Global Software Development: Commitment, Trust and Cultural Sensitivity in Strategic Partnerships ☆

Anne-Marie Søderberg [a,*], S. Krishna [b], Pernille Bjørn [c]

[a] Copenhagen Business School, Porcelaenshaven 18A, 1, 2000 Frederiksberg, Denmark
[b] Indian Institute of Management Bangalore, Bannerghatta Road, Bilekahalli, Bangalore 560 076, India
[c] The IT University of Copenhagen, Rued Langgaards Vej 7, 2300 Copenhagen S, Denmark

ARTICLE INFO

ABSTRACT

Much research has studied off-shore outsourcing from a Western client perspective. This article tries to shed light on what an Indian vendor perceives as important to manage large and complex strategic partnerships in IT outsourcing, and in particular how mutually profitable, long-term relationships with European clients are created and maintained, both at company and project levels. We investigate this issue through qualitative interviews with various vendor representatives in offshore and on-site teams in a top tier multinational company of Indian origin.

In the analysis of interview accounts of close collaboration processes in two large and complex projects, where off-shoring of software development is moved to a strategic level, we found that the vendor was able to establish a strategic partnership through long-term engagement with the field of banking and insurance as well as through conscious relationship management with the clients. Three major themes describe important aspects of the strategic partnerships: 1) senior management commitment and employee identification with the projects, 2) mutual trust and transparency, and 3) cross-cultural understanding and sensitivity. The article draws attention to the important collaborative work done by people who are able to span boundaries in the complex organizational set-up of global IT development projects.

© 2013 The Authors. Published by Elsevier Inc. All rights reserved.

Vignette

I call this outsourcing 3.0, that is the way we as partners to customers are involved. Our customers are giving us business and asking us to involve in their environment, not just to optimize the costs, but also to help them growing their business. In this sense, we have created a lot of structures, a lot of frameworks, this is a true … enterprise based transformation. This transformation requires a model which optimizes the costs and reuses that cost to build new business (…).

Because we are operating on foreign soil so much that over the years we understood what they (the outsourcing clients) *wanted. We changed from developers to analysts, and from analysts to consultants. And the moment you get into* (the role as) *a consultant you have the knowledge of what they want, and then you can accumulate that knowledge to put it into a product.*

(Head of the banking business unit, Indian IT services company)

* Corresponding author. Tel.: +45 38153204.
E-mail address: ams.ikl@cbs.dk (A.-M. Søderberg).

1. Introduction

The European economic crisis has acted as a catalyst in driving off-shoring to Asia from a region that has traditionally preferred on-shore or near-shore IT services. Indian IT companies have recently experienced a remarkable growth in European clients, and outsourcing and off-shoring of IT services are no longer only viewed as an immediate labor cost optimization, or as a high process efficiency lever. Some Indian IT companies are also selected as off-shore vendors by European clients who are seeking innovative software products and business solutions developed in a tight, long-term strategic partnership with extensive knowledge-sharing. The Indian vendors are participating in developing European clients' business, and if they succeed, they also develop their own portfolio of IT services and thus strengthen their position as providers of complex business solutions.

In the interview quote above, the head of the banking business unit of the Indian IT services company emphasizes that the skills, experiences and technological expertise of his managers and employees will benefit the Western clients' business. But he also describes how the vendor may gain a lot from being involved in large and complex strategic projects where its primary role is changed from being a developer and analyst to becoming business consultant, and where the task distribution between on-site and off-shore IT managers and employees is changed accordingly. Not only a profitable long-term relationship to a major client can be created, but knowledge exchange with representatives of the client may also provide the vendor with opportunities to learn and develop expertise within a specific business area and thus improve the vendor's opportunity to join similar knowledge-based projects with other major clients.

In the context of the interdisciplinary research project *Next Generation Technologies and Processes of Global Software Development* we study collaboration processes between two European clients and their Indian vendor and provider of complex IT solutions with a focus on commitment and identification, trust and transparency, and cross-cultural understanding and sensitivity. These are psychological, communicative and cultural issues inherent in a strategic partnership, issues that in an IB research context might be considered 'soft' issues, but issues that are nevertheless critical for the close virtual collaboration between client and vendor representatives. We do that through a qualitative analysis of interview accounts of off-shore outsourcing processes in two large and complex projects, where off-shoring of software development is moved to a strategic level and enacted in a long-term strategic relationship that is cultivated both by the two European clients and the Indian IT vendor. According to the literature the specific client–vendor relations in the two cases can be termed a strategic partnership (Carmel and Agarwal, 2002; Fitzgerald and Willcocks, 1994; Kedia and Lahiri, 2007; Marcolin, 2006; Quinn and Hilmer, 1994).

Since the perspective of an Indian IT service vendor in strategic partnerships between companies from developed and developing countries is not yet well explored in global sourcing research; and since researchers more often have taken the perspective of the outsourcing Western MNC (e.g. Jensen, 2012), we decided to start out investigating the strategic partnerships by interviewing representatives of the Indian strategic partner and off-shore vendor about their perspectives on the collaboration processes with European clients in two long-term software development projects. Ideally we should of course listen to both client and vendor representatives in the projects in question. In order to understand how these strategic partnerships work, we asked those involved at vendor side to describe the processes and micro-practices that constitute the day-to-day activities in a cross-border collaborative project.

These two large and complex software development projects are particularly interesting for an academic audience of management scholars concerned about outsourcing organizations, because the Indian IT service provider does not only offer lower costs in a short term relationship, but also takes on a new role as the client's long-term strategic business partner by offering development of new systems and products that ensures the client a stronger and more sustainable business platform in the future.

The Indian vendor is acknowledged as a powerful and knowledgeable provider of sophisticated IT services and strategic business solutions. And these solutions are expected to leverage a major Western client's global market position significantly and help it in transformation processes towards more sustainable platforms for its financial products, and likewise to assist another major Western client in a large, complex and long-term transformation within the life insurance and pension market, backed up by new legislative initiatives.

The paper is structured as follows. First, we review some contributions from the recent off-shore outsourcing literature focusing on various psychological, communicative and cultural issues and thereby outline the theoretical framework for the study. The subsequent section describes the research design of the two case studies and the methodology, and we then present findings from two case studies around the chosen themes. The conclusion section summarizes the main findings, points to limitations, and outlines the scope of further empirical studies.

2. Review of literature

Outsourcing to remote or off-shore locations was initiated in the mid eighties and over three decades has grown into a major industry. India with an IT industry of around US $100 billion (NASSCOM, 2011) is the dominant supplier of outsourced IT services with clients mainly in developed economies like the US, Europe and Japan.

The nature and type of activities have evolved over the period. IT outsourcing commenced with outsourcing of data entry services. Outsourcing of software work was initiated with maintenance of legacy software. The outsourcing industry has evolved in terms of types of tasks outsourced, work distribution, competencies of partners and resources of suppliers (Sahay et al., 2003).

Identification of activities which could be globally outsourced has been considered. Apte and Mason (1995) suggest that tasks that rate high in information intensity, but low in need for customer contact and low in need for physical presence have a high