Appendix I Terms of Reference – ToR

Date: 21 April 2011

To: xxx xx

Copy to: [QA], xxx xxx xx

From: xxx / Delivery Manager

Subject: Project Manager's Terms of Reference

Project: xxxx xxxx

Customer: xxxx

Project description: xxxxxxxx is using XxxIT Services for developing and managing the new cancer centre campus which is scheduled to go live on 03 April 2012. Stream 3 – Patient Portal and Stream-2 Scheduler will primarily be developed by Offshore Xxxin Chennai. Also, some of the interface work for Stream 2 and Stream 1 Check and Track will be developed by offshore staff based initially in the UK. There is a high degree of probability that scope will further expand for the offshore work in the same domain.

These ToR apply from [21 April 2011] until [31 Dec 2011].

As Project Manager you will report directly to [xxxx xxx] as Line Manager.

Your primary responsibility is to manage this project in accordance with the Cortex “Manage Projects” key process area process description.

You will study and be familiar with the contents of the contract and bid file. Contract issues and any contractual disputes must be referred to [xxxx xxxx / Delivery Manager].

Your specific responsibilities include the following:

1. Business management

- ensure that XxxPS India fulfils all its contractual obligations to XxxUK in a professional, cost effective and timely manner
- establish and maintain good working relationships with XxxUK, suppliers and other stakeholders
- identify potential incremental business with the end customer work closely to help the account management team in winning the business
- establish and ensure XxxPS India meets the XxxUK expectations and agreed acceptance criteria, and thereby to secure XxxUK satisfaction.
- ensure that project change is properly managed with cost and timescale adjustments passed on to the customer using an agreed procedure

2. Project management

- organise the project appropriately for delivering the contract
- to be a single point of contact for all project-related activities and responsible for end-to-end delivery of project with respect to the XxxPS scope of work
- to take ownership in project planning, tracking, controlling the scope, schedule, cost
- to coordinate with all internal stakeholders like, development factory, test factory and ensure the roles and responsibilities are clearly defined for each stream
- obtain commitment to resources and manage resources assigned to the project. All team members must be given an appropriate induction to the project (and where necessary, any applicable training)

- ensure that the relevant stakeholders for all phases of the project lifecycle are identified and involved as and when required; and obtain their formal commitment to all applicable decisions and necessary obligations to the project
- produce project and quality plans as defined in the project monitoring profile summary section below, and ensure that the project is managed accordingly. Ensure, through delegation or otherwise, all quality and control procedures and guidelines (e.g. development process and coding standards) are strictly followed by team members.
- any safety-related issues must be managed with the approval of the XxxSafety Manager. *(If this role is not identified in your subsidiary, contact the Group Systems Safety Manager via group QA.)*
- arrange appropriate reviews of the project to coincide with the agreed key risk milestones, for example:
 1. Project start-up
 2. Functional specification completion for each of the phases
 3. Design completion for each of the phases
 4. Development and Unit test completion for each of the phases
 5. System testing completion for each of the phases
 6. Integration testing
 7. UAT
 8. Installation and roll out
 9. Go live support
 10. Warranty
 11. Transition
 12. Project closure

Details of the actual key milestone reviews applicable to / agreed for this project must be shown in the project plan, together with the planned dates for these

- obtain acceptance certificates from the customer for all deliveries
- manage the project finances in accordance with the relevant Xxxcommercial and financial guides and applicable local procedures
- produce [Weekly] project status reports for Xxxmanagement, distributed in accordance with the local instructions for project reporting; and customer status reports [Every Tuesday] (and in the manner agreed by the XxxUK Manager)
- complete staff performance reports for your team at the end of the project, and at appropriate intervals during the project, in accordance with the requirements of the Xxxperformance management system
- Update the project brief, if required.
- record delegation of work, and the subsequent satisfactory completion of such work packages
- record the details of all key decisions made during execution of the project, together with the criteria and rationale used
- generate and maintain the risks register and proactively manage threats to avoid additional risks
- capture, store and analyse standard project and process metrics (as defined for all the subsidiary or business unit activities). In addition, define and agree any project-specific

metrics to be collected and ensure that these are gathered at appropriate points in the life of the project. [The metrics shall be stored in iPEX.]

