Key factors for successful offshore outsourcing projects

A case study of an IT-company

Magisteruppsats / Master Thesis
Mikael Holmberg 790724
Kandidatuppsats / Bachelor Thesis
Philip Bäckman 820907
Daniel Tonnby 820109

Handledare / Tutor:
Olle Westin

Preface

The authors would like to grasp the opportunity to express our gratitude to people that have been of certain help and importance for the completion of this thesis. First of all, we would like to thank our tutor, Olle Westin, who has been of great help during the whole writing process, criticizing and suggesting various improvements as well as inspiring us. Secondly, we also wish to express our appreciation to lecturer Urban Ask of the Management Accounting Group at Gothenburg School of Business, Economics and Law and Magnus Eriksson of Chalmers University of Technology, who both helped us with valuable insights and shared their experiences from offshore operations.

Last, but far from least, we also would like to thank the personnel at our case-company, who let us conduct interviews and gain for this thesis vital and invaluable information. We express certain gratitude to our contact persons at our case company, who helped us set up and schedule the conducted interviews.

Altogether, the process of writing this thesis has been an interesting, instructive and amusing time. We have gained insight into a problem area that is present in many companies today and is also an issue of current research. Hopefully, this thesis will intrigue the reader, encouraging him to find out more about the complex area of offshore implementations and operations.

Gothenburg, January 2007

Philip Bäckman   Mikael Holmberg   Daniel Tonnby

Abstract

Authors: Philip Bäckman, Mikael Holmberg and Daniel Tonnby
Tutor: Olle Westin
Title: *Key factors for successful offshore outsourcing projects - A case study of an IT-company*

Background: In the last decade the IT outsourcing industry has faced substantial changes due to the digital revolution and the dramatic fall in international telecommunications. The new situation has created a trend in IT outsourcing called offshoring. The term offshoring refers to outsourcing to another country, commonly low-wage countries such as India or China. The authors of this thesis were contacted in November 2006 by representatives of our case-company and learned that they were interested in reviewing their IT offshoring projects. The following questions were asked:

– *What specific problems occur when working with offshoring projects?*
– *What factors are central for an efficient work-process in offshoring projects?*
– *How can the problems at the case-company office be dealt with?*

Purpose: The purpose of this thesis is to *map out the problems and challenges that managers and team members working with offshore projects face in their daily work and to make suggestions on how these problems can be dealt with.*

Perspective: The thesis is a case study of an IT-company and is therefore strongly tied to the work-processes of the specific case-company. The focus is on IT outsourcing offshore with its specific problems, such as non-collocated teams etc. Thus, it does not focus on the common problems of working together in a team and problems with lack of good management.

Method and Theory: The thesis is conducted with exploratory, hermeneutic and abductive approaches. The primary data is collected from interviews with the personnel and the secondary data is gathered from literature and journals. The thesis has been conducted with focus on the factors discussed within the Offshore Project Success Model derived from scholars Balaji and Ahuja.

Result, Analysis and Conclusion: When interviewing the personnel different aspects and difficulties connected to offshore operations appeared, especially with the planning, implementation and knowledge integration phase of the offshore resources. It seemed like the process had been carried out without clearly defined targets and evaluations, which has resulted in uncertainties at the management level considering the success-level of the projects. The conclusion of the thesis focuses on three main problem areas, namely; *team/team communication*, *corporation/office communication* and *education and implementation support*, discussing the certain problems connected to these areas as well as presenting recommendations for solving them.

Suggestions for further research: Cost-calculations and risk management connected to offshore operations or a social study of the employees' attitudes and reactions towards offshore operations would be of interest.

Table of contents

1 Background, Research Problem & Purpose

1.1 Background

As the global competition between companies of all fields constantly is growing fiercer, the need for business efficiency within the companies is growing at an even faster pace. As a result, companies are narrowing down their field of business to the so-called core-business. This is done by turning over activities performed internally in the company to an external part, which for payment provides the organization with the activities during an agreed period of time. The term used to describe this action is *outsourcing*. The main reason for outsourcing is to concentrate their efforts on the core-business, however, there are also other reasons; e.g. sometimes the companies do not possess the knowledge and expertise needed to carry out certain parts of their business and thus, need to get this from an external consulting company. Moreover, the fact that outsourcing could mean cutting cost greatly for a company has boosted the outsourcing trend. [1]

One of the largest markets for outsourcing is the Information Technology (IT) industry. The IT department was one of the first parts of organizations that was outsourced and for many years selected IT functions and projects have been turned over to specialized companies, which provide the services at a lower price.[2]

In the last decade the IT outsourcing industry has faced substantial changes due to the digital revolution and the dramatic fall in international telecommunications. The global society that has emerged makes it easier for companies to communicate around the globe and to transfer money, goods or personnel over borders at reasonable costs. It has made it possible to locate work, which only requires a telephone and a computer, in other countries around the world. [3] The new situation has created a trend in IT outsourcing called offshoring. Offshoring is the term used when referring to outsourcing to another country, commonly low-wage countries such as India or China. The primary driver of offshoring is the low labor cost in these countries and consequently the ability to carry out the same tasks at a cheaper price than at the country of origin. Other benefits are improved flexibility, longer operating hours and reduced time to complete the work due to the ability to take advantage of the time difference in various regions around the world.[4]

Today many companies have realized the cost benefits of offshore outsourcing to low-cost locations and the trend is becoming a part of modern management.[5] This is especially true for international companies specialized in IT outsourcing, such as our case-company which will be described further on in this chapter. The company has chosen to be anonymous, they will therefore be referred to as company X rather than their real name. For company X and other IT outsourcing companies the trend of offshoring has created new situations and challenges for managers and employees within the companies. Today many project-teams

---

[1] Augustson, M., & Bergstedt Sten, V. (1999). pp.13-15
[2] Pfannenstein, L., & Tsai, R. (2004). pp. 72-74
[3] Agrawal, V. (2003). pp. 25-26
[4] Pfannenstein, L., & Tsai, R. (2004). p. 73
[5] Robinson, M. & Kalakota, R. (2005). p. 3

consist of employees located in different parts of the world and this sometimes leads to frustration, which springs from problems such as ineffective communication, time differences, and cultural differences.[6] Although a number of studies have been made on the decision to outsource offshore or not, post-studies on how to manage offshore teams successfully are found more sparsely. However, a study made by Balaji and Ahuja deals with the subject and proposes a knowledge integration approach in the search for offshore projects' efficiency. Our thesis deals with problems and challenges that occur for managers and team members in working with offshoring projects. The model supplied by Balaji and Ahuja will be used as a theoretical framework when analyzing and mapping out new challenges in the work-process in company X.

1.2   Presentation of the case company

Our case company is one of the Swedish offices of a global IT-company. The company is one of the major actors in the technology services business and provides IT and business outsourcing services to various corporate and governmental clients in the US, Europe, the Middle East and Africa, and the Asia Pacific region. As for the Swedish office it has one major customer in Sweden. The company offers services such as, application maintenance and development, business process outsourcing and infrastructure, including desktop services, hosting storage and networking etc. The services are provided from onshore, near-shore and offshore locations enabling the company's clients to quickly respond to an ever-changing market, thus increasing their competition. The global presence of the company is a further advantage, providing the capacity and capability to serve their clients around the world.[7] The company also provides help with defining business targets, developing strategies and finding suitable technical systems.[8] The case company will, due to confidentiality issues, be referred to as company X in this thesis.

1.3   Problem discussion

In November 2006 we were contacted by company X and learned that they were interested in reviewing their offshore projects. With the new offshore projects a new situation had arisen for many of the managers and employees at the office. They were now going to work in teams consisting of new members from offshore locations. This was part of the general strategy of the company and had been implemented at several offices around the world. At the time we met with our contact persons the projects had been running for a while and had been meet with mixed attitudes by the employees. Some projects were viewed as problematic and others seemed to work relatively smoothly. In the more problematic projects the managers had problems with ineffective communication, lack of time and they where questioning the long-term cost-benefits of offshoring. There were no clear answers to why some projects were viewed as problematic and others not. Our contact persons expressed that they wanted to evaluate the projects and find out the factors that make the work-

---

[6] Brett, J., Behfar, K., Kern, Mary C., (2006) p.86
[7] The case company's global homepage (2006-11-24)
[8] The case company's Swedish homepage (2006-11-24)

process in offshore outsourcing projects efficient. They also wanted to pin-point the specific problems that occur when working in offshore projects and how to deal with them. This led us to the following questions:

- *What specific problems do occur when working with offshoring projects?*
- *What factors are central for an efficient work-process in offshoring projects?*
- *How can the problems at the case-company office be dealt with?*

Our aim with this thesis is to answer these questions and provide a case study of the managing problems that occur specifically in IT offshore projects.

1.4   Purpose

The background and problem discussion above leads us to the purpose of our thesis: *To map out the problems and challenges that managers and team members working with offshore projects face in their daily work and to come up with suggestions on how these problems can be dealt with.*

1.5   Perspective

This thesis is a case study and is therefore strongly tied to the work-processes of the case-company. The primary data of this thesis has mainly been collected from company X. Data from customers, suppliers or competitors, has not been collected.

The focus is on IT outsourcing offshore. It deals with specific problems that occur due to the fact that the members of a team are located in countries with different time zones, languages and culture. The aim is not to focus on the common problems of working together in a team and problems with lack of good management, but rather on the obstacles significant to offshore projects.

2   Research Methods

2.1   Choice of Research

The outcome of research will never be better than the original choice of research approach. This statement highlights an essential part of every study's methodology. Without an accurate research approach the fundamental plan that points the direction for the data acquisition and the analysis of the research object will be disturbed. In order to ensure that the information collected corresponds to the target of the study, the research approach has to be well planned.[9] According to Chisnall, the research design could be classified as exploratory, descriptive, or causal; each having their own characteristics that will have great impact on the final result of the research.[10] Our chosen approach, the exploratory approach, is often used when the purpose of the study is to explore a subject of whom the researcher does not seize the "full picture". When conducting an exploratory research various questions that aim to supply the researcher with the knowledge needed to further investigate the subject are often formed. By doing this the researchers have to have an open approach and be willing to explore new-found territories within the area of interest. This could be used as an approach for an entire study or solely in the early stages of the decision process, when you have little or no information about the research objectives. In that way the result from the exploratory study will result in information needed to identify the real nature of the research problems and hypotheses for later tests.[11] Usually primary as well as secondary data is collected in order to get the information needed.[12] This approach is the most suitable for us since we do not fully grasp every dimension of the researched area. By conducting an exploratory study our understanding of the characteristics connected to the IT offshoring issues grew stronger as more information was collected. As the purpose of this thesis is to map out the specific issues connected to IT offshoring, one might argue that an alternative approach would be preferred. For example, a causal approach would attempt to identify the underlying behavior of e.g. the onshore and offshore staff. A descriptive approach would stem from substantial prior knowledge and would take its form as censuses, public-opinion polls etc., not attempting to identify or explain relationships that may exist between various factors.[13] However, in the light of the complexity surrounding these issues and the fact that there are few general theories addressing solutions to the problems that occur, we believe that the exploratory research approach is the most reliable.

---

[9] Kinnear, T. & Taylor, J. (1996) p. 155
[10] Chisnall, P. (1997) p. 32
[11] Christensen, L. et al (1998) p. 36
[12] Chisnall, P. (1997) p. 32
[13] Ibid.

2.2   Hermeneutic approach

The classic hermeneutic viewpoint states that "*the meaning of one part will only be fully understood by connecting it to its entity*"[14]. This is often visualized as a hermeneutic circle where the observer has to recognize the various parts to see the full circle, as well as the recognition of the full circle will make the observer understand the parts that it is actually made of. Thus, a phrase of a text could not be understood without reading the whole book and a business related problem could not be solved by using a one-dimensional perspective. With this in mind it is only natural for us to use a hermeneutic viewpoint when approaching the types of questions presented in the previous chapter. While the positivistics search for the common empirical foundation that unites all aspects of science, the hermeneutics seek to find ways to explore a problem without being as bound to a certain empirical structure.[15] Considering the purpose of this thesis, the research will be conducted in a hermeneutical way, which means that facts will never be presented without a discussion of the problems involved. To us, multiple perspectives are of outmost importance to get any substantial understanding of the research; hence we aim to present facts as interpretations rather than as the truth.

