Outsourcing of Development: Cross-Cultural Challenges

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Presentation Outline

• What is ?

• Some benefits and risks in global software outsourcing relations

• Cross cultural challenges : 3 cases, 3 arenas

• Learnings

• My project
Global Software Development: Features

- **Early 1990s:** From OECD countries to "three I's" as exporters

- **GSA (Global Software Alliances) =** relationship between 2 entities across geographical borders for software development in both real and asynchronous time. Electronic spaces and physical place.

- **A dynamic context of varied work**
  IT Enabled Services…….S/W dev……..Creative problem solving

- **Reasons for importance:** globalization processes, cost considerations, new markets, building expertise, network nature of business
Changing Business Models

- Onsite: "body shopping" in the eighties
- Offshore-Onsite mix– Vendor-contract
- Global offshore development centres
- Subsidiaries/Joint ventures/Take-overs
- All have implications on kinds of:
  - work
  - technologies being developed
  - pricing models
  - people-related issues
- Network of relationships
Offshoring? Outsourcing?

- **Outsourcing** = purchase of goods or services previously produced internally, from other firms.

  Global Offshore Outsourcing = When organizations cross their national borders to obtain these goods/services.

  Nearshoring = when work is sent to a firm, located geographically close to the client or customer.

- **Onsite** = co-located working at the customer’s premises.

- **Offshore** = work at the vendor’s location (offshore development centres)
Benefits and Risks in Outsourcing Relations

- Access to skilled workforce
- Development costs
- Time to market
- Focus on core business
- Quality
- Communication challenges
- Hidden costs
- Political environment
- Attrition
- Security concerns
Management Challenges Researched

• Challenges of managing
  • Cultural differences
  • Knowledge sharing
  • Onsite-offshore mix
  • Communication
  • Mobility
  • Process of relationship building
  • Identity of knowledge workers
  • Quality
Why is Culture a Challenge in Global Software Alliances (GSA)?

“Collective programming of the mind that distinguishes one group of people from another” (Hofstede, 2005).

• Technical, knowledge-intensive, multiplicities, ICTs mediated nature of GSA work

• Migratory & non-migratory knowledge in GSA

• Shifting cultural contexts → different world views

• Different working styles

• Challenges/tensions/learnings are unique
Norway – India & Russia Global Software Alliances (GSA)

1. GSA relation: Norway → Russia
   • Norwegian client, Russian contractor: Redesign of payroll mgmt. system

2. Distributed team in power-auto. transnational research org.: Norway, Sweden, Germany, India
   • Support s/w dev. Create a prototype & evaluate technological solution for specific PowerAuto applications

3. GSA relation: Norway → India
   • Norwegian client, Indian contractor: High end Web development

*Mix of data collection methods used*
Cross-Cultural Challenges

1. Communication

2. Knowledge Sharing

3. Project Management
Communication

Definition:
Process by which information is transmitted & received, feelings and attitudes of people involved, interpretation of meaning of messages. **Aim**: message is understood and produces a desired response.

Issues

- **Content & process**: Language, accent, words & terms (e.g., *bilgodtgjørelse*), sometimes “just a voice”, silence.

  egs. “Yes”, “Go on”, “Respond when you are free.”
  “native place”

- **Channels**: *Lotus notes, chats, e mails, telecons, videocon.*
Understanding Communication Challenges

• **High and low context cultures** - explicit and implicit meanings in collectivist vs individualists cultures

• **Structures of authority**: hierarchical vs flat

• **Communication channels** - related to stages of relationship & cost
Knowledge Sharing

• **Definition: Various**
• **Processes** through which information and knowledge is acquired, shared and integrated.
• **Forms** of knowledge: *Domain* (e.g. Norwegian tax- & salary rules), *methodologies* used (e.g. developing estimates), *products* and *tools* (e.g. TestTool).
• **Mechanisms:** individuals movements, written documents, emails, telephone conversations, ICQ chats, project /bug reports.

**Issues**
• Limited domain knowledge/local knowledge
• Lack of precision in sharing knowledge
• Tacit/unsaid knowledge
Project Management

Formal (and also informal) routines and procedures for application of knowledge, management of skills, use of tools and techniques for project activities.

Issues

• Document interpretation
• Movement of key people
• Project reporting
• Different interpretation of the project’s phases
• Delayed information about time overruns
Learnings

• ‘Cultural programming’ is deep rooted

• Interpretations are key in communication exchanges - a negotiated process

• Cannot be ”eliminated” through superficial, cultural training : Soft skills are hard!

• Implications for team members and managers

• Norwegian-Other outsourcing relationships are challenging, but not insurmountable!
Some Conclusions

• Global software development – a trend which can’t be ignored, has to be engaged with (US election debates)
• Many new opportunities, with their own challenges and risks
• Needs a multi-level approach, involving various stakeholders
• Shift from ”north-south” to network based collaborations..’reverse colonization’
My project: Research questions

• *How do GSOs create social and symbolic frameworks for IT employees?*

• *How do these interact with the construction, expression and redefinitions of individual selves and identities of these workers?*

• *What are some practical implications of the understanding of identity for GSOs, IT workers or the IT industry?*
Some Findings

• GSOs as a ‘glocal’ workplace reflect the dynamics of the global-local dialectic, in their physical and corporate structures, policies and practices.

• IT workers in GSOs reflexively aim to preserve a sense of ‘ontological security’ and realize their ‘project of the self.’

• Corporate cultures, cultures of software work, national and organizational cultures and primordial cultures intersected with each other influencing identity constructions of workers.

• Identity work in GSOs has business implications.
Some References


Thank You!