

Chapter 4

Contextual Factors, Knowledge Processes and Performance in Global Sourcing of IT Services: An Investigation in China

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ABSTRACT

In this paper, the authors explore the influences of two major contextual factors—supplier team members' cultural understanding and trust relationship—on knowledge processes and performance in global sourcing of IT services. The authors discuss a joint investigation conducted by a cross-cultural research team in China. Cultural understanding is measured by individualism with guanxi and mianzi, two Chinese cultural concepts, and trust relationship is measured by adjusting trust, a notion reflecting the uniqueness of the Chinese people. Knowledge processes are characterized by knowledge sharing. Performance is measured by the outcomes of global sourcing, which is represented by product success and personal satisfaction. Data are collected in 13 companies in Xi'an Software Park, with 200 structured questionnaires distributed to knowledge workers. The results of quantitative data analysis indicate that cultural understanding influences trust relationship greatly, as well as knowledge sharing and performance in global sourcing of IT services. Trust relationship significantly impacts knowledge sharing, whereas trust relationship and knowledge sharing have no impact on performance. This study suggests that special aspects of the Chinese context have significant direct impacts on knowledge processes while no direct and immediate impacts on performance in global sourcing of IT services.

INTRODUCTION

As the industry for global sourcing of IT and IT-enabled services has developed, many studies have explored ways of evaluating supplier's capabilities and managing the sourcing process (Willcocks & Lacity, 2007). Also, some research has addressed the soft side of global sourcing, including innovation in relationships, social capital, and knowledge (Oshri, Kotlarsky, & Willcocks, 2008). Further, relevant research has paid special attention to knowledge processes in globally distributed contexts, which typically occurs in the form of knowledge transfer/sharing, knowledge-based coordination, and expertise management (Rottman, 2008; Kotlarsky, Oshri, & Van Fenema, 2008). Research findings show that global sourcing of IT services should be treated as a context-dependent scenario (Oshri, Kotlarsky, & Willcocks, 2008) where country contexts, such as national culture, government policies, political situation, economic conditions, technological environments, firm strategies, etc. should be considered (Seliem et al., 2003; Aharoni & Burton, 1994; Rosenzweig, 1994; Deans et al., 1991; Ein-Dor et al., 1993). These contextual factors contribute greatly to performance in global sourcing by affecting the relationship between supplier's capabilities and outcome in sourcing processes. Specifically, communication and coordination between supplier and client teams in knowledge processes, such as knowledge transfer/sharing, knowledge-based coordination and expertise management, are influenced by contextual factors, among which cultural understanding often has an intangible but significant impact because partners' cultural understanding is locally situated, behavioral and embedded in everyday work practices (Weisinger & Trauth, 2002), and trust relationship also has profound impact because partners' trust is an important aspect of social embeddedness in offshore IS projects (Rai, Maruping, & Venkatesh, 2009).

However, few empirical studies are concerned with the impacts of supplier team members' cultural understanding and trust relationship on

knowledge processes or have associated it with performance in global sourcing of IT services. Furthermore, most of extant research has addressed the issues more or less from the perspective of client (e.g., Rai, Maruping, & Venkatesh, 2009) or relied on data gathered from Western cultures (Graf & Mudambi 2005, Heeks & Nicholson 2004, Carmel, 2003). Yet, research findings obtained from firms operating in a Western culture cannot be generalized to other cultures, e.g. the Eastern culture, since global sourcing is country-specific and related to the country's contexts (Seliem et al., 2003). Moreover, the cultural distance between the West and the East makes the intercultural interaction/trust between them a critical issue different from intra-cultural interaction/trust (Li, 2009), which is usually the research area of extant cross-cultural studies in global sourcing.

Investigations of relevant issues in particular areas have emphasized the possible impacts of cultural differences (Straub et al., 2002; Dasgupta et al., 1999; Watson et al., 1997; Al-Khaldi & Wallace, 1999; Hassan, 1994; Wetherbe, Vitalari, & Milner, 1994). In order to strengthen the generalizability of the West-based evidence in global sourcing of IT services, country-specific and intercultural research is imperative. However, very few empirical studies on global sourcing of IT services have explored intercultural issues from the angle of Chinese suppliers, and centered on data collected in China, where the context is socially and culturally different from the usual context, e.g. the Western countries like U.K., U.S, Canada and Ireland, or the countries like India and Philippines which have historical colonial linkages with the West. Therefore, there is a need to broaden the understanding of cultural impact on knowledge processes and performance in global sourcing by conducting investigations in the Chinese context.

To address this need, a long-term joint research by the authors of this paper aims to investigate the impacts of cultural differences and test the generalizability of the Western-based evidence in global sourcing of IT services. This paper will explore the influences of two contextual factors,

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