2.3   Approach

According to Alvesson and Sköldberg, researchers can choose between three types of explanatory approaches when conducting research and drawing inferences; inductive, deductive or abductive. The inductive approach uses the theory as a foundation to explain the reality and by collecting separate observations it tries to understand the general truth. By doing this, the underlying reasons to the reactions observed are sometimes neglected, and the researcher might therefore not grasp the full picture of the researched problem.[16] The deductive approach on the other hand, springs from a general rule of science that is projected at the specific field of research. Naturally, this will not give results as unpredictable as the earlier mentioned approach as it aims to "prove the already proved". However, the deductive approach has its advantages by being relatively easy to use and is often less connected to risk than other approaches.[17] In reality, these two models are not commonly used. Instead the third option, abduction, is the preferred approach in most of today's case study research. This is actually a combination of the other approaches and gives the researcher the freedom to develop the empirical content as well as to adjust the theoretical framework as the research process goes on. By allowing this it is often recognized that the research would be likely to generate a deeper understanding to the field of interest.[18] Abduction is often connected to the hermeneutical viewpoint and is therefore the most suitable approach for this thesis. But what advantages will the abductive approach give us? Well, since it is linked to hermeneutics it gives us a wide range of possible research areas and since the aim of our research will touch upon fields as various as business controlling, human relations, group psychology, and much more this will give us the needed perspective

---

[14] Alvesson, M. Sköldberg, K. (1994) p. 115
[15] Svenning, C. (1996) p. 27
[16] Alvesson, M. Sköldberg, K (1994) p. 41
[17] Ibid.
[18] Alvesson, M. Sköldberg, K (1994) p. 42

to conduct this thesis. This will, however, because of its freedom and lack of logical necessity, force us to challenge our results by controlling it to several cases. In our case, this will be done by doing multiple primary data collection that will be further presented below.

2.4   Data Collection

A condition for any type of academic research is the collection, analysis and presentation of data. Christensen et al states that data could be divided into qualitative or quantitative, depending on its character or in primary and secondary data, depending on how it was collected.[19]

Depending on the nature of the research there could be advantages and disadvantages connected to the use of quantitative or qualitative methods. Quantitative research uses a limited amount of information from a high number of respondents in order to convey this into statistical analysis. The qualitative approach on the other hand, focuses on the information given from a few respondents. This way the researchers could explore the very depths of the information given through interviews of the chosen samples.[20]Given the purpose of this thesis we agreed to merely stick to data of qualitative nature. By doing this we hoped to further generate the exploratory approach mentioned above. This gave us more profound knowledge of the issues as well as the ability to modify the data collecting procedure when necessary. Even though a quantitative data collection alone would not be of any use to this study, one could argue that this might be an interesting complement to our research in the form of a parallel attitude-study among all the employees working with offshore units. However, considering factors such as time limitations and the amount of qualitative interviews, this was never done.

Primary data is data that is collected for the first time in order to answer a question to a previously unanswered problem. This type of data could be collected by methods such as; interviews, observation, experimentation or questionnaires. Even though primary data results in up-to-date information it has its disadvantages as it is often time consuming and expensive.[21] Secondary data on the other hand, has already been collected and presented for other purposes than the researchers' project. This data could be collected from either external or internal sources, and is often useful in the very early stages of the research to get a general picture of a subject in a fast and effective way. The problems connected to the use of secondary data are the lack of relevant, up-to-date information that is suitable for the purpose of the thesis.[22] To get the fundamental knowledge of the issues of interest we started by collecting secondary data, mainly articles, literature, and previous academic reports relevant to this subject. This was also done in order to get acceptable background knowledge as well as to decide which theoretical framework to use. Nevertheless, the major part of the data collected have sprung from primary sources, namely qualitative interviews conducted at company X, but also interviews with initiated researchers and others persons of interest for our study.

---

[19] Christensen, L. et al (1998) p. 46
[20] Holme, I. & Solvang, B. (1997) pp. 76-79
[21] Chisnall, P. (1997) pp. 39, 44-53
[22] Chisnal,l P. (1997) p. 39, 53

2.5   Methods of Communication

When collecting primary data the researcher has to decide which type of method to use. The characteristics of each communication method often vary in the effort put in and the substance returned. [23]

As explained earlier, personal interviews were used when collecting primary data from the employees. Its flexible nature and high possibility to deepen the questions were essential in the data collecting phase of this thesis. The respondents were all aware of the purpose of this thesis when being interviewed. The interviews each took approximately one hour and were based on a template in order to get the same structure of the discussions. However, to make the interviews more profound the questions of the template were not always asked in sequence. They were used as the base of the discussions and the researchers were free to get in-depth on particular interesting subjects. Therefore some of the interviews differ in time and substance, they are, nonetheless, all in the framework set by the structure of the template. The questions were carefully formulated in order to minimize the probability of interpretation differences of the respondents. However, as explained earlier the template gave freedom for some in-depth questions concerning certain subjects.

In order to interpret the material collected from the interviews the recordings were reviewed thoroughly and the main information were selected and organized for further use in the formulation of the result and analysis.

2.6   The Sampling Procedure

Since it is virtually impossible to observe everything and interview everyone connected to the subject, some kind of sampling procedure had to be done. As the choice of respondent has great effect on the results, especially on qualitatively based research, special consideration was taken when deciding which sampling procedure to use.[24]

Kinnear and Tyler identify two types of sampling procedures; Probability or Non-probability procedures. Probability sampling gives each element of the population an equal chance of being selected. The non-probability procedure on the other hand, implies that the selection of elements is dependent on the estimation done by the researcher and are therefore selected based on its suitability for the study.[25] Due to the specific character of this research the non-probability sampling procedure is used. In this way, only respondents believed to give relevant and interesting information was chosen. The selections of the respondents have been made out of the following factors:

---

[23] Molnár, J. Nilsson Molnár, M. (2003) p. 133
[24] Lekvall & Wahlbin (2001) p. 136
[25] Kinnear, T. & Taylor, J. (1996) p. 412

- Good experience or knowledge of the specific issues connected to IT offshoring.
- Responsible for controlling projects or teams related to or located in an offshore location, or working as an offshore resource.
- Available for personal interview in the region.

2.7   Quality of Research

As it is not possible to eliminate all types of errors that arise during the process of research, this study might also suffer from some minor errors. These will therefore be discussed in order to increase the credibility of this thesis.[26]

2.7.1 Sources of Error

Research that has used any sources of error while analyzing a problem will surely have a somewhat disturbed outcome. Figure 2.1 shows five main areas where Lekvall and Wahlbin state that errors usually occur.[27]

Figure 2.1 Sources of Error in the Research Process
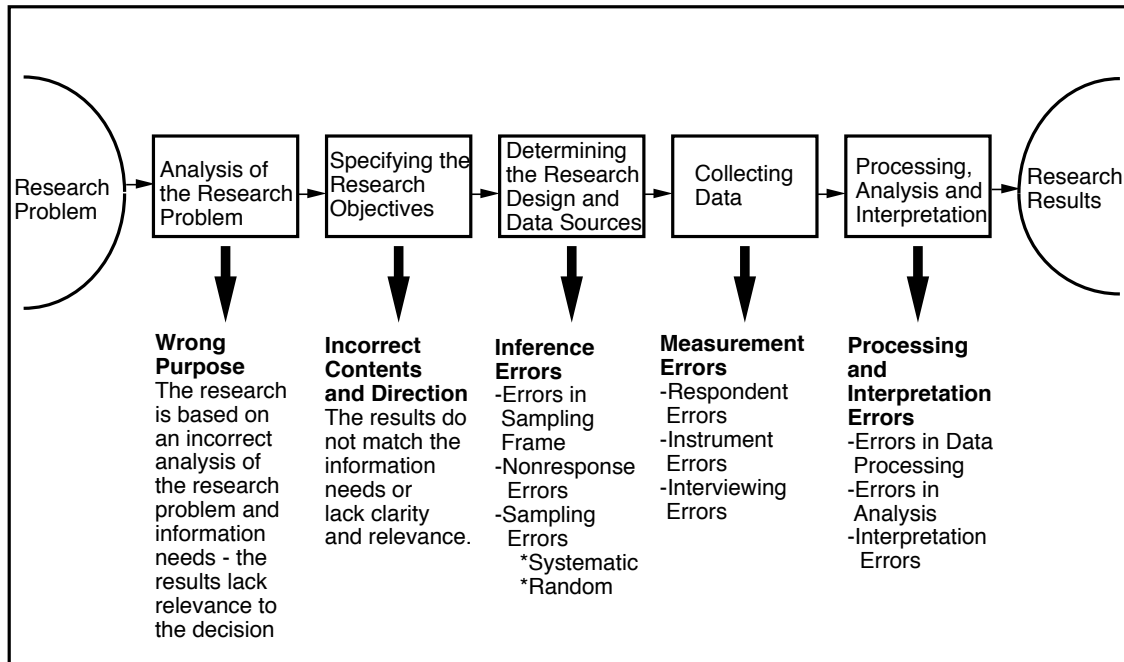
Source: Modified Lekvall & Wahlbin (1993) p. 246

---

[26] Chisnall, P. (1997) pp. 34
[27] Lekvall & Wahlbin (2001) pp. 34

If errors occur in any of the first two stages, the researcher will not find the relative objectives since the desired information has not been correctly defined. The reason for this kind of error is often mistakes when formulating the research problem. Another possibility is that the researcher failed when setting the delimitation of the study; hence irrelevant data have being collected.[28] When determining the research design and data, there is a risk of making errors when making conclusions. These are non-response, sampling errors and errors in the sampling frame.[29] Errors occurring in the next phase, when collecting data, could be either connected to the respondents, the instruments used or the very interviews. These errors make it difficult to measure any relative data.[30] The last phase where errors may appear is during the processing, analyzing and interpretation of the data. This often generates severe errors in the final result of the research. These types of errors are commonly found in studies conducted by researchers not fully informed in the subject investigated.[31]

In order to minimize the risk of errors that Lekvall and Wahlbin describe we have stated a clear purpose for the study and tried to choose information relevant from this standpoint. This was done after discussion within the group and consultation with our tutor, supervisors at the case-company, and others. Inference errors have been minimized by only interviewing respondents with unique experience and knowledge about the subject. To prevent instrument errors we carefully selected the questions for the template after discussing them with our supervisor. Interviews have been recorded and documented in order to eliminate many of the faults connected to processing of data. From this perspective we believe that the results and conclusions are well motivated and based upon relevant data and theoretical foundation.

2.7.2 Reliability

Reliability refers to how reliable the research method and the techniques for collecting data are. This means that a high reliability study will have a result that is fairly unchanged if it was to be conducted a second time. High reliability is a requirement for a research study to gain acceptance.[32]

As explained earlier we have tried to be as objective as possible when collecting and evaluating the data. However, when evaluating and analyzing issues of this nature there are no absolute truths. We have collected information from respondents at different positions of the company in order to seize the full perspective of the area of interest. What we are presenting in the following chapters are therefore our impression and interpretation of the issue rather than hard facts. Consequently, a repeated study might very well result in a different outcome.

---

[28] Lekvall & Wahlbin (2001) p. 246
[29] Molnár, J. & Molnár Nilsson, M. (1999) p. 141
[30] Lekvall & Wahlbin (1993) p. 246
[31] Ibid.
[32] Yin R. (1994) p. 33

2.7.3 Validity

The validity refers to how well the research method measures what it claims to measure. A result might have high reliability, i.e. show the same result over and over again, but this does not say if it actually measures what was intended. The validity has many dimensions. One of them shows how well the result coincides with reality, while other dimensions shows to what extent the results would be transferable to other areas than were originally intended.[33]

In order to establish validity, the models and theories used in this thesis have been carefully discussed within the group and with our tutor and supervisors to ensure that they are relevant to practice. By constructing the questions so they would be able to connect to our theoretical framework we hope that our analysis will be valid. Nevertheless, though our aim has been to conduct a study as valid as possible, one should not neglect the possibility that we are not analyzing what we are claiming. Our purpose is, as earlier mentioned, to evaluate problems connected to the specific offshore activity. However, chances are that our results spring from issues concerning standard organizational behavior rather than to this specific activity.

2.8   Critics of Sources

Our aim was to use as recent sources as possible when collecting secondary data. Due to limitation of time and knowledge, this has not always been the case. However, this should not influence the result in any radical way since the sources referred to should be considered generally accepted and has a low tendency to change over a short period of time. Based on the research problem, we composed questions that were used during the interviews. This is not a guarantee for us having received enough information to give thorough answers to our main problem, since there are always factors that might have been excluded in the discussion with the respondents. Interview errors may have occurred since the interviewer stages the interview and often affects the respondent. Since none of the interviews was done in the exact same way, chances are the result would differ if interviewing once more. There is also the possibility that the respondents were not willing to give us their sincere answers when suspecting that colleagues, seniors or others might view the result, although they were told the material would be classified as confidential. When processing secondary data it is vital to review it critically, given that it is produced without consideration to the use of other researchers. Therefore, we have tried to handle the sources with a critical attitude. Nevertheless, we are aware of the possibility that invalid sources might have influenced us during the process of this thesis. Since the thesis is written at the request of company X, the questions asked to the staff at the company may be angled from the company's perspective. In any case, we hope that the results and conclusion given will be of general interest to anyone familiar with these issues.

