



Process coordination, project attributes and project performance in offshore-outsourced service projects ☆

Yajuan Wang ^{a,*}, Yi Liu ^{b,*}, Cem Canel ^c

^a International Business School, Shaanxi Normal University, Xi'an, Shaanxi 710119, China

^b Antai College of Economics and Management, Shanghai Jiao Tong University, Shanghai 200030, China

^c Cameron Business School, University of North Carolina Wilmington, Wilmington, NC 28403, United States

Received 1 August 2017; received in revised form 12 January 2018; accepted 10 February 2018

Available online xxx

Abstract

Interfirm process coordination is pivotal for offshore outsourced service project success. Via knowledge-based and organizational learning view, this study explores the effectiveness of process coordination in the dyadic client-provider relationship. We investigate the influence of interactive and implicit coordination on project performance under contingencies of project modularity and complexity, which determine interfirm interdependencies from the top down and from the bottom up. The objectives are to comprehend the two approaches to coordinating and integrating partners' endeavors during project implementation and to unveil their interactions with project context. Our theoretical and empirical analyses show how the effectiveness of process coordination depends on project attributes individually and jointly.

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Keywords: Interactive coordination; Implicit coordination; Project modularity; Project complexity; Service offshore outsourcing

1. Introduction

The coordination problem in an inter-organizational relationship between a global client and its provider has long aroused the interest of scholars and practitioners (Gulati et al., 2012). To strengthen competitive advantage by seeking cost reduction or external intelligence, clients around the world slice up and delegate parts of service activities through outsourced projects to chosen providers abroad (Jensen and Pedersen, 2010). From a holistic and client-focused perspective, project success for the outsourced service includes not only completion of the project by the provider in a timely and efficient manner, but also functioning well when reintegrating outsourced service back into the client's

operational system (Jensen et al., 2013). Due to the compound interdependencies inherent in the expertise-intensive, customizing, and intangible nature of service operations and an environment of rapid technological change, coordination failure becomes a primary reason for poor project outcome. The results can be directly manifested as an unexpected cost, delayed delivery, or unfulfilled requirements; they can escalate to chaos or problems for the client's operation and can jeopardize the building of a long-term high-value-creation cooperative relationship (Gulati et al., 2012). Therefore, the requirement for project management to coordinate and integrate bilateral exertions of the client and its provider poses a critical challenge.

Research suggests no single best way to accomplish coordinating goals, and coordination failure commonly results from wrongfully designed or implemented coordination mechanisms that cannot cope with complicated situations (Gulati et al., 2012; Jarzabkowski et al., 2012). With the current pervasive practice of delegating customized professional service operations, the requirements for collective responsiveness and

☆ This work was supported by the Fundamental Research Funds for the Central Universities in China, 16szyb32.

* Corresponding authors.

E-mail addresses: wangyj.snnu@qq.com (Y. Wang), liuyi76@sjtu.edu.cn (Y. Liu).

flexibility in collaboration have been dramatically intensified (Kotha et al., 2013; Okhuysen and Bechky, 2009) which have led to a shift in research on coordination toward contextualized and process aspects (Jarzabkowski et al., 2012; Puranam et al., 2012; Srikanth and Puranam, 2011; Tiwana, 2008). Colfer and Baldwin (2016) and Griffith et al. (2009) discuss the effectiveness of modularizing design as an ex-ante approach and interactive coordination as a process coordination approach and whether they are complementary or substitutes or independent. Vlaar et al. (2008) argue that ex-ante design is made more efficient by reducing the necessity of process coordination; others have stressed the vital and irreplaceable role of interactive coordination to fulfill emerging coordination requirements. Jarzabkowski et al. (2012) and Srikanth and Puranam (2014) identify a previously neglected mechanism, implicit coordination, as an approach other than interactive coordination to adopt during the process. Despite this, the function and contingent effectiveness of implicit coordination have not been adequately included or fully explored in related research, let alone investigated as an alternative to interactive coordination (Srikanth and Puranam, 2014), and its relationship with ex-ante architecture design has not been probed. Thorough and in-depth and context-relevant studies of coordination mechanisms are called for (Faraj and Xiao, 2006; Jarzabkowski et al., 2012).

