

Chapter 6.23

Cross–Cultural Knowledge Management Practices to Support Offshore Outsourcing

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EXECUTIVE SUMMARY

In offshore business process outsourcing (BPO) arrangements between US client firms and Indian vendor firms, a "culture gap" has been reported between the organizations. This gap originates from (1) macro level differences between the two firms in their operating procedures and (2) micro level differences in the cultural proclivity of the individual workers. This gap often hinders the much needed bi-directional knowledge sharing in the outsourcing organization. To close this gap and improve knowledge sharing, effective organizational practices are needed. This chapter studies a case where a set of technical support processes were outsourced by an US based multinational

client to an Indian vendor. Data was collected using interviews of client-side, process and business managers to understand what challenges were faced in the organization after BPO and what practices facilitated cross cultural knowledge sharing. A set of organizational enablers and collaboration tools were reported by the interviewees to be successful in bridging the gaps and enhancing bi-directional knowledge sharing. This case demonstrates the benefits of three organizational practices – (1) bridging, (2) bonding and (3) linking, that build social capital in the form of relational norms and connections among workers. These relational practices, together with social capital, complement the use of collaboration tools and technologies to improve knowledge sharing between the client and vendor teams.

DOI: 10.4018/978-1-60960-783-8.ch6.23

BACKGROUND

The concept of transferring the operational ownership and execution of one or more business processes is referred to as Business Process Outsourcing (BPO). Due to the current globalization trends and improvements in computer and telecommunications networks, US firms are pursuing offshore outsourcing to remote countries like India and China. Offshore outsourcing allows the US firms to tap into large pools of offshore workers at significantly lower labor costs. Additionally, US firms benefit by getting access to large overseas markets for products and services in the foreign countries and take advantage of time zone difference to staff round the clock operations.

In strategic outsourcing, core processes in the primary value chain of the client (such as customer support or supply chain management) are offshored. Core processes differentiate firms in the marketplace and hence cannot be modularized. Moreover, core processes are usually connected to other process in the client organization and are a source of unique value. Research indicates that, to support the outsourcing of these core processes, complex and customized inter-organizational systems need to be deployed (Carmel and Agarwal, 2002). While modularized tools and procedures can easily support non core processes such as human resources or benefits management (Lacity and Willcocks, 1998), outsourcing of core processes often require differentiated procedures and the integration of tacit knowledge from both organizations to run effectively. Several knowledge management initiatives, such as balanced scorecard metrics, real time dashboards and identifying subject matter experts were identified as part of a list of 20 best practices that help overcome the problems inherent in offshore outsourcing (Rottman and Lacity, 2004). Extensive tacit knowledge needs to be utilized in the case of complex technical support processes such as telecommunications network design, installation and management (as in this case study). This tacit

knowledge can be situated among personnel on either the client side or the vendor side. Specifically, product design knowledge may reside on the client side, while local customer and infrastructure knowledge may reside with the vendor. Such knowledge exchanges can be for several situations – (1) addressing unexpected situations when codified explicit knowledge does not exist to handle an issue, (2) learning to understand the complexity and interdependency of various support scenarios – ie, becoming fully mindful of the undocumented “ripple effect” of various technical approaches, and (3) enhancing the client worker’s understanding of the offshore infrastructure and customer environment and (4) enhancing the vendor worker’s understanding of the technical nuances of each product’s features/capabilities. In such cases, KM systems are needed to support bi-directional tacit knowledge sharing to allow the outsourced processes to run efficiently.

The research on interorganizational knowledge management shows that knowledge sharing is particularly difficult between organizations (Burgess, 2005). Factors that impact knowledge sharing at the macro or organizational level include the characteristics of the organizations, their work related practices, how work activities are viewed and how systems are used in addition to the type of knowledge that needs to be transferred (Argote, 1999; Ko, Kirsch and King, 2005; Inkpen and Tsang, 2005). Knowledge sharing can be hindered due to macro level differences in organizational characteristics such as (1) work practices being process oriented or result oriented, (2) employee oriented versus job oriented, (3) parochial versus professional, (4) open systems versus closed communications climate, (5) loose control versus tight control and (6) rule oriented versus customer oriented (Hofstede, et.al., 1990). These differing organizational norms and structural issues lead to differences in how knowledge sharing systems are viewed and utilized by the two organizations. For example, differences in process versus results orientation can lead to how strictly operating

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