---

[33] Ibid.

2.9 Overview of the Respondents

Total anonymity of respondents was followed during the process of this study in order to get as valid and honest answers as possible from the interviews. Figure 2.2 only shows the selected respondents' position, responsibilities, and length of each interview.

Figure 2.2 Overview of the Respondents

Position	Responsibility	Time of Interview
Program Manager Offshoring	Upper level management	45 min
Program Manager	Operational level management	40 min
Program Manager	Operational level management	60 min
Program Manager	Operational level management	45 min
Program Manager	Operational level management	55 min
Team Leader	Operational level management	65 min
Team Leader	Operational level management	55 min
Team Leader	Operational level management	55 min
Team Leader	Operational level management	30 min
Team Leader	Operational level management	30 min
Team Leader	Operational level management	30 min
Offshore Resource	Operational level	35 min

Source: own research

3 Theoretical Framework

3.1 Introduction to Theory Used

This chapter aims to introduce and describe one of the theories around the phenomenon of information technology offshoring, as well as the variables and factors critical for a successful implementation and management of the offshore operations, in order to acquire a suitable foundation for a proper and correct evaluation of the offshore venture. Although a broad background description of the business of and reasons for IT offshoring could be seen as essential, the focus will mainly discuss the area concerning the management of implemented offshore operations. In order for a company to implement and manage an offshore project successfully several factors are of great importance. This chapter aims to explain these factors more thoroughly and detailed from the perspective of the Offshore Project Success Model presented by Balaji and Ahuja.

3.2 The Offshore Project Success Model

The foundation for the theories used in the thesis springs from Balaji and Ahuja's Offshore Project Success Model. This model maps out the different team-level factors that determine whether the outcome of an offshore project is successful or not. By doing in-depth case studies at IT companies' practices and experience the researchers have presented a model consisting of six major parts;

- Offshore Project Success
- Knowledge Integration
- Boundaries
- Portfolio of Controls
- Extent of Technology Used
- Team Structure.

The structure and descriptive nature of this theoretical model enables us to use it in order to describe the company's practices when managing problems connected to offshore projects. The Offshore Project Success Model will now be further presented.

Figure 3.1 Offshore Project Success Model
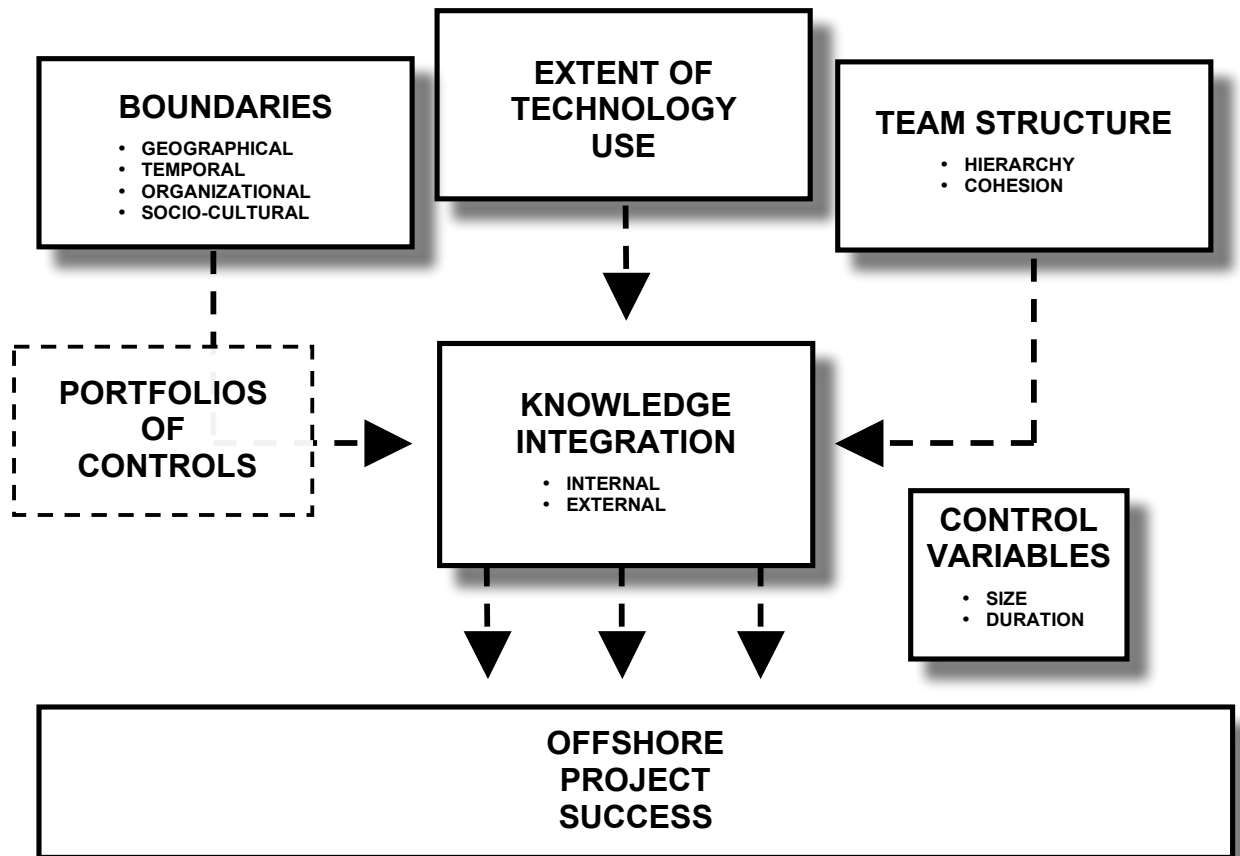
3.3.1 Offshore Project Success

As there are many different kinds of offshore projects, an offshore project success differs from one case to another. However, what they all have in common is a successful implementation of knowledge in an otherwise challenging situation that lack routine decisions.[34] In this way both the onshore and the offshore unit explore new grounds when collaborating towards a common goal. Project success, as it is defined in this model, is; *"satisfaction with benefits from outsourcing gained by an organization as a result of deploying an outsourcing strategy".*[35] This, however, could be measured in how well a specific project fits the company's business needs, how well it reduces costs, the satisfactory level of the end-user, or level of quality improvement. In other words, both subjective and objective measurement instruments could be suitable for the evaluation of success.

---

[34] Balaji. S., Manju K. Ahuja (2005) p. 3
[35] Grover V., Cheon M.J. Teng J.T.C. (1996) pp. 89-116.

The model aims to categorize the critical factors that influence the level of offshore project success. Following this theory, project success is directly connected to the amount of a project's knowledge integration.

3.3.2 Knowledge Integration

Knowledge integration is used as a term for how knowledge is absorbed from an external source, and blended with the technical business skills, know-how, and expertise that already resides in the firm.[36] This means that a high level of knowledge integration within a team would integrate the competence of the stakeholders, i.e. the onshore and offshore team members, in a better way than within a team with lower knowledge integration. Previous researches have shown that knowledge-sharing routines, transparent climate, absorptive capacity of team members, and discouraging of fee-riding, are all important factors of inter-organizational competitive advantage.[37] Dyer and Singh argue that the partner-specific absorptive capacity is a matter of improvement, as it will be enhanced as individuals get to know each other well enough to know who knows what and where critical expertise resides within each company. The authors define the absorptive capacity as the function of the extent to which partners have developed overlapping knowledge bases and the extent to which partners have developed interaction routines that maximize the frequency and intensity of socio-technical interactions. They claim that in many cases this knowledge develops informally over time through inter-firm interactions. Although stated as developing informally there are ways of structuring and increasing the information and know-how exchange, hence the absorptive capacity. Dyer and Singh exemplify this statement by introducing a "communication matrix", which identifies a set of relevant issues and then identifies the individuals within the companies who have relevant expertise in that particular issue.[38] This matrix is of great help as it provides valuable information regarding where expertise resides within the partnering firms or as in the case of this study, the onshore site and the offshore site. As the figure shows, knowledge integration consists of two parts; external and internal knowledge integration. External integration refers to the organization's ability to integrate knowledge from the outside, while internal integration refers to the knowledge between the stakeholders. In the case of an offshore project, external integration would therefore measure the knowledge gained between the onshore and the offshore unit as well as between the project teams, while internal integration would measure the knowledge gained within the teams. The extent of both these factors will significantly impact the outcome of the success rate of the offshore project.[39]

---

[36] Tiwana, A., Bharadwaj, A., Sambamurthy, V. (2003) pp.246-258
[37] Dyer, J.H. Singh, H. (1998) pp. 660-679
[38] Ibid.
[39] Balaji. S., Manju K. Ahuja (2005) pp. 3-4

3.3.3 Boundaries

The boundaries are the barriers that hinder communication between different teams. These boundaries could be of diverse nature, yet they all have to be crossed to accomplish a successful result. Balaji & Ahuja describes four types of boundaries; [40]

1. **Geographical**- boundaries of distance. This is often regarded as a major hurdle, especially in the context of application development. The globalization of IT development has shattered work groups into non-collocated teams all around the globe which makes it very difficult to conduct face-to-face conversation and instruction. As a consequence, the geographical boundary sets the foundation of inter-organizational misunderstanding and time-consuming efforts to communicate.

2. **Temporal**- boundaries due to time. These occur when teams are separated by time-zone differences and are often viewed as one of the key advantages, and sometimes even the very reason, for offshoring. Nevertheless, the practical problems connected to time zone differences, especially during the design and implementation phase of a project, should not be neglected. As the need for communication and collective decision-making rises, the temporal boundaries forces teams in one location to follow the work schedule of another team, even if sited on the other side of the globe. Naturally, this leads to reduced chances of reaching successful results compared with a collocated team.[41]

3. **Organizational**- boundaries due to differences in organization. It is not uncommon that personnel from different organizational backgrounds are put together in the same team. The differences in organizational cultures and practices can inhibit the team's ability to identify themselves as a group. [42]

4. **Socio-cultural**- boundaries due to culture. As the cultural background of a team's members get more diverse, problems springing from different views on work culture, deadlines or general behavior towards colleagues rise. Other socio- cultural boundaries could include differences in the relation to power and leadership, deadlines, or ethics.[43] One may also not forget the language barrier that exists when different teams and team members communicate in their non-native language. Factors like accents and fluency may cause misunderstandings and irritation as well as the difference in using direct or indirect communication.[44] As for offshore projects, forming a multicultural team may cause problems due to cultural differences and they often generate frustrating management dilemmas.[45] Brett et al. argues that cultural differences can create substantial obstacles to effective teamwork, but they may, however, be subtle and hard to recognize and therefore might not be

---

[40] Balaji. S., Manju K. Ahuja (2005) p. 4
[41] Eisenhardt, K. M. (1985) pp. 134– 149.
[42] Espinosa, J.A., Cummings, J.N., Wilson, J.M. and Pearce, B.M. (2003) pp. 157-190.
[43] Walsham, G. (2001) pp.13-14.
[44] Brett, J., Behfar, K., Kern, Mary C. (2006) p.84
[45] Ibid.

discovered until significant damage has been done concluding that the managerial challenge is to recognize those underlying cultural causes of conflict, hence be able to bring them to surface and deal with them.[46]

These four boundaries are viewed as the most striking in an offshore project context. Other boundaries however, as highlighted by Espinosa, do not play an insignificant role for the projects outcome.[47]

5. **Functional**- boundaries due to different functional expertise
6. **Identity**- boundaries due to different levels of dedication

As explained above, the boundaries all give a negative impact on knowledge integration and consequently the result of the project. However, there are tools to mitigate the negative effects, called portfolio of controls.

3.3.4 Portfolio of Controls

In the management process the term control is defined by Kirsch as *"encompassing all attempts to ensure individuals in organizations act in a manner that is consistent with meeting organizational goals and objectives"*.[48] There are several ways for managers to apply control over a project and the implementation may differ much between organizations. However, commonly a variety of mechanisms, such as linking pay with performance, socialization and teambuilding are used to obtain control. [49] The challenge for the company and the manager is to find the control modes best suited for their organization. In the context of offshoring a good mix of control mechanisms could help mitigate the negative effects of the boundaries on knowledge integration. This is what is known as a portfolio of control. [50]

Kirsch categorizes control in two general parts; formal modes, which are divided into behavioral and outcome control, and informal modes, which are divided into clan and self-control.

