Chapter 4

Trajectories and Strategies in Global Software Outsourcing Relationships

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GLOBAL SOFTWARE OUTSOURCING

Global software outsourcing (GSO) is the outsourcing of software development to sub-contractors outside the client organisation’s home country. India remains the unquestioned leader, registering average annual growth of more than 40% over the last decade and developing some US$3.6bn-worth of software for foreign clients in 1999/2000 (Heeks, 2000).

Advice for potential GSO clients counsels starting small, starting at home, and starting with programmers (McFarlan, 1996). Many client organisations have followed this advice, putting a toe into the GSO waters through small-scale body shopping: for example, having Indian sub-contractor staff come over to the client site to complete a minor, non-critical piece of coding/ conversion work.
Whilst minimising risk, however, this also minimises benefits. In the US, for example, onsite costs of India-related GSO undercut those for hiring US staff by only some 10-20%. In comparison, sending development work offshore to India will typically undercut by some 50%. Large projects offer a greater potential for savings than small ones. Likewise, the cost savings for hiring Indian analysts/project managers are typically US$1000-2000 per month greater than those for hiring programmers (Heeks, 1996).

Clients have therefore been keen to move up the value chain in order to increase the benefits of outsourcing. These benefits include not merely the greater savings just noted, but also improved access to local labour and to the local IT market.

However, moving up the value chain brings additional costs and risks. Clients and developers are therefore seeking routes through the cost/risk minefield to the benefits that higher-value GSO promises. The research reported here set out to investigate these routes, undertaking longitudinal case study research with eight GSO relationships for which the developer half was based in India.

SYNCHING OR SINKING

In seeking to understand success strategies in GSO relationships, we were struck by contradictions arising from some prescriptive recommendations. Techniques that worked well for one relationship could be a cause for friction and failure in another.

The analysis of field data was therefore informed by a contingent perspective. Successful relationships were those in which a high degree of congruence was achieved between developer and client: we called this “synching.” Unsuccessful relationships were those in which a low degree of congruence was achieved between developer and client: we called this “sinking.”

We developed a dimensional framework for congruence. Using this, synching was more precisely defined as minimisation of gaps between client and sub-contractor along six ‘COCPIT’ dimensions: Coordination/control systems, Objectives and values, Capabilities, Processes, Information, and Technology.

Theoretical examples of complete congruence can be given for each dimension:

- **Coordination/control systems**: client and developer use the same management coordination and control systems; for example, having the same systems for staff monitoring and appraisal.
- **Objectives and values**: client and developer share the same objectives for their relationship and bring the same values to that relationship; for example, having the same organisational culture.
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