- ensure that arrangements are made for deputising in your absence
- produce and publish agreed minutes of all formal meetings with the customer, suppliers and other stakeholders
- record all actions arising during the project (including actions that result from a key decision) and track them to conclusion. *Actions that affect the baseline set of plans shall be reported in the project status report.*
- approve all appropriate incoming invoices. *The associated charges must be allowed for in the project plan (finance plan section), and reported upon in the project status reports (FSR).*
- keep an appropriate archive of all important data, records and decisions relating to delegation of work and key decisions (including correspondence and email), as a controlled part of the project file.
- Given the remote and diverse nature of the team set up, show leadership, initiative, and undertake a positive attitude to motivate team members and to promote offshore delivery.
- Encourage and mentor the team to take ownership, responsibility, and show initiative to improve how the project is run.
- Encourage the team to raise issues openly, and create a collaborative environment to find solutions to problems.
- In addition to adhering to policies and quality standards, show an adaptive, creative, and positive attitude when managing changes to the schedule of work, if and when they arise.

2.1. Change of Project Manager

- any change of project manager is to be agreed with Delivery/Programme Manager
- you agree to support a handover period to the new project manager. The normal handover period is tentatively set as 2 months. You must handover all responsibilities for the project to the incoming programme manager unless specifically defined otherwise in these ToR within this period
- on completion of the handover period the new incumbent will be deemed to be fully responsible for managing and directing the programme/project.

Appendix J Weekly Status Report

| | | |
|--------------------------------|----------------------|-------------------------|
| Project Number and Name | XXXXXXXX | |
| Reporting Period | Customer | Contract/ Number |
| 15 Oct 11 to 21 Oct 11 | Xxx xx | xxx |
| Proposal Number | Business Unit | Project Manager |
| NA | xx | xxx |
| Reporting To | Issue Date | Status of Report |
| xxx | | |
| Distribution | | |
| xxx | | |

Management Overview

It is our best endeavour to make sure that all activity meets the Schedule and Quality.

Summary

- ✓ Week 17
 - Released build to System Test on 13 Oct 11
 - Started ad hoc screens development
 - Developed ad hoc use case “CAT-UC-340 Record on day contact number”
- ✓ Week 18
 - Appeared for Gate3b-SCH and passed
 - Released build for ST drop2
 - PDF reports (letters)
 - Encryption password
 - 4 Reports use cases developed
 - One reports is launched

Highlights

1. Stream 3: Patient Portal Code and Unit Test Progress
 - a. Pending items in progress
 - Access control implementation for one screen (awaiting for clarification)
 - Ad hoc CAT Screens
 - Encrypt Configuration value
 - Defect fixing
 - Help file URL implementation
 - Resource file update
2. Stream 2: Scheduler CUT Progress
 - a. Pending items in progress
 - Print functionality
 - 3 reports yet to be launched (need Rob’s input)
 - Defect fixing

Issues

Pending Items from Various Stake Holders:

1. Need information to launch three reports – xxx
2. Clarifications raised for Ad hoc screens and Reports to be answered – xx/xxx
3. Awaiting clarification to implement access control for one screen – xxx
4. Totally 30 clarifications are yet to be answered

Outstanding clarifications

| Stream | Status | Total |
|--------------------|-------------|-------|
| PP | Open/Reopen | 5 |
| SCH | Open/Reopen | 0 |
| Ad hoc and Reports | Open/Reopen | 25 |
| Grand total | | 30 |

Information

Overall – 4 weeks behind schedule because:

- a) Above mentioned (Sec 1.3) pending issues from various stake holders
- b) Developers involved in unplanned activities mentioned sec 1.2.3

Actions Taken to Recuperate Setback:

- a) Working extra hours daily and working weekends and public holidays.
- b) Providing incentives and motivating team members to reach timeline and keep up the tempo.
- c) It will be our best endeavour to finish per revised plan/schedule but we cannot guarantee.

| Status Type | RAG | Issues / Reasons (if not GREEN) |
|--------------|-------|--|
| Risk | AMBER | Due to outstanding issues, it is very critical to cover all ad hoc screens for next build on 28 Oct 11 |
| Control | GREEN | |
| Client | GREEN | |
| Quality | GREEN | |
| Major Issues | AMBER | Issues sec 1.3 |
| Overall | AMBER | Due to major issues occurred |