1. **Formal control**
   Formal control is described as a performance evaluation strategy applied in an organization. Two modes of formal control are found;[51]

   a. **Behavior control** – Specific rules and regulations are set up in order to influence people to act towards the goals and objectives of the organization. It is common to use a reward system to motivate the employees to do this.

---

[46] Ibid.
[47] Espinosa, J.A., Cummings, J.N., Wilson, J.M. and Pearce, B.M. (2003) pp. 157-190
[48] Kirsch, L. J. (1997) p. 215
[49] Ibid. pp. 215–239
[50] Balaji. S., Manju K. Ahuja (2005) p. 5
[51] Eisenhardt, K. M. (1985) pp. 134-149

The manager observes the behavior of the employees and rewards them based on the degree to which they follow the desired procedures. Empirical studies suggest that the behavior control mode works best when the employees' behaviors are observable and known to the manager.[52]

    b. **Outcome control** – Outcome control is implemented by articulate desired outcomes or goals. The focus of this control mode is not the following of guidelines, but on reaching the goals or desired result. E.g. an outcome control could be setting a target implementation date for a system under development and reward or sanction the employees for meeting or missing the target date. Empirical studies show that it is central that outcomes are measurable for the use of this control mode.[53]

2. **Informal Control**
Informal modes of control are based in social or people strategies. Informal controls are often not documented and contrast formal control, which have a more mechanistic view of the control process. Kirsch divides formal control into two modes;[54]

    a. **Clan (group level) control** – By creating common values, beliefs and philosophy within a group of individuals, clan control is implemented. This is done by carefully selecting and socializing the members of the group. The goal is to have employees who share a common ideology, values and are committed to the company and their project-group, which is believed to have a positive effect on the work-process. Clan control is independent of other controls, such as formal performance evaluation and reward systems and could thus be applied simultaneously.[55] However, most focus should be put on clan control when outcomes are hard to measure and behaviors are not known.[56]

    b. **Self- (individual level) control** – Self-control, also known as self-management, is a mode in which the employee sets his own goals for a particular task. The process of reaching the goal is then monitored and rewarded or sanctioned by the employee himself. He gets reward by the organization based on how well he controls his own work. Empirical studies show that self-control is best implemented when the work tasks are complex or non-routine, there is a lack of required rules or procedures and the employees have the ability and desire to exercise self-control.[57]

Studies have shown that a portfolio of the four methods will raise the probability for an offshoring project to reach a desired result compared to the use of any of the control tools

---

[52] Ibid.
[53] Ibid.
[54] Kirsch, L. J. (1997) pp.215–239
[55] Ibid.
[56] Ouchi, W. G. (1979) pp. 833-848
[57] Kirsch, L. J. pp.215–239

isolated.[58] Formal control is usually more efficient for team members that are able to communicate in a face-to-face manner. Informal control on the other hand, is usually used to secure order and discipline in a project. The portfolios of control should be implemented and decided from the perspective of preference of both the onshore and the offshore members. As explained, the methods of control are used in an offshore project to minimize the negative impact of the boundaries on the knowledge integration. However, they will never entirely remove the full consequences of the boundaries.

3.3.5 Extent of Technology Use

When it comes to knowledge integration the choice of communication channel is essential. In an attempt to increase the sharing of information, both internal and external, one may use several different ways of communication, such as chat, telephones, e-mail and knowledge bases.[59] Balaji and Ahuja claim that the extent of right technology use will increase the positive impact on both external and internal knowledge integration as it increases the extent of knowledge communicated both amongst the team members in the offshore site, as well as between the offshored unit and the onshore site.[60] Further, Dennis and Kinney assert that factors, such as the number of ways in which information can be communicated and immediacy of feedback, results in improved performance, thus one can say that the extent of technology use in the communication process affects the carried out performance.[61] This said, an environment with a high extent of technology use in communication would affect the relationship between knowledge integration and team structure in a positive way.[62] When teams of two or more persons work together they are forced to choose which type of communication to use. Different media will naturally be needed for different situations, but some general characteristics are obvious. According to Dennis and Kinney every type of media chosen for communication differs in richness. The highest being face-to-face communication, which has high capability of sending clues, i.e. vocal inflections and gestures, and gives the receiver the opportunity to give immediate feedback.[63] Other ways of communication are less rich, and are therefore supposed to have higher possibility of creating multiple interpretations that might slow down the knowledge integration process. On the other hand, the use of "poorer" media usually has many positive consequences as it is less time-consuming and a great tool for situations when mass communication is needed. This is also used when the receiver needs time before replying or when the communicated information has to be documented and saved. An alternative to mass communication is the growing usage of company intranet databases, which enables information to visualize for those who it concern. This will minimize the time and effort needed from the sender but usually has the downside that only those proactively searching for the information will find it.

---

[58] Choudhry, V. and Sabherwal, R. (2003) pp. 291-314
[59] Balaji. S., Manju K. Ahuja (2005) p. 6
[60] Ibid
[61] Dennis, A.R., Kinney, S.T. (1998) pp. 256-274
[62] Balaji. S., Manju K. Ahuja (2005) p. 6
[63] Dennis, A.R., Kinney, S.T. (1998) pp. 256-274

Another aspect of the choice of communication is the rising usage of new media, i.e. computer based media, as the carrier of emotional information. As people grow more comfortable with using e-mails and chat programs, this media will be able to carry richer information, since the user has learned to code and decode emotions within the written messages. This however, could be an additional source of conflict if the communicators are not of the same coding capacity. This is often the case when teams consist of people from different age, culture, education, and country of origin.

The essential part of the extent of technology used is that a company has to take the right decisions when it comes to the different communication channels within the organization. Key issues for managers are therefore to identify which information is suitable for face-to-face communication, phone-calls, e-mails or intranet databases.

3.3.6 Team Structure

Balaji and Ahuja define team structure as "the underlying interconnection of communication and power links between the team members within both the client and the vendor teams". Based on result from studies on virtual teams, two important dimensions of team structure are significant for better knowledge integration: hierarchy and cohesion. Hierarchy refers to "the extent to which an organization is structured in levels" and cohesion is defined as "the extent to which team members enjoy working together and would like to continue to work together".[64] To improve the team's performance and reduce role ambiguity and conflict it is important to clearly define the team members' roles in offshore projects. The presence of hierarchy can help doing this, however one need to be aware of the fact that teams, by design, have a rather flat structure. Implementing a flat structure with members that are used to hierarchic organizations might make the members uncomfortable and could be a source of conflicts.[65] When creating cohesion in a multicultural team, aspects like formalism and the existence of strong and weak ties are of great interest. In this case, formalism and strong and weak ties do not equal hierarchy. Lee and Choi define formalism as: "the degree to which decisions and working relationships are governed by formal rules, standard policies and procedures. Flexibility can accommodate new ways of doing things. Formality stifles the communication and interaction necessary to create knowledge."[66] Hence, in a hierarchic organization there could still be a presence of weak ties, which foster better exchange of ideas between the team members and also alleviate the risk for overlooking the possibility of failure. In contrast, presence of strong ties could be expressed by increased red-tapism and may also foster constraining behaviors.[67] Within teams that consists of people from different backgrounds, the various attitudes towards power distance could sometimes be a source of conflict. Hofstede defines power distance as "the extent of which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally". Hofstede continues with the argument that employees in societies with a high level of power distance are more likely to accept that superiors have more power than themselves and that decisions made by superiors are more likely to be correct. Therefore

---

[64] Maznevski, Martha L., Chudoba, Katherine M. (2000) pp.473-492
[65] Brett, J., Behfar, K., Kern, Mary C. (2006) p.84
[66] Lee, H. and Choi B. (2003) pp. 179-228
[67] Balaji. S., Manju K. Ahuja (2005) p.6

employees of this sort are often unwilling to express their doubts and disagreement with their bosses.[68] When studying the many reports on power distance indexes the patterns are quite obvious; in smaller countries, the companies often have a lower power distance, while in countries with larger populations the level of power distance is usually higher. The use of power distance is believed to traditionally have been a tool for defining clear roles that are needed for larger societies and organizations to function. When constructing teams of members from historically high power distance regions such as Latin America or the Arab world with members from a traditionally low power distance country like Sweden, conflict connected to the choice of team structure often occur.[69]

3.3.7 Control Variables

According to Balaji and Ahuja there are also other factors that are important to recognize when planning successful offshore projects, the so-called control variables.[70] As seen in figure 3.1 the control variables do not play an active part in this model, instead they are viewed as the preconditions that will give the project a higher or lower probability of success. Research has shown that a variable like size has a great impact on the success rate of a project, as small-sized projects, such as construction of simple applications, are more likely to succeed than large-sized and more complex projects, such as data and process system integration projects.[71] The authors further claim that the chance of success is also dependent on the duration of the project. The longer duration until project completion, the higher risk of failure. For example, the value of a product, such as a software application, may in some occasions be critical to the time factor, hence might be lost if the offshore unit is delayed in the project.[72]

3.3.8 Conclusion

In our study we will analyze the case company from the viewpoint of the Offshore Project Success Model and the factors within it. One has to bear in mind that the Offshore Project Success Model is an overview model, discussing the critical team-level success factors on a general level, rather than a detailed guideline for making an offshore project successful. We have chosen this model for this particular reason as it sheds light over important areas, but still is general enough not to intervene in an in-depth analysis of our case company. Also, as Brett et al. assert, a situation where a team is facing multi-cultural challenges may also unmask more fundamental managerial problems not connected to the fact that the project is an offshore project.[73] Thus, the model describes the important areas for a successful implementation and management of an offshore project assuming appropriate managers.

---

[68] Hofstede, G. (2005) pp.258- 263
[69] Ibid.
[70] Balaji. S., Manju K. Ahuja (2005) p.6
[71] Ibid
[72] Ibid
[73] Brett, J., Behfar, K., Kern, Mary C. (2006) p.84

Some brief conclusions from the Offshore Project Success Model can be viewed in the figure below.[74]

- The extent of knowledge integration, both external and internal, will have a positive impact on the offshore project success.

- In an offshore project, higher levels of boundary separation between client and vendor teams will have a negative impact on knowledge integration.

- Higher levels of socio-cultural boundary separations will, more than other types of boundaries, have a negative impact on the knowledge integration in an offshore project.

- In an offshore project, the use of portfolio of controls will positively moderate the effects of boundaries on knowledge integration.

- The extent of formalism in team structure will have a positive impact on knowledge integration in an offshore project.

- In an offshore project, the extent of hierarchy and cohesion will have a positive impact on knowledge integration.

- The extent of technology use will have a positive impact on both external and internal knowledge integration.

Source: Balaji. S., Manju K. Ahuja (2005) pp.3-6

---

[74] Balaji. S., Manju K. Ahuja (2005) pp. 3-6

4   Result & Analysis

4.1   Introduction

We will present our results from the standpoint of the different areas discussed within the Offshore Project Success Model, thus we will divide this chapter into sub-chapters discussing the subjects of topical interest. The results presented are gathered from the various interviews conducted with company X's personnel. As stated in chapter 2, we gave the respondents total anonymity in order to receive as veraciously correct answers as possible. We were given the opportunity to interview 12 managers and team members of different positions, with the aim to get a full insight into the employees' standpoints, thus increasing the reliability of the study. We also interviewed and got feedback from other people with experience of offshore operations.

4.2   Offshore Project Success

Company X started their offshore operations mainly during early spring 2006. Due to the short time of conducting offshore operations and managing offshore teams it is hard to do a proper evaluation of the offshore operations. When asked about the success-rate of the offshore projects the answers differed greatly. While some claimed the offshore projects to be successful, others had experienced great difficulties. It may also be hard to measure success since offshoring is a long-term strategy with fairly long payback time. Many respondents expressed concern about maintaining high quality. To guarantee high quality some teams used customer-questionnaires. However, one can already discern certain problem areas as well as examples of successful implementation and knowledge integration. Although most respondents stated that they were satisfied with the knowledge-level of the offshore resources they also claimed that they preferred having their resources in-house since it facilitates management of the team.

The majority of the respondents did either not know the reasons for offshoring or believed the cost issue was the main reason, although some of them also realized the ability to conduct 24-hours support-services was of importance. A minority of the respondents identified the increased flexibility regarding increase and decrease of workforce as an advantage with offshore units, i.e. the teams could easily decrease during times with lower workload. The upper management claimed that the main reason was the cost as well as 24-hours support issues.

