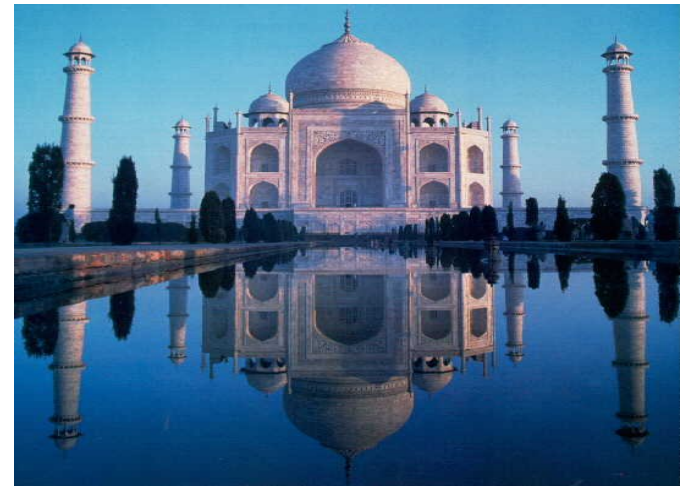




# Outsourcing of Development: Cross-Cultural Challenges

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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, vidoecon.*



## 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.**



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***Thank You!***