The Impact of Different Organizational Cultures on IT Outsourcing Relationship Management

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ABSTRACT

Globalization has affected the organizations in many aspects such as structure, architecture, internal/external strategies and sourcing management. Outsourcing is one of the recent business strategies used to provide IT needs via external agents. The relationship between the service buyer and provider companies is a constituent playing a significant role in IT outsourcing success or failure. This research has a focus on the influence of organizational culture of buyer companies on the specific factors of trust, cooperation, communication and commitment in their relationship with the IT service provider. Two explorative case studies are done in global companies using ITO which revealed the presence of organizational culture effect. Particularly, being innovative, having open discussion as an organizational culture and looking for extending contracts with providers as a strategy, appeared as the major difference between the two cases organizational culture; which influences the studied factors of ITO relationship in this research.

Keywords: Commitment, Communication, Cooperation, IT Outsourcing, Organizational Culture, Relationship

INTRODUCTION

New approaches in strategic planning used by global organizations recently have faced them with numerous issues that need to be handled to make them capable of being competitive in such fast growing business market of today. One of the contemporary business strategies and sub-sequences of globalization is outsourcing which refers to the use of external agents to perform one or more organizational activities (Dibbern et al., 2004). Outsourcing is generously used by companies aiming to cost saving and quality improvement, it has also been reported to have both success and failure results for them (Ranganathan & Balaji, 2007). The choice between make -or- buy is a crucial decision by taking in consideration the transaction cost analysis, in which the functional managers should estimate the costs of contractions and transactions proliferated to the previous costs (Anderson et al., 2000).

Outsourcing can strike root in many components of the company or be influenced itself by various factors existing there. A driving factor in the firms which has affects in many parts is the organizational culture. Organizational culture can be defined as "the set of shared values and norms that control organizational member's interactions with each other and with suppliers, customers, and other people outside the organization" (Jones, 2007, p. 177). Many authors have found out that the culture inside an organization and the way people have relationships with each other, may have a significant influence on the success of this organization (Abrahamsson & Andersen, 2005). Regarding IT outsourcing relationships, some authors mention 'cultural fit' as an attribute that could influence the quality of the relationships between a customer and a provider (Alborz et al., 2005).

Problem Field

Critical issues and success factors in IT outsourcing relationships have already achieved some attention in the literature (see Kern & Willcocks, 2002; Barthelemy, 2003; Overby, 2006), but what differentiates this research from the previous ones is its specific focus on the enabling or disabling role that the organizational culture can play in IT outsourcing relationship. According to Palvia and Pinjani (2007), cultural subjects are key IT/IS global management issues currently since they can influence IT practices in elusive ways. Therefore, their impact in the area of IT needs to be studied by using a variation of different models and culture dimensions.

Goal

The goal of this research is to find out the effect of different organizational cultures on IT outsourcing relationship between the service buyer and provider companies.

We divided the main goal to sub goals of:

- Searching for critical factors in IT outsourcing relationship,
- Study the organizational culture of the buyer companies, and
- Analyze the influence of their organizational culture on their IT outsourcing relationships.

Research Contribution

Getting knowledge on failure and success results in IT outsourcing of the firms and accomplishing ideas from some outsourcing involved people in the companies during some preliminary interviews materialized the focus of this research. First, a literature review is done on IT outsourcing relationship and organizational culture as the two existing concepts in the companies, aiming to find a relationship that the former may have on the latter. After that a theoretical analysis is made based on the literature, and then two case studies in multinational companies with subsidiaries in Scandinavia have been performed. In this article the relevant literature, theoretical approach, case analysis and conclusion are respectively presented.

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