Most of the respondents asserted the main problem with the offshore implementation to be the planning phase since they claimed that there had been no guidelines, templates or other exchanges of experiences when implementing the offshore units. The respondents also requested above-mentioned guidelines, experience-exchanges and some kind of preparatory education for the managers of offshore projects. Neither had there been enough time nor people to help and manage the offshore units. A constantly recurring problem was the

difficulties to provide offshore units with suitable tasks. The reason for this was said to be that, due to the complexity of the work tasks, the offshore units were only able to conduct simpler work-tasks and the onshore members did not have sufficient time to pick out easy tasks and dispatch them to the offshore units.

4.3 Knowledge Integration

Knowledge integration has been of great interest when conducting this report. Both external knowledge integration, i.e. the integration of knowledge between the onshore and the offshore units, as well as internal knowledge integration, i.e. the knowledge integration and exchange within the company, as direct factors of project success have been focused on.

According to the answers of the respondents all the teams had at some point conducted training at the onshore office for some weeks and they were all satisfied with the technical knowledge held by the offshore resources. Some of the respondents claimed that even more important than the education was the opportunity for the offshore resources to work together, side-by-side with their onshore counterparts. However, since all the respondents claimed face-to-face meetings was the most important and most efficient way to conduct knowledge transfer they requested more time and money spent exclusively on this matter. Although all the teams had training-programs at the onshore office, there has been no general plan for education of the offshore units, but all the teams had to plan and carry out their education by themselves. Most of the respondents pinpointed the difficulty with the education to be the complexity of the work tasks. The in-house personnel have usually worked at the client for several years before joining company X, gaining unique insight into the client's operations and, thus, a deeper understanding for the work undertaken. To transfer this knowledge and experience during a short period of time is very hard, not to say impossible according to the respondents. The different teams have carried out different ways of knowledge transfer. Some teams appointed a single-point contact at the onshore site to be held responsible for matters connected to the offshore units. Others conducted a one-to-one system, where the offshore resources had direct contact with their onshore counterpart, as appointing a single-point contact increased the workload on a single person too much. A third conducted option was to appoint a mentor or tutor for new resources. This option had been carried out successfully with one tutor responsible for five offshore resources.

Another matter of concern was the gap between the operational management level and the upper management level regarding the necessary duration until complete knowledge integration. Although different projects take different time the answers from the respondents mainly expressed that a long-term perspective was needed. However, the upper management level claimed that the integration could be carried out in a couple of months. The employee's perceptions of the work tasks were that they were too complex and took several years to master, hence it would be impossible for offshore members to learn them in a few weeks. There was also a contradiction between the operational level management and the upper management regarding the efforts needed to educate the offshore staff. While the upper level management claimed that there was no substantial difference between educating onshore staff and offshore staff the respondents at the onshore site expressed complexity and difficulty of educating offshore personnel since they could not have daily face-to-face

contact and could not take part in the everyday work. The respondents also claimed that the offshore units were more suited for easy tasks rather than more complex tasks that may include closer contact with the client.

Analyzing the knowledge integration within the offshore projects one can distinguish difficulties in the knowledge transfer since daily face-to-face contact is, by definition, unattainable. Dyer and Singh pinpoint the importance of personal relations, as it will enhance the knowledge absorptive capacity of the employees. Also, the conducted interviews displayed a desire to increase the face-to-face meetings. Further, Dyer and Singh presents a so-called "communication matrix" serving as a guide when finding out where in the company expertise is found. The importance of such a guide in our case company can be discussed since every team conducts their specific project, reducing the need of expertise from other teams. However, while concentrating the knowledge and expertise to the specific team this may also hinder external knowledge and experience exchange between teams as every team becomes knowledge-independent. The lack of daily face-to-face contact also effects the internal knowledge integration, as the training and education of offshore resources cannot be fully conducted at the same location.

4.4   Boundaries

In our research one of the aims has been to map out the specific problems that arise in offshore projects. In company X all the boundaries presented in the theoretical framework were found in some forms. The results presented are based on the respondents' answers from the interviews on how they perceived problems specific to offshore projects. The managers and team members interviewed worked mainly in projects with offshore team members from Argentina, India, the Czech Republic or England.

- **Geographical boundaries**
  The geographical distance was viewed as a problem mostly by the respondents working with team members from Argentina and India. The respondents that had team members from the Czech Republic and England saw it as a problem as well but not as severe, which is explained by the simple fact that these countries are located fairly close to Sweden. The main problem for the Argentinean and Indian projects had been difficulties with communication. Several respondents expressed the need for more face-to-face meetings, which were less frequent now because of the geographical distance and the higher cost of transporting people. The ineffective communication had lead to misunderstandings that were considered time-consuming and frustrating. The respondents working with team members from Argentina seemed to experience fewer problems with the geographical distance than the respondents working with team members from India. The reasons we found for this was that the Argentinean projects had been running for a longer time and were considered to have more efficient communication.

- **Temporal boundaries**

Problems due to time differences had arisen in the Argentinean and the Indian projects. The respondents working in these projects argued that the communication had suffered also because of the fact that the team members did not work the same hours. This had also revealed the need of restructuring the working day for some respondents which sometimes had been problematic. Nonetheless, several of the respondents were aware of the benefits that working in different time zones could lead to and viewed it to be a positive factor in the future when coordination would be improved.

The respondents that seemed to have experienced most problems due to the temporal differences were those working with team members from India. One example of these problems was that occasionally some of the onshore team members experienced e-mail overloading when they started their workday in the morning. The e-mails consisted of questions from their offshore counter-parts in India who had been waiting for answers for several hours. This was viewed as frustrating by the onshore team members and some respondents stated the fact of the offshore team members still being too dependent on the onshore team members, which made the temporal difference a larger problem than necessary. The Argentinean project did not seem to experience the same problem.

In general, the time difference was viewed as most problematic in the beginning of projects when more knowledge transaction is needed between the onshore and the offshore resources. Moreover, the degree to which the offshore members were dependent on the onshore members to proceed with their tasks and the complexity of the work offshored were considered as factors that could increase the problems of temporal differences.

- **Organizational boundaries**

The respondents had noticed some clashes between the organizational culture of Sweden and organizational culture of other countries. The Swedish culture was considered more informal than e.g. the American or Indian and this had lead to some confusion between onshore managers and offshore team members. Some managers told us they were used to giving directions in a more indirect way, e.g. like questions, and this had been misunderstood by the offshore team members. Other organizational differences had also been noticed by some of the respondents. One example was that the Argentinean team members had been given the freedom to debit the client company with more hours than first calculated if needed. This had been agreed with the client company but the Argentinean team members had difficulties executing it. Instead they worked longer hours and put too much effort in reaching the deadline first agreed on. The respondents appreciated the effort but felt that more focus than necessary was put on reaching the preliminary deadline.

Long experience of working within the company was seen as the most efficient way to avoid the problem of organizational differences. This was considered one of the reasons why the Argentinean project had been working well. Some offshore employees had been working at the client a long time before being recruited to the offshore project. In India the recruited offshore team members did not have as long experience and the project

had also suffered from turnovers of offshore employees, this was also true for the project with offshore team members from the Czech Republic.

- **Socio-cultural boundaries**

The cultural differences as a boundary to knowledge integration were viewed differently among the respondents. Some argued that it was a substantial problem, while others looked upon it as a problem of less concern. Some of the respondents who thought it to be less problematic had experience from working with people from different cultures before and were more used to misunderstandings due to cultural differences. They believed experience was the best way to deal with cultural differences. The others, who also considered it less problematic, believed that the differences were not large enough to cause severe problems. The respondents working with offshore team members from Argentina, England and the Czech Republic had met small cultural differences while the respondents working with offshore team members from India had experienced large cultural differences. Moreover, the cultural differences were viewed as a smaller problem when people worked face to face. When not meeting face to face the possibility of cultural differences emerging into misunderstandings and frustration were higher. The respondents did not consider there to be large language barriers within the company due to the fact that the English proficiency among the employees, onshore as well as offshore, was high. However, the respondents working with offshore team members from India had problems understanding their spoken English and saw the strong Indian accent as a barrier to effective communication. In general, the respondents viewed cultural differences as interesting, inspiring and something that they wanted to learn more about.

When analyzing the result from the interviews one can find that the boundaries, which hinder communication in offshoring projects, presented in the theoretical framework exist in the case company as well. As pointed out by Balaji and Ahuja the geographical distances could lead to inter-organizational misunderstandings and time-consuming efforts to communicate. Work tasks such as application development are in a high degree exposed to this boundary due to the need of face-to-face conversations and instructions in the work-process, while less complex work tasks are not so affected by this boundary. These statements are true for the case company. Nevertheless, the problem is considered to decrease in magnitude the longer a project has been running. According to Eisenhardt, the temporal differences could lead to practical problems, such as one team being be forced to follow the work schedule of another team, located in a different time-zone and this is considered to reduce the chances of reaching successful results. This problem is found in the case company but is also considered to decrease when the projects mature as the working process becomes smoother. Based on the results from the interviews, the geographical and temporal boundaries are not considered to be that severe. These boundaries can be dealt with by using good communication technology and the problems seem to decrease when the projects develop. The choice of the offshoring country is regarded as a more important issue for the case company. The more similar the offshore country is to the onshore country the easier it is to deal with problems of geographical and temporal differences. However, this is not often the case in offshore outsourcing when the most attractive offshore sites often are found in countries very different from the onshore site, e.g. India. Thus, the ability to handle the organizational and socio-cultural boundaries is considered to be an important issue. According to Espinosa et al., organizational differences could inhibit the team's ability to

identify themselves and Brett et al. argues that cultural differences can create substantial obstacles to effective teamwork. The answers of the respondents were in line with these theories, but did also see positive factors of cultural differences. However, these factors seemed to affect the knowledge integration more than geographical and temporal boundaries.

4.5   Portfolios of Controls

Our study shows that both formal and informal control modes were used in the management of the offshore projects. However, the company had not considered specific control mechanisms for offshore projects, and the same control modes used earlier for normal onshore projects had been applied to the offshore projects as well. The respondents working as managers seemed to have good knowledge of how to control projects and manage teams but some felt that the new situation with offshoring had made the task more difficult. Especially the informal control modes, such as socializing and teambuilding were considered harder to apply to the offshore projects. The formal control seemed to work well in the projects where the team members had well-defined roles and responsibility and where the work-process was easy to measure. The results from the interviews are as follows;

1.   **Formal control** – We found a high degree of formal control used in the company. The control modes that were used depended much on the characteristics of the work put offshore. For work tasks such as support, behavior control was applied. This could be controls such as the number of queries from the client the helpdesk can answer and how often the problems are solved. Another example is continuously checking if the client is satisfied with the service supplied by the offshore team members. For work tasks which were more complex and took longer time, outcome control were applied and the work was valued on the result meeting the outspoken expectations. The respondents working with the Indian project expressed that the lack of clear work tasks and responsibility for the offshore team members and the insufficient time put aside had made it harder to control the outcome of the project.

     The respondents inquired, argued that the formal control was important for controlling the offshore projects and some wanted to apply more control modes to their projects.

2.   **Informal control** – Informal control was found in all projects as the onshore managers used the same social strategies applied to the onshore location for the new offshore team members, e.g. strategies such as socializing and to make the offshore team members feel part of the group. The clan control, defined by Kirsch in the theoretical framework, was viewed as important but also difficult to apply due to the geographical and cultural boundaries. The respondents argued that the initial training period, when the onshore and offshore team members spend time together, helped to mitigate these barriers. However, even though the onshore team members were positive on spending more time with the offshore team members, the long working days due to the training made this difficult to execute. Also, much effort was put on selecting the offshore team members most

suitable for the group dynamic but this had unfortunately been undermined by problems of high turnover of offshore employees in several offshore locations.

In general, the respondent regarded the informal control as important for the control of the offshore project and several of them expressed the need for more focus on this issue.

Eisenhardt points out that, according to empirical studies, formal control works best when the behaviors of team members are observable and outcomes are measurable. In the case, company formal control is used to a high degree and many of the work tasks correlate to Eisenhardt's description. Nevertheless, according to Balaji and Ahuja a mix of formal and informal controls should be used to control an offshore project. The researchers claim that this can improve the results of the projects. In the case company the formal control modes are used to a higher extent than the informal ones. Informal control is regarded by the respondents as more difficult to apply, due to the fact that the team members are non-collocated. However, more effort to apply informal control can make the portfolio of control more balanced and is considered to have a positive effect on the offshore projects.