Contract Status and Amendments

Progress on Plan

- Defect fixing
- Complete reports launch
- Ad hoc screens development
- Next build on 28 Oct 11

Effort Status Reports

We are not producing EVC for the following reasons

1. Unplanned activities are more and planned activities are less. Hence there is no much earned in planned value
2. EVC cannot come to 100% though the plan date come to an end and due to outstanding issues mentioned in sec 1.3

General Comments NA

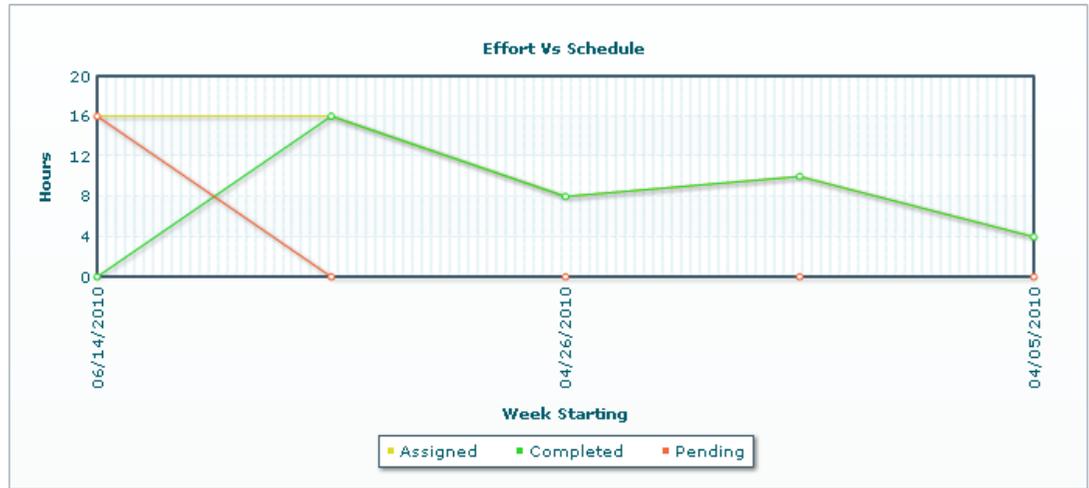
Appendix K Project Dashboard Example

PACE – Project Dashboard example:

Project Dashboard

Project Name:





Appendix L Clarification Log

| Date | Query/Issues | (H, M, L) | Use case name | Affected Programs/ Modules/ Section | Opened By | Resolution / Solution / Answer | Owner (To fix) | Fixed by | Last updated on | Closed Date | Status |
|--------|--|-----------|---|-------------------------------------|-----------|--|----------------|----------|-----------------|-------------|--------|
| 20-Jun | We would like to know how the eGate interface Engine is working currently. | Medium | Not Applicable | NA | | Have emailed eGate PDF. This will help. Else it's a case of training using eGate | | | | | Closed |
| 20-Jun | On which server the interface is hosted (For eg: Tomcat, JBOSS, IIS). | Medium | Not Applicable | NA | | None. | | | | | Closed |
| 20-Jun | Are the points covered under management summary context needs to be developed as part of interface development or some of them are already developed in the existing system | Medium | Not Applicable | NA | | majority already exists | | | | | Closed |
| 20-Jun | Please share the URL to access the existing systems which were already developed. For Ex:-Patient Kiosk, outpatient scheduler, CDR and carecast. If the messaging is happening between these systems then we request you to provide us the code base | Medium | Not Applicable | NA | | Once UCLH token is sorted then only you can see some of these apps | | | | | Closed |
| 20-Jun | There are 5 different applications discussed in the document. They are Outpatient Scheduler, CDR, Carecast, Patient Kiosk, egate Interface. If I understand correctly, the interface being developed will be integrating all the applications. There is little information about the Outpatient scheduler through the points 2.1 to 2.4 but was mentioned in the scope. Can you please share any document regarding the different projects. | Medium | 300201 - 009 (0.2) Cancer Centre Interface Integration FS.doc | 2 Management Summary and Context | | Haresh ask John Dunne for more information on scheduler. I do not know much about it <i>The documentation for op scheduler is on the eCarelogic Development Share - Sailaja should be able to point you in the right direction. It has the data model (both Logical and Physical)</i> | | | | | Closed |