Global distribution of service work through outsourced projects provides an essential context for interfirm coordination and project management research. Complex task interdependence and magnified interfirm cognitive differences between an international client and its provider significantly impact process coordination (Stringfellow et al., 2008). Thus, compared with the design thinking of ex-ante coordination, the function of process coordination to promote contingent and appropriate reaction to predetermined requirements is considered indispensable (Kumar et al., 2009). Therefore, this research focuses on how distinct process coordination functions for an offshore outsourced project in a dyadic interfirm relationship. We first investigate the roles and accountabilities of both partners and probe the dynamics and contingent effects of coordinating mechanisms on outsourced project performance by adopting a bilateral perspective on client-provider cooperation to include the provider's coordination efforts within the research framework (Kedia and Lahiri, 2007; Luo et al., 2012). We then identify two pivotal project attributes from the literature on project management and coordination, that is, project modularity and project complexity, which frame features of interfirm interdependence by defining process coordination requirements before project implementation (Larsen et al., 2013). By examining whether and how interactive and implicit coordination perform contingently in a modular and complex project context, both individually and conjointly, this research reveals the reactive essence of process coordination and deepens understanding of the contingent nature of these two mechanisms in theory and practice.

In the following section, we examine the relationships between interfirm process coordination, project attributes, and project performance and propose hypotheses by adopting a knowledge-based and organizational learning point of view. We then test those hypotheses using data from 235 projects

accomplished by Chinese providers for their international clients. The empirical analysis generally supports our arguments that (1) interfirm process coordination has a positive effect on project performance; (2) project modularity and complexity have distinctive moderating effects on the relationships of implicit or interactive coordination and project performance, respectively; and (3) the effectiveness of coordination mechanisms differs significantly based on the joint contingencies of project modularity and complexity. This indicates that all interfirm coordination endeavors need to be synergistic and match each other, and the enactment of coordinative activities should be based on assessments of the project's coordination requirements.

2. Theory background and hypotheses

2.1. Coordination problems in offshore outsourcing projects

Coordination requirements have come from inter-task interdependence, uncertainty, and inter-agent cognitive distance (McCann and Galbraith, 1981; Puranam et al., 2012), and interfirm coordination needs to integrate partners' individual and joint activities and bring their contributions together (Gulati et al., 2012; Kumar et al., 2009). As an important and exceptional context in which to study coordination problems in project management, offshore outsourcing has aroused considerable interest for the following reasons. First, firms delegating service functions to providers abroad through three stages including business process disintegrating, relocating to providers, and reintegrating back within their local systems (Jensen et al., 2013; Mudambi and Venzin, 2010), one indication of project success involves successful integration into the client's operations. Second, this scenario generates managerial difficulties deriving from boundary-crossing cooperation including geographic, temporal, organizational, and expertise boundaries (Levina and Vaast, 2008). Third, the challenges are magnified by the attributes of service work involving intensive customization and requiring knowledge and intellectually intense activities (Stratman, 2008). The coordination problem in project management has intensified due to emerging complex interdependence and contingencies (Kumar et al., 2009; Schmeisser, 2013) and the involvement of multiple expert domains (Bruns, 2013) across organizational boundaries (Srikanth and Puranam, 2014), along with time and spatial distance (Hardley and Benton, 2013; Kumar et al., 2009). Therefore, research in the context of client-provider coordination can provide valuable insights for both project management and coordination research.

As complex interdependence and uncertainties have significantly compromised the advantages of systematic design in advance, more attention is paid to the effectiveness of ongoing accommodation among partners. Interactive and implicit coordination are process coordination mechanisms (Jarzabkowski et al., 2012; Srikanth and Puranam, 2014) that accomplish synergy and integrate partner efforts. While interactive coordination aligns partners' efforts by bilateral and synchronous exertion with constant communication and joint actions during implementation (Bruns, 2013; Gulati et al., 2012), implicit coordination is an

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