4.6   Extent of Technology Use

Our research shows that company X uses a variety of different media when communicating within the company. Communication in this onshore-offshore environment will naturally be problematic, if not frustrating. Offshore communication excludes the use of daily face-to-face contact as the geographical distance separates team members. As a result e-mailing is commonly used between the onshore site and the different offshore units. This is regarded as a satisfactory tool by most respondents as it allows the information to reach the destination without any regard to time zones and work hours.

By communicating through written media, obstacles connected to language barriers, such as accents differences and pronunciations, are often bridged. There have been respondents who complain about the strong accents, which has complicated the verbal communication of particularly the Indian team members, and the e-mail communication is seen as a way to mitigate this. Since requests and wishes to speak slower and more articulate have been neglected and ignored, written communication is often prioritized when communicating with these specific locations. Moreover, according to the respondents, the use of e-mail often substitutes phone-calls, which to some locations would be of poor audio-quality, and sometimes very time-consuming. However, the usage of e-mails is not completely free from its problems. Some of the respondents have noticed problems springing from interpretational misunderstandings of the message. The shorter and more direct instructions the onsite team members give to their offshore counterparts, the higher the possibility for the receiver to misunderstand the tone and underlying meaning of the message. When communicating with people with other cultural backgrounds, most of the respondents agreed that communication should be conducted in a simple and open way. Still, according to our study, e-mails written in a short and sometimes hasty way were sometimes interpreted as a message with an unfriendly undertone, something that was not intended from the

sender. From the interviews we could interpret that Indian team members were more likely than others to misunderstand messages of this sort.

Knowing that other companies have had severe problems due to e-mail overloading, which have delayed the communication between onshore and offshore sites, we were eager to investigate if this was also the case at company X. This, however, does not seem to be a significant issue for the respondents and the general attitude towards the chosen ways of communication was good.

Newer media was also used to various extents by the different teams. Chat programs such as Jabber are commonly used, as well as different ways of net-meeting technology. The respondents all seemed to realize the importance of the face-to-face contact with their respective offshore team members. When asked how this was to be implemented in their specific team, respondents often referred to the newly invested web-camera that was to mitigate many of those problems connected to the geographically shattered team. This web-camera, although commonly mentioned, was for several reasons yet to be used. The positive consequences of this investment are therefore yet to come. This, however, shows that there has been an interest to further develop the use of new technology within the company.

As presented in the previous chapter, the communication of inter-corporative information is often done through the usage of intranet databases. When used in a correct way, this is an outstanding way of spreading information to those interested within an organization. Accordingly, used in an incorrect way, this will be an enormous waste of potential. This unfortunately, seems to be the case at company X. When questions regarding what technology was used in the corporate communication were raised, many respondents were not able go give any exhaustive answers on how this was done. Knowing that useful information concerning most parts of the early stage development of offshore projects were supposed to be spread throughout the company through this database, their answers were surprising, to say the least. According to the upper level management this is regarded as the major, and often the only, channel for information-sharing regarding best-practices of previously made offshore projects, case studies, and other useful information and collected experiences in a global organization such as company X. This does obviously not correlate with the way the database is seen by operational level management. Our study shows that the knowledge of this major source of relevant information is not as prominent as preferred. Consequently, two major problems did visualize through the interviews. The first being that the database is not used to its full extent by operational level management, which will ultimately lead to the waste of great potential of project development. The other problem concerns the fact that the upper level management does not have the correct comprehension of to what extent this database was actually used by the Program Managers and Team Leaders. Being a hub in the development of the offshore units, one might argue that a person with this responsibility should be aware of to what extent this database is actually used in practice. Why, and who is responsible for this gap of knowledge of the technology used was not further investigated in our study. Nonetheless, what is clear is that this issue should be dealt with as soon as possible, if a higher level of knowledge integration is desired.

As asserted by Dennis and Kinney, and confirmed by the respondents as well, the face-to-face contact is the most desired way of contact. However, since this, most times, is impossible, other ways of communication is necessary. The respondents claimed that in the

verbal communication people experienced difficulties with strong accents and, hence, found it frustrating and time-consuming. In line with the theories of Dennis and Kinney, the use of written communication, e.g. e-mail, mitigates this problem and, according to the respondents, it often substitutes verbal communication for this reason. An interesting issue of the communication matters is the use of the company's intranet database. Although existing, the usage or knowledge about it is not satisfactory. Dennis and Kinney point out the disadvantage of an intranet database to be the need of a proactive user with whom the advantages of it can be grasped. Conversely, without a user that is proactively searching for information the function of the intranet will be insignificant. This seems to be the case with company X as most respondents were either not aware of, or actively using the intranet.

Nevertheless, with the exception of the above-mentioned issue, the overall impression of the extent of technology used by the company is reasonably good.

4.7   Team Structure

This study shows that the teams at company X do not have a formalized structure, neither on the onshore nor on the offshore site.

In some of the teams the offshoring process is monitored and supervised by a selected team member who is responsible for the offshore unit's development. This includes selecting suitable work tasks that are to be sent to the offshore unit as well as being a single point of contact for the offshore units to contact when asking questions etc. The use of a single point of contact has been successfully implemented by some of the onshore teams. According to many respondents, this has proven to be the best way to channel and distribute information from the office to the offshore site. In some cases however, the use of having one person responsible for the offshore development were not successfully implemented. The reason for this was said to be the rising workload for one single individual. In this case the team changed to a one-to-one system where every offshore team member had a specific contact person in the onshore team. According to the respondents, this structure gave the team a more satisfying result.

Important, however, seems to be the existence of a team leader at the offshore site. This is not the case of every offshore unit today, which the respondents connected to these units were clearly skeptical about. The importance of clearly defined roles and responsibilities was something that many of the respondents pinpointed as crucial. This, being in line with our theoretical standpoint, is something that should be defined and decided together with the offshore members. If this is not done in the early stages, unofficial hierarchies that block the knowledge integration will often be created. This has also been the case in at least one of the company's offshore teams.

Some of the teams pinpointed a suitable offshore team leader as one of the main reasons for the successful offshore projects. At the same time, they emphasized that these successes might be connected to the personal brilliance of these team leaders. A person responsible for the development of the offshore resource naturally has to possess certain personal qualities

that are sometimes hard for the Swedish operational level management to spot. It is therefore sometimes a practice in multinational companies to let a previously known person act as a team leader abroad. Being aware of some of the common ways of conducting offshore project development of other companies, the respondents were asked to describe the attitude towards dispatching one of the onshore team members to the developing offshore site for a longer period than is currently practiced. The vast majority of the respondents had not experienced a serious discussion of the possibility of dispatching a team member to the offshore site. The reason for this was unknown to some, while others referred to the special conditions surrounding the tasks of their team, which made it impossible for one person to be of any help at the offshore site.

When it comes to the issue of cohesion and attitude towards the offshore counterparts the respondents have all given a more or less unanimous answer. Our study shows that there does not seem to be any negative attitude towards the offshore team members. Instead, the existence of a foreign member at the office during the first knowledge transfer period are often referred to as an additional spice to the everyday work, and true admiration was often expressed during the interviews when asked questions about the offshore resources' skills. The negative attitudes that sometimes surface between the team members consequently do not seem to be connected to the collaboration with offshore resources, but to the fact that enough time is not put aside exclusively for the support of the new offshore members. Therefore, poor time management does sometimes create frustrating situations for the employees, which might be interpreted as a consequence of low cohesion. Our study however, shows that this is often not the case.

There was, nonetheless, a clear concern from some of the respondents when talking about the future development of offshore units. So far nobody has been replaced from the onshore office by an offshore resource. But some of the respondents were clearly not fully assured what the future would bring. Since Sweden are now at the peak of an economic boom and the growing demand for company X's services has been supplied by the expansion in other countries, concerns concerning the future jobs in the onshore office during a coming recession were highlighted. According to some of these respondents the attitude towards the offshore resources could switch if jobs started moving from Sweden to an offshore location. This would, according to the respondents as well as to the theoretical framework of this study, generate negative consequences for the knowledge integration from the onshore to offshore sites.

As explained earlier, some of the teams have experienced some turnover among the offshoring employees. When asked what possible ways this could be mitigated, answers often touched upon the need for the company to create a friendly environment where the employees will nurture loyalty to the company. However, how this was to be done would often differ from respondent to respondent. While some saw the possibilities in creating an informal environment that would enable the employees from cultures with a traditionally high power distance to speak freely to their superiors, others connected informality to uncertainty that would lead to the vanishing of clear roles and consequently to a poorer outcome.

Our study of the case company shows that the teams have been structured without any formalization. This, although sometimes good and even necessary, also creates unnecessary

obstacles when trying to find the ultimate way of structuring a multicultural and multi-located team. Hierarchy and cohesion are two factors pinpointed as important by Balaji and Ahuja for a better knowledge integration. The teams at company X can be seen as teams with fairly low power distance, however, as mentioned above, the clash with foreign cultures with traditionally higher power distance may sometimes, as argued by Brett et al., result in conflicts and uncomfortable team members and may, in the long run, cause the formation of unofficial hierarchies. This may complicate knowledge integrated as those persons will act as gatekeepers for the transferred knowledge. Regarding cohesion, the teams are recognized to have weak ties. However, due to differences in cultural background, i.e. power distance, the onshore team members felt a slight inhibition or reluctance from their foreign team members to express their opinion. This behavior correlates well with the theory expressed by Hofstede in the theoretical framework.

4.8 Control Variables

The control variables that set the preconditions for offshore success are, as explained in the previous chapter, size and duration. According to the theoretical foundation of this study the shorter and smaller an offshore project is, the higher the probability to succeed. This is further emphasized by the respondents who agreed that the offshore projects should be kept relatively small to function as efficiently as possible. Since the company is in the early stages of implementing offshore units the measurement of sizes and duration of the teams' projects were not conducted. What was clear though, was the desire of keeping the more complex tasks to the onshore team while easier responsibilities were to be sent to the offshore units.

However, as one of the respondents pointed out, an offshore team's independency depends on the number of offshore resources of that specific team. Even though smaller offshore teams are considered more efficient, communication between the onshore and offshore site will rise, since there is less collected knowledge within the unit. That way one might argue that a larger offshore team would make the onshore resources less tied up to instructing and supporting their offshore counterparts.

5 Conclusion

5.1 General Overview

This chapter aims to evaluate the offshore operations conducted by company X with the starting point from the previous chapter discussing the results and impressions gathered from the interviews with the employees. We will also, where appropriate, make an attempt to present solutions to the existing problems and/or alternative ways of conducting the offshore projects.

The general impression from the interviews conducted is that the onshore team and project members are satisfied with the knowledge and skills displayed by the offshore team members. There was admiration than complaints regarding the competence of the offshore unit personnel. Thus, this issue would not be considered an obstacle for knowledge integration.

However, apart from the proficiency of the offshore members other difficulties have been seen to hinder optimal knowledge integration. The conducted research showed a general lack of planning processes when commencing and implementing offshore units. It seems like the process has been carried out without clearly defined targets and evaluations, which has created uncertainties at the management level considering the success-level of the offshore units. Further, the general impression was that the implementation was done in haste without thorough planning, investigation and investments, financial as well as human. Also, the fact that the onshore personnel were not expanded enough to handle the offshore units, i.e. the ratio between offshore units and onshore personnel has been too high, has resulted in time deficiency regarding the supporting and monitoring of the offshore teams. As mentioned in the previous chapter, since the company is in the early stages of conducting offshore projects the offshore units are still relatively small and consequently the knowledge base and experience held within the units are smaller than would be the case if there were larger units. This fact, however, may well diminish as the offshore units collect experiences and knowledge.

Considering the matters above, one could argue for a more thorough implementation with more detailed specifications, guidelines and time frames providing all personnel involved with the same information resulting in a common knowledge base. Having said that, the implications of the implementation would decrease since misunderstandings, frustrations, and problems due to different perceptions of implementation-time, workload, etc. would be eliminated. At present, the perception of time frames between the operational level management and the upper level management differs substantially and is a source of misunderstandings and frustration. One solution would be to document the time spent on coaching the offshore units. By doing this, one may perceive the extent of time necessary for a thorough and successful implementation of an offshore unit. The important matter, however, is to generate a consensus between the management levels with clear and common understandings regarding the defined specifications, guidelines and time frames.

With the Offshore Project Success Model as a starting point we will below present and discuss the results from the interviews and occurring problems as well as present solutions to the offshore operations of company X. The major problem area is communication, as the knowledge is not integrated as efficiently as desired. We have distinguished problems and will be proposing suggestions in order to improve the extent of technology use, team structure and knowledge integration.

