Chapter 52
Enablers and Barriers of Knowledge Sharing for Offshore Outsource ISD Project:
A Case Study

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ABSTRACT

Many firms increase their flexibility and raise their information systems development (ISD) capacity by exploiting qualified personnel in low cost countries. Since ISD is a knowledge-intensive activity, knowledge sharing is particularly critical in an offshore outsourcing context. The purpose of this study is to investigate effects of enablers and barriers to knowledge sharing in offshore ISD projects. This research is important, as there is a need to understand knowledge organizations case by case to develop effective and contingent strategies to increase knowledge sharing. The empirical data are based on a qualitative case study with in-depth interviews following a semi-structured approach. In this research we investigate a Norwegian based information systems service provider and their offshoring of ISD to Bangladesh. The paper contributes to understanding the role and specific challenges of knowledge sharing in offshoring ISD projects. The empirical results showed that structural as well as political, cultural and personal enablers play an essential role in facilitating knowledge sharing. The role of the Scrum methodology, in particular, with its daily Scrum meeting should be underlined because it enables coordination, communication and knowledge sharing between the parties. Additionally, several key barriers hindering knowledge sharing were discovered such as lack of direct personal interaction, time differences, poor infrastructure, cultural heterogeneity, and different personalities.

INTRODUCTION

Outsourcing is one of the most used management strategies today with the aim of improving competitive advantage. According to Cha et al. (2009) many firms have decided to outsource some or all of their Information Technology (IT) functions and services such as software development, production, and maintenance to highly skilled external vendors. Also among Information Systems Development (ISD) firms, outsourcing is becoming increasingly important in order to improve their competitiveness by reducing the cost and time of ISD projects. Outsourcing is a way of complementing the firm's resources and capabilities to manage ISD projects. However, as noted by Pries-Heje et al. (2010), when software development is outsourced as part of an IT project, knowledge asymmetry normally exists in technical information, business information, as well as understanding of the working methodologies. Since information systems projects are knowledge-intensive, a critical challenge is to effectively establish knowledge transfer processes. Knowledge transfer is an interactive process where the participating actors share their knowledge reciprocally (Kremic, 2003). This is a complex process that embraces a wide variety of different disciplines. Aspects like communication, infrastructure, finance, intellectual property issues, politics and networking all play an important role. In a sense, knowledge transfer represents a new way of thinking which requires substantial process and behavioral changes from both individuals and organizations to overcome numerous possible barriers (Zhang & Dawes, 2006). This calls for integration mechanisms supporting knowledge sharing between the client organization and the vendor. Hence, the purpose of this research study is to investigate the use of the mechanisms that facilitate and enable knowledge transfer, but also to overcome the contextual factors that can hinder the process.

Companies may increase their flexibility and raise their systems development capacity by exploiting qualified personnel in low cost countries. The primary objective of this study is to examine how to manage offshore ISD projects. Specifically, one research question arises: "What are the enablers and the barriers for knowledge sharing in offshore ISD projects using the Scrum methodology?"

OFFSHORE OUTSOURCING

Kern and Willcocks (2002, p. 3) define IT outsourcing as "[…] a process whereby an organisation decides to contract-out or sell the firm's IT assets, people and/or activities to a third party supplier, who, in exchange, provides and manages these assets and services for an agreed fee over an agreed time period." From a business perspective, outsourcing is motivated by the promise of strategic, financial and technological benefits (Lee & Kim, 1999). According to Venkatraman (2004), offshore outsourcing or "offshoring" is the practice among U.S. and European companies of migrating business processes overseas to India, the Philippines, Ireland, China and elsewhere to lower costs without significantly sacrificing quality. Cost reduction, support of companies' growth strategies, competitive pressure, and access to qualified personnel for example, are strategic drivers for offshoring (Lewin & Peeters, 2006).

According to Shao and David (2007), outsourcing does not involve a single, but rather two separate decisions. First, the company must decide whether it should outsource or not and then it must choose location. Management must choose one of four operational models, as presented in Figure 1. First, onshore insourcing represents the traditional domestic service, where an internal IT department is responsible for establishing and producing the service. In ISD projects, knowledge is transferred between internal departments, e.g.

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