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Innovating or doing as told?

Status Differences and Overlapping Boundaries in
Offshore Collaboration

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Abstract and Introduction

- Increasingly, firms source more complex IT projects to low cost offshore locations. Microsoft, Google, Yahoo and IBM have moved parts of their R&D activities to India, China and Russia.
- Achieving such collaboration is extremely difficult due to multiple and overlapping boundaries (organizational and national context separate participants)
- A qualitative case study is done of a large financial services firm that has sourced a variety of “high-end” IT work to its wholly owned subsidiaries (“captive centers”) and to third party vendors located in India and Russia.



Boundaries and Status Differences

- Status differences arises as agents do not share equal access to three fundamental types
 - economic capital (money, time, access to technology)
 - intellectual capital (professional expertise, education)
 - social capital (networks of interpersonal relations)
- “Development of a new Information System can produce a unique distinction between agents who control the design and those who do not”.
- “Differences in national culture are among the key challenges to offshore collaboration”.
- “Every society is characterized by its own relative distribution of economic, cultural and social capital as well as by its relation to other nations”.



Case Study

- “Global Bank” (“pseudonym”)
- 1989, the bank established relationships with several Indian vendors
- 1996, bank started offshoring its application maintenance projects to its newly established Indian captive center and to several vendors
- 2005, bank had captive centers in India and Russia (money spent on off-shored projects 250 Million US Dollars)



Case Study

Table 2. Salient Differences in National Contexts Exhibited on Global Bank's Projects (as of 2005)			
Salient Differences	Global Bank in Onshore Countries	Providers in India	Providers in Russia
<i>Differences in Competencies</i>			
Competence in Financial Services	Managers and developers have significant experience in financial services industry.	Senior managers with 5+ years of experience; hardly any experience among developers	Hardly any experience with financial services industry before Global Bank
Competence in Business Software Development	Modern software development methods following best practices. Practices for ensuring security and reliability of software. No CMM certification.	Top Indian vendors are CMMI-5 certified. In large ODCs, clients are heavily involved in dictating which practices are followed on projects.	Top Russian vendors are CMMI-5 or CMMI-3 or above certified. Clients are heavily involved in dictating which practices are followed on projects.
Competence in Global Bank's IS	Several decades of experience with Global Bank's systems.	Experience with other clients in financial services; gained experience in some Global Bank's IS	New to the Western financial services industry; gained experience in some Global Bank's systems.
English Proficiency	English proficiency on all levels	English proficient; some issues with accents	English proficiency among managers; limited proficiency among developers.
Competence in Computer Science (Education + Experience)	<ul style="list-style-type: none"> Most developers with Bachelor's degrees from diverse colleges. Less than 15% with less than 3 years of experience. 	<ul style="list-style-type: none"> Most developers with Bachelor's degrees from diverse colleges Over 50% with less than 3 years of experience. 	<ul style="list-style-type: none"> Most developers with Master's degrees from top Russian universities; some PhDs. Less than 15% with less than 3 years of experience.



Case Study

<i>Differences in Economic Resources</i>			
Money Flow	Paid the salaries and bills	Received salaries and other resources	Received salaries and other resources
Staff Turnover	Varied by year.	About 20%.	Less than 10%.
Average Salaries	\$80,000 (technical lead)	\$9,000 Annually (technical lead)	\$18,000 Annually (technical lead)
Speed of Hiring New People	Depends on the specific onshore country (generally not tight in 2005). Can use current employees.	Any number of people can be hired in 2 weeks. Junior people will be provided with 3 month long training.	Maximum 2-3 people a month of the required quality, due to the tight IT labor market in Moscow.
Onshore Presence	All onshore	Started with at least 20% onshore	Started with hardly any onshore
Company Sizes	Tens of thousands of employees, several thousand in IT.	Most vendors – over 20,000 people. Largest GB ODC – 2,000 people.	Handful of large vendors (1,000 people) Largest GB ODC/Captive – 230 people
<i>Differences in Interpersonal Connections (Social Networks)</i>			
Access to Business Users and Senior Managers	Developed over many years	Negotiated on some projects for some participants	Negotiated on some projects for some participants
<i>Symbolic Differences</i>			
Attitudes to Authority	Low power distance in US and Western Europe	High power distance especially among line developers	Low power distance among developers educated in elite schools
Authority to Judge Results	Judgers of outcomes (process and product)	Rarely asked to judge outcomes	Rarely asked to judge outcomes



Summary

- + interesting topic
- + paper is well structured
- + very good analysis



Questions?