Figure 5.1 Areas discussed in conclusion
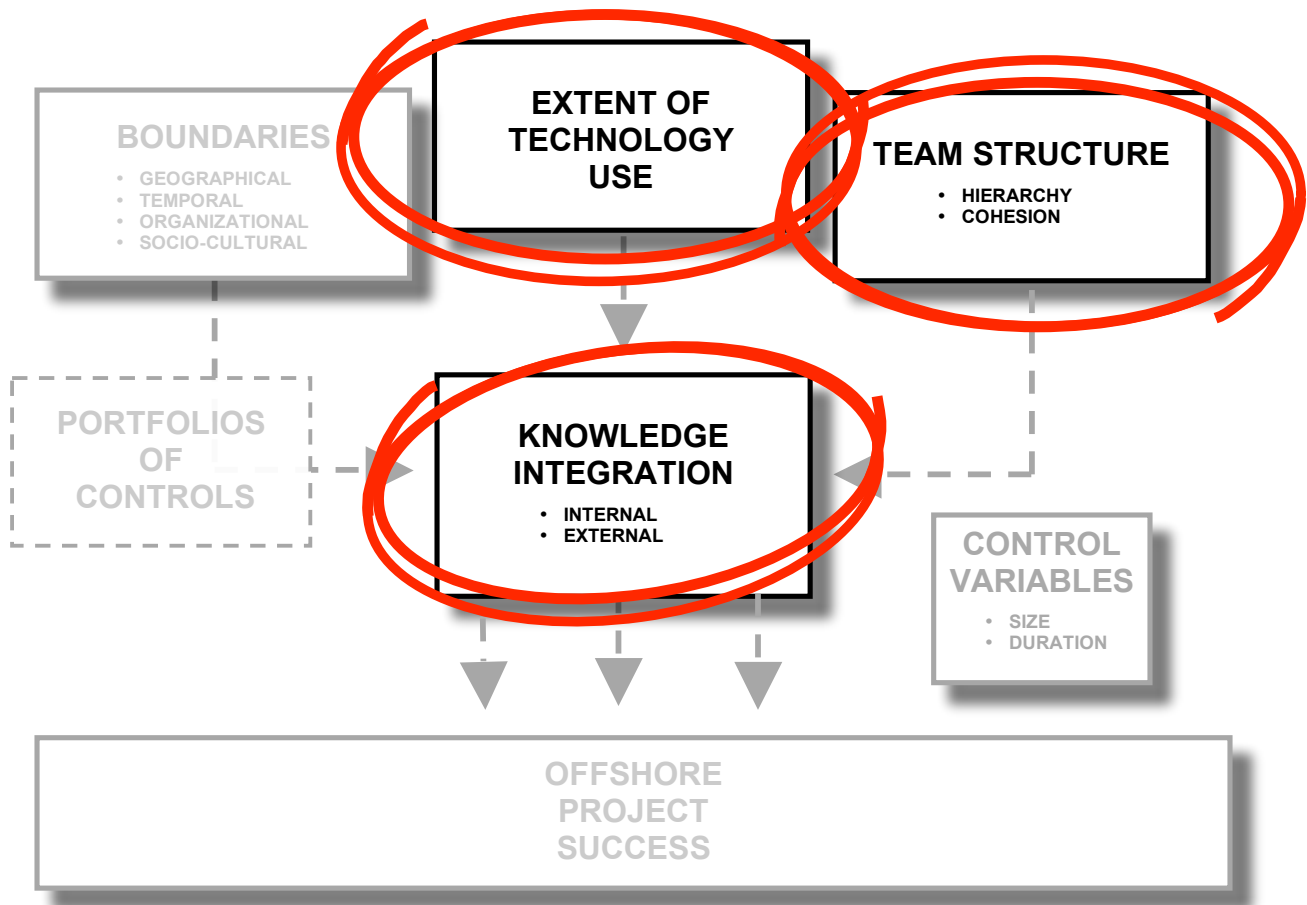
Source: Source: Balaji. S., Manju K. Ahuja (2005) p. 5

5.2   Team / Team Communication

As a result of the information obtained through the interviews, one of the problem areas we have chosen to focus on is the lack of communication between the teams at the onshore site. Since the company consists of several teams with various work tasks connected to different offshore units one may assume that the different teams, although the work tasks are different, have encountered similar difficulties and gained similar experience. By sharing knowledge of these difficulties and sharing experiences between the teams we believe the company can shorten the implementation-time and increase the ratio of successful offshore projects. Both Dyer and Singh as well as Ahuja and Ahuja claim in their respective research that good knowledge-sharing routines as well as the extent of internal knowledge integration will significantly impact the outcome of the success-rate of the offshore project.

However, the study shows that sharing information between teams rarely occurs. It seems like the few knowledge and experience exchanges are on an informal basis and there are no formal meetings where project managers, team leaders and employees can share their experiences, best-practices and discuss and receive feedback. The interviews conducted revealed a desire for this kind of knowledge exchange especially by the teams that experienced difficulties with their offshore projects. However, the teams that successfully had implemented an offshore unit did not feel any need of sharing their experiences. Knowing this framework, one can argue for more, both formal and informal, meetings with the aim to share information. As mentioned above, although the teams differ in their work tasks there are probably similar experiences to be discussed and evaluated for future projects. A complement to increased experience sharing would be to document and evaluate every team's ongoing processes and thereby create a knowledge base that could be of use when starting new projects or facing difficulties with present projects.

Analyzing the interviews one could also discern problems in the start-up phase of the projects since the lack of planning and experience-sharing forced every team to figure out their own best way, which is both time-consuming and a factor with fairly high trial-and-error rate. One might inquire some kind of guidelines and suggestions of best practices especially mapped out to facilitate the start-up phase of new teams.

As for the communication between onshore and offshore team members it seems like the work processes and work tasks sometimes are too complex to appoint a single-point contact responsible for the communication and development of the offshore team. However, some teams have successfully carried out this system, albeit other teams have implemented a one-to-one contact system. Nevertheless, we suggest that appointing one or several team members as responsible for the communication exchange would increase knowledge integration and thereby the success-ratio of the projects.

Altogether, the impression of the inter-team communication is that it could be subject to substantial improvements by relatively small means considering the present poor knowledge and experience exchange. This would probably simplify especially the start-up phase of the projects as well as increase the success-ratio of them.

5.3   Corporation / Office Communication

As described in the previous chapter the integration of knowledge from the Corporation to the local office does not work as efficiently as desired. As also explained, the result of this study pinpointed that one reason for this is the use, or lack of use, of the intranet database as the major source of corporate information. According to the majority of the respondents there is a strong demand for information regarding the subject of offshore implementation. The lack of supportive tools for planning these activities gives the impression of being forced to reinvent the wheel, which was perceived as frustrating by some of the respondents.

Yet, according to the upper level management, the person responsible for these issues, the exact information demanded by the employees already exists in the form of a central repository, an intranet database. This is described as fully accessible to employees at any of company X's offices and was created to improve the distribution of statistics, case-studies, best-practice experiences and other useful information that would facilitate the planning process of the teams involved in offshore implementation across the globe. This database could also be used as a tool for those interested in problems and boundaries connected to working in multicultural teams etc. Different templates and guides on how the knowledge integration is supposed to be conducted to get the best possible outcome is also to be found here, all according to the upper level management. Judging by the disordered correlation of the employees' demand and the corporation's supply of the information, something is not being managed as efficiently as desired. One might wonder why so few of the respondents recognized this central repository as a potential source of information, or why even less said that they had ever used it.

This leads us to the conclusion of two possibilities. Either the correct channel for distributing information about the central repository does not exist at the company, which would explain why the management and persons responsible for offshore decisions have failed to get the message across to the employees. The other option is that the knowledge of the advantages of using the central repository have actually been successfully transferred from management to employees, but that it has been rejected by the employees on purpose. Whatever the reason, changes have to be made to mitigate this problem in order to raise the chances of future offshore success at the company.

Based on the findings of this research we suggest that company X either abandon the use, or believed use, of the intranet completely or fully implement the database into the planning process. If the latter optioned is followed, management has to find ways to nurture the full potential of this central repository. This includes creating channels for making the team members aware of the superiority of using the information found at the central repository for their specific projects. However, we would like to further emphasize what was brought into light in the previous chapter. To reach the full potential of a central repository in the form of a database the employees have to have a proactive drive to search for the information themselves. Our study shows that there are various levels of satisfaction towards management-made decisions related to offshore activity. Naturally, a lower level of satisfaction of a decision usually lowers the employee's will of working proactively for the desired goal. This is something which in our minds would impose the other option; the full abandoning of the database as the major source for information of offshore character.

If this option is chosen there are many alternative substitutes that could be used. One of them is the implementation of a physical central repository replacing the present virtual repository. If a center for offshore implementation was established, knowledge could be transferred through the use of consultants that would support and aid offshore-related projects. By using internal consulting the employees will be more likely to understand and recognize the full perspective as well as advantages and disadvantages of working in an offshore environment. We believe that the information collected by company X's previous offshore experiences is far more precious for the planning- and development-phases of the company than to waste it by choosing the incorrect way of communicating this information. By spreading this in a face-to-face manner the knowledge will be better received than it is today. The database, however, should then be used as a complement to the offshore consultations rather than as the major information source it is today. The use of consultants will have yet another advantage besides the role of information carrier. Our impression is that some of the issues concerning offshore decisions and directions are somewhat infected. By using a third party (the employees and the decision makers being the two other parties), previously sensitive issues could be neutralized in order to get as efficient planning and implementation processes as possible.

The result of this study shows that avoidable conflicts at times are created due to the fact that decisions are sometimes not fully accepted by the employees. When this occurs the decision-maker is somewhat demonized to the point that the person's ability to maneuver the teams to a successful offshore project is undermined. Our interviews also reveal that there is sometimes mistrust towards directions originated from the decision-maker, purely due to the fact that the decisions previously made by the person were not fully acknowledged nor complied with. Obviously, this environment does not set good conditions for future success.

To our minds, company X has to improve the attitude towards the decisions taken connected to offshoring. During the planning process it should be fully acceptable for everyone involved to call for and promote his or her standpoint, but by the time a decision is actually decided the company's full attention should be focused on reaching the set goal and to create an environment that will raise the probability of offshore success. The "third party" would therefore play a key role as the carrier of the positive information, which the employees would be more likely to accept.

The option presented above is obviously not anything that the local office could possibly create by themselves. Our suggestion however, is that this issue should be discussed and spread throughout the organization in order to emphasize and create awareness of this problem.

Another problem the result of this study brought into light was the fact that some of the respondents gave the impression of not sincerely believing that any advantages would spring from the offshore development. Our conclusion is therefore that the reasons for the offshore decisions are not emphasized and channeled down to the operational levels to a satisfactory extent. Various reasons were presented by the respondents when asked why they thought the decision of offshoring had been made. Naturally, teams have different work tasks and hence different factors for the offshoring decision have been considered.

Nevertheless, the outcome of the interviews shows that everyone is not positive that offshoring will lower the cost for either the company or for the client. The underlying reasons for offshore decisions may very well be of cost-decreasing nature. This, however, is surely not the only reason. And even if it is, management must find ways of convincing the employees that this actually does lower the cost. The development of offshore units is part of a long-term strategy that the company has decided is essential for the company. Therefore, the expansion to offshore countries should not be regarded as an act of IT hype or trend, but rather as part of a necessary strategy that should be conducted in order to add competitive advantages. As one of the respondents put it, "*we have to realize that offshore development will happen whether we like it or not, therefore we should all try to do the best of it while we can*". In order to turn the slightly indifferent attitudes towards offshoring our recommendations are that the management implements a total transparency policy regarding the underlying factors of the cost-models of the offshore-related decisions. By doing this, the employees will hopefully nurture a greater understanding of the importance of the success of these projects.

5.4   Education and Implementation Support

Through our interviews we have come to the conclusion that the offshore projects working most efficiently all had a fairly good system of support for the education and implementation process of the new offshore team members. In these projects the persons responsible for the support worked as the main contact persons for the new offshore team members and assisted them in the training and implementation phase. The role and responsibility of these persons was clearly defined and well known by the rest of the team. In the projects working less efficiently this did not seem to be the case. Here it was more uncertain whom of the team members that was considered to be the main contact person and the role had been divided between several onshore team members due to an unplanned increase of the workload. Although, there is no ultimate way of structuring that would give successful results for every team, due to the fact that the preferred structure differs from team to team depending on work tasks and extent of contact with offshore units, we believe that a good system of support is of great importance for an efficient development of the offshore projects and that the teams all should appoint team members responsible for this function. How the support system would be designed could differ between the projects depending on the characteristics of the work put offshore. Each team would decide whether to appoint one person responsible for the support or divide it between several team members. However, we believe that having one person responsible in each project and at each onshore and offshore site is the best way to make the training and the implementation work efficiently. Having fewer persons responsible would make the role and responsibility of the function clearer for the rest of the team and one person at each site would help the communication and coordination within the team. This could, of course, mean a greater workload for the persons appointed and due to this we consider it important to give these persons additional time for this specific assignment. This could also mean a greater cost for the company but our belief is that it would still be a profitable investment in the long run.

