Chapter 5
Knowledge Transfer in Offshore Outsourcing:
A Case Study of Japanese and Vietnamese Software Companies

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ABSTRACT

This paper discusses the knowledge transfer process in offshore outsourcing. The focus is a case study of software offshore outsourcing from Japan to Vietnam. Initial results confirm that willingness to co-operate and good impressions facilitate the knowledge transfer process. In addition, communication barriers, cultural differences, lack of equivalence in individual competence, and lack of common rules slow down the transfer process. The study also identifies the Bridge System Engineer (Bridge SE)-a type of coordinator who mediates and enhances the relationship between Japanese clients and Vietnamese service providers. Employing a Bridge SE is an effective way to fill the communication gap, the cultural gap, and generally improve the business relationship. Bridge SEs use their background of higher education and long-term residence in Japan to give advice to Vietnamese software teams on Japanese cultural characteristics, such as the apology culture and the separation between work and private time. In other situations, Bridge SEs use their IT background and communication skills to verify and adjust communication contents before information is sent from one side to another.

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INTRODUCTION

With increasing globalization and the emergence of a knowledge society, knowledge and its international management have become crucial factors for gaining and sustaining competitive advantage (Blecker & Neumann, 2000). Unfortunately, knowledge management is not an easy task because of the multi-faceted nature of the boundaries, cultures, processes and organizational structures involved (Bresman, Birkinshaw, & Nobel, 1999; Lee, 2001; Nonaka & Takeuchi, 1995; Smith et al., 2008). Accordingly, the knowledge transfer process between firms has been given significant attention in both the academic and managerial literature (Argote & Ingram, 2000; Becker & Knudsen, 2006; Bresman et al., 1999; Kohlbacher & Krahe, 2007). Some of these papers highlight knowledge transfer as the most significant knowledge management (Blecker & Neumann, 2000; Bresman et al., 1999; Inkpen & Dinur, 1998). The research of Inkpen and Dinur (1998) concluded that although a variety of KM strategies can be viable, some strategies lead to more effective knowledge transfer than others. The value of knowledge transfer between international firms can be particularly high because foreign markets often provide access to new ideas and stimuli that can be subsequently applied in other countries (Bartlett & Ghoshal, 1989; Bresman et al., 1999; Hedlund, 1986).

However, most of these studies focus either exclusively on cross-cultural aspects or on inter-organizational aspects (Bhagat et al., 2002; Bresman et al., 1999; Holden, 2001; Kohlbacher & Krahe, 2007; Simonin, 1999), there is still a lack of research that integrates the two. Furthermore, the subject of prior research has been on knowledge transfer within multinational cooperations (MNCs), or their international joint ventures (IJVs) and acquisitions. Offshore outsourcing, a fairly recent but important business trend, has not been studied in as much detail, and rarely from a knowledge management perspective.

This paper discusses factors that affect the knowledge transfer between organizations in offshore outsourcing and exposes the emerging role of the Bridge System Engineer (Bridge SE) in the knowledge transfer process. We adopt a case study approach as our research strategy. The case analysis is based on our research of the relationship between an offshore software service provider in Vietnam and their Japanese customers. The main contribution of this paper underscores the role of Bridge SE to fill communication gap, cultural gaps and improve the business relationship between the source and the recipient of knowledge transfer process. Bridge SE is an English term created by Japanese IT companies, and Bridge SEs have been utilized effectively as coordinators in offshore relationships between Japanese companies and their foreign partners such as China or Vietnam (Kochi, 2008). From data analysis, we found that most Bridge SEs have a background of higher education or several years working in Japan before they become a Bridge SE. This experience helps them to understand Japanese customs, habits and some common sense ideas. Bridge SEs utilize this tacit knowledge as well as IT skills, and communication skills to harmonize the relationship. We also found that among requirements for a Bridge SE, communication skill is more important than technical or management skills. We suggest that the roles of Bridge SE should be studied more closely by both academics and practitioners.

RESEARCH BACKGROUND

Knowledge Transfer

The concept of "knowledge" can be discussed from many different perspectives such as the nature of knowledge and knowledge relationships within