5.4.1 Support of the training phase

The training phase for the new offshore team members is an important period in the offshore projects. It is the moment when the new team members will learn their future tasks and the work-process is starting to take form. It is also a key moment for the team members to socialize and get to know each other as the training period involves working together face to face. We believe that a support function for the training phase would help both the onshore and offshore team members make this period work more efficiently. The belief is that the communication and coordination within the team would improve with the support function and would facilitate the training period. Moreover, we believe that having support functions at both the onshore and offshore sites is important but due to the fact that the training is mainly realized at the onshore location we consider this to be more important in the implementation phase and this will also be discussed further on.

The person responsible for the support function of the offshoring project should be appointed before the start of the training period and should take part in the planning and preparation of the training phase. The role and responsibility should be well known by all onshore and offshore team members. It is preferable if the person also could be involved in the recruitment process of the offshore members as we consider the relationship with the offshore members an important factor for the function. When the training phase starts, the person will support and help coordinate both onshore and the new offshore resources in the knowledge integration process, e.g. monitoring that the training works as planned and that problems such as lack of tasks are dealt with quickly. The person will also be the main contact person for the offshore team members and general queries will be dealt with by this person. Another responsibility will be to monitor and document how well the training-process works and help solve problems that may occur. After the training period the person will be part of the follow-up and evaluation of the training and give her view on how future training could be improved. In this phase she will also help in the development of a standardized plan for the training period. As mentioned before this role will mean a higher workload for the person appointed and we believe that sufficient time has to be put aside for the accomplishment of the new assignments.

It is important to find the right person for this task. We assert long experience within the company as one key factor and especially experience of working with people from other cultures and over geographical distance. However, if this profile is not to be found it is essential that the person appointed for the task receives the appropriate training before the start. This could be done by education based on best practices from the company.

5.4.2 Support of the implementation phase

The implementation phase is also considered a key moment for the success of an offshore project. In this phase the team members work at different locations and face-to-face meetings are less frequent, which makes it harder to have an efficient communication and well working coordination of work tasks. We believe that having supportive functions at both the onshore and offshore sites in this phase will mitigate these problems. The responsibilities for these persons would be similar to the training-phase and, thus, it is

preferable if the same persons are assigned. These persons would be the main links between the onshore and offshore sites and their aim would be to improve the communication and coordination between the team members, which will make the day-to-day work more efficient. Another aim will be to strengthen the relationship between the onshore and offshore team members. We believe that stronger bonds could help prevent high turnover of employees. The persons appointed would work as the main contact persons between the onshore and offshore location. One person will be responsible at the onshore location and another at the offshore site. The two persons should have a close collaboration and we believe that it is important they could meet face to face at both locations as many times as possible. Long experience within the company and experience of working with people from other cultures and over geographical distance are once again seen as key factors. This should be true for both the onshore and offshore support functions. If the proper person can not be found in the offshore country we propose that they dispatch a member from the onshore office to work for a period at the offshore location.

5.5   Recommendations for Company X

- Improve knowledge integration from the corporation to the employees, either by improved conditions of the intranet database or by the implementation of internal offshore consultants.

- Transparency regarding the reasons for and underlying factors of the decisions connected to offshoring.

- Improve the planning process, develop guidelines and synchronize the time frames between the different management levels in order to reach consensus about implementation-time etc.

- More focus on formal and informal meetings with the aim of exchanging experiences, ideas and knowledge about offshore implementation.

- Appoint one or several members of the teams on both onshore and offshore location to be responsible for the communication exchange and development between the sites as well as to mitigate problems in the implementation-phase.

- Appoint one person responsible for supporting and monitoring the knowledge integration process in the training-phase.

5.6   Suggestions for further research

During the work of this thesis we have came across different questions that could be interesting for further research. These issues were outside our delimitations, hence were not included in our study. Below we will introduce some areas that appeared interesting to us.

- Our thesis reflects to a great extent on the work-process at the specific case-company. It would be interesting to conduct a similar study with other IT companies.

- The primary data in this thesis reflects to a large extent on the employees working at one of the several company X offices in the world. It would be interesting to conduct a study at other offices in other countries and compare the results.

- Follow-up study. Have there been any improvements of the work-processes as the projects matured?

- Cost-calculation and risk management connected to offshore operations. Do the comparative advantages of the offshore locations diminish over time?

- A social study of the employees' attitudes and reactions towards offshore operations.

Bibliography

Literature

Alvesson, M., & Sköldberg, K. (1994). *Tolkning och Reflektion. Studentlitteratur*, Lund.

Augustson, M., & Bergstedt Sten, V. (1999). *Outsourcing av IT-tjänster*. Industrilitteratur, Stockholm.

Balaji, S., & Ahuja, M.K. (2005). *Critical Team-Level Success Factors of Offshore Outsourced Projects: A Knowledge Integration Perspective.* In Proceedings of the 38th Annual Hawaii International Conference on System Sciences, HICSS '05 (52b-52b). Hawaii.

Chisnall, P. M, (1997) *Marketing research*, Fifth Edition. McGraw-Hill Publishing Company, UK.

Christensen, L., Andersson, N., Carlsson, C. & Haglund, L. (1998) *Marknadsundersökning – en handbook*. Studentlitteratur, Lund.

Hofstede .G. (2005) *Organisationer och kulturer*. Studentlitteratur, Lund

Holme, I. & Solvang, B (1997) *Forskningsmetodik om kvalitatativa och kvantitativa metoder*. Studentlitteratur, Lund

Kinnear, T. & Taylor, J. (1996) *Marketing Research – An applied Approach*, Fifth Edition. McGraw Hill Inc., U.S.A.

Lekvall, P. & Wahlin, C. (1993) *Information för marknadsföringsbeslut*. IHM, Göteborg

Molnár, J. & Nilsson Molnár, M. (1999) *International Marketing, Negotiations and Business Deals, A Business process Approach*. IBIM Research, Göteborg.

Robinson, M. & Kalakota, R. (2005). *Offshore outsourcing: Business models, ROI and best practices*. Mivar Press, U.S.A.

Svenning, C. (1996) *Metodboken*. Lorentz förlag, Eslöv.

Tiwana, A., Bharadwaj, A., & Sambamurthy, V. (2003) *The Antecedents of Information Systems Development Capability in Firms: A Knowledge Integration Perspective*. Proceedings of the International Conference of Information Systems, Association for Information Systems, USA

Walsham, G. (2001) *Globalization and ICTs: Working across Cultures*. Working Paper.

Yin, R. 1994. *Case Study Research, Design and Methods*. Second edition, Sage Publications Inc., UK

Journals

Brett, J., Behfar, K., Kern, Mary C. (Nov 2006) *Managing Multicultural Teams. Harvard Business Review,* U.S.A.

Choudhry, V. and Sabherwal, R. (2003) *Portfolios of Control in outsourced software development projects.* Information Systems Research (14:3)

Dennis, A.R., Kinney, S.T. (1998) *Testing MediaRichness Theory In The New Media: The Effects of Cues, Feedback, and Task Equivocality.* Information Systems Research (9:3)

Dyer, J.H. Singh, H. (1998) *The relational view: Cooperative Strategy and Sources of Interorganizational Competitive advantage.* Academy of Management Review (23:4)

Eisenhardt, K. M. (1985) *Control: Organizational and economic approaches.* Management Science (31:2)

Espinosa, J.A., Cummings, J.N., Wilson, J.M. and Pearce, B.M. (2003) *Team boundary issues across multiple global firms.* Journal of Management Information Systems (19:4)

Grover V., Cheon M.J. Teng J.T.C. (1996) *The Effect of Service Quality and Partnership on the Outsourcing of Information Systems Functions.* Information Journal of Management Systems (12:4)

Kirsch, L. J. (1997) *Portfolios of control modes and IS project management.* Information Systems Research (8:3)

Laura L., Pfannenstein & Ray J Tsai. (2004) *Offshore outsourcing: Current and future effects on American IT industry.* Information Systems Management (21:4)

Lee, H. and Choi B. (2003) *Knowledge Management Enablers, Processes, and Organizational Performance: An Integrative View and Empirical Examination.* Journal of Management Information Systems (20:1)

Maznevski, Martha L., Chudoba, Katherine M. (Sep/Oct 2000) *Bridging Space Over Time: Global Virtual Team Dynamics and Effectiveness.* Organization Science (11:5)

Ouchi, W. G. (1979) *A conceptual Framework for design of Organizational Control Mechanisms.* Management Science (25:9)

Electronic References

Agrawal, Vivek. Farrell, Diana. Remes, Jaana K. (2003) *Offshoring and beyond.* http://www.mckinseyquarterly.com (2006-11-10)

Appendix – Basis for interviews

Introduction
Explain the reason for the research. The purpose is to pinpoint the problems connected to offshoring that the respondent has experienced, preferably by examples given by the respondent. The interview is recorded with microphone, however it is regarded as confidential material and the respondent's name or position will not be mentioned in the report. By doing this, we are hoping to get honest and sincere answers to our questions.

1. How long have you been working for company X?
2. What are your team's work tasks and responsibilities?
3. What are your role and responsibility in the team?
4. Please describe a regular working day involving offshore.
5. Please explain your attitude and experience of offshoring in your team.
6. What are your team's expectations of the offshore operations?
7. So far, are you satisfied with the implementation and results of the offshore unit?
8. Do these expectations correlate with their carried out performance?

Boundaries
9. Can you exemplify problems that have occurred due to boundaries such as; geographical, time difference, socio-cultural, organizational differences?
10. How do you solve these problems? Who is responsible? (Offshore-teams, corporation, local office, the client?) Does company X provide you with tools to solve these problems **Please exemplify!**
11. Do you have any suggestions on how these problems can be solved in a more efficient way?

Knowledge Integration
12. Please explain how knowledge is transferred from the client site to the vendor site.
13. Have you experienced any problems due to this way of knowledge transfer? **Please exemplify!**
14. What is the attitude of the onshore team members towards the knowledge transfer/education? **Please exemplify!**
15. Do you feel that the client site members take the implementation seriously or do they act as it has been forced upon them?
16. Are they participating in decision-making and development of the projects or are they only carrying out tasks decided by the client site? (Is the company taking advantage of/using the knowledge of the offshore team members?)
17. What is the vendor's team members' attitude towards the education/ knowledge transformation? (e.g. would they want more education in their home country? etc) What would be the effects of changing the way knowledge is transferred?

18. Has dispatching a client site member to offshore site for managing been a topic for discussion? **Please explain!**
19. Are you satisfied with the knowledge transfer so far? If not, why?
20. Has company X been offering you information about offshore implementation?
21. What would be the ideal way of conducting an offshore implementation?

Extent of technology used
22. What is the practiced communication between client and vendor site?
23. How do you communicate with the offshore units in the every day work? (Meetings, emails, telephone meetings, IP-telephone, MSN etc…)
24. What are the advantages and disadvantages? Problems experienced? **Please exemplify!**
25. Would a difference in way of communication mitigate problems and uncertainties?
26. How do feel about the communication between the teams?

Team Structure
27. Please explain how your team is structured.
28. Have you experienced any problem that could spring from structural differences? (Hierarchy or flat? Formal/informal?) **Please exemplify!**
29. How often do the client site and the vendor site meet face to face?
30. To what extent do the team and team members have responsibility, authority and possibility to influence the project?
31. Do you feel a need for having someone responsible for the offshore operations in your team? And also someone responsible at the vendor site?
32. Does it occur that personnel quit or change work? If so, why and how could this be solved?

Portfolio of controls
33. What would be the ideal control mechanisms for an offshore project? **Please exemplify!**
34. What is your opinion about the planning process before the implementation of offshore units?

Control variables
35. What is the average duration of a project? Are there any time limits?
36. What would be an ultimate duration for an offshore project? Have you noticed any difference between long and short projects? If so, what differences? **Please exemplify!**
37. What is the average size of the projects? What would be the ultimate size of an offshore project? (Simple applications? ERP (data and process system integration) projects? Etc.) **Please exemplify!**
38. Have you noticed any difference concerning the size of the projects? If so, what differences? **Please exemplify!**