Chapter 2.3
Exploratory Study on Effective Control Structure in Global Business Process Sourcing[1]

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ABSTRACT

In an IT-intensive global business process sourcing (global BPS) project, the structure chosen to control knowledge transfer is critical. The objective of this study is to explore the effective control structure for knowledge transfer in IT-intensive global BPS project. The research methods used in this study are a case study and survey. First, a generic framework on the control structure for knowledge transfer is derived from extant literature. This framework is applied to a case analysis of a service provider in Mauritius. As a result of the case analysis, a model for control structure facilitating knowledge transfer in global BPS is derived. The model includes a social control mechanism, communication mechanism, project control mechanism as independent variables, and governance mechanism as a moderator variable. The degree of knowledge transfer and success of global BPS are used as dependent variables. The propositions describing the relationships between the variables are formulated. A total of 19 survey items were generated for these variables. As results of the survey, the model is revised and a set of more refined propositions are generated in the conclusion. Both service providers and clients can benefit from this study by focusing on control mechanisms that affect the knowledge transfer and BPS success.

INTRODUCTION

European and US corporations have been outsourcing non-core business processes as wells as supporting IT (Information Technology) to offshore vendors. This is referred to as offshore

BPO (Business Process Outsourcing). The major reason for the offshore BPO is to reduce costs associated with the business process as well as access to quality services. In France, companies send their processes to French speaking offshore locations, such as Mauritius, Tunisia, and Romania. The processes usually outsourced is ranged from Sales/Marketing, Accounting/Finance, Human Resource, Information Technology, to Call Centers (UN, 2003).

Recently, setting up offshore subsidiaries rather than outsourcing from offshore vendors is increasing because of better communication and control. Therefore, the term global business process "sourcing" is more appropriate than "outsourcing." Global business process sourcing (BPS) includes market-based vendors as well as hierarchical subsidiaries or joint ventures (JV). The growth of global BPS is attributed to a combination of various factors, including advances in network technology and high-speed data networks.

In an IT-intensive global BPS project, knowledge transfer is critical for success (Kobitzsch et al., 2001). Defining user requirements and system architecture require communication and learning between users and the analyst and among team members (Ko et al., 2005; Sarker et al., 2005; Karlsen and Gttschalk, 2003; Curtis et al.,1988). Communication and learning involve information and knowledge transfer among the parties. The knowledge transfer in a Global BPS project cuts across between countries and involves the following type of knowledge (Kobitzsch et al., 2001): application knowledge, quality management knowledge, development (standards) knowledge and company culture knowledge.

While effective control mechanisms promote the acquisition, interpretation, and dissemination of the knowledge, ineffective control mechanisms distort and suppress knowledge transfer (Makhija and Ganesh, 1997). According to the type of knowledge, different control mechanisms could be appropriate (Turner and Makhija, 2006;

Makhija and Ganesh, 1997; Fiol and Lyles 1985; Shrivastava, 1983; Tushman and Nadler 1978). As opposed to anecdotal reports emphasizing the importance of knowledge transfer and project management in global sourcing, this study explores effective control structures for knowledge transfer in Global BPS.

The overall approach of this study is qualitative, inductive and exploratory. Both service providers and clients can benefit from this study by focusing on control mechanisms that affect the knowledge transfer and BPS success. In this study, knowledge and information are used interchangeably due to their close relationships. Knowledge transfer in this study is defined as a systematically organized exchange of information and knowledge between entities (May et al, 2005).

RESEARCH METHODOLOGY

The research methods used in this study are a case study and survey. After reviewing the literature on control mechanisms, knowledge transfer and IS outsourcing, it was determined that no current theory is directly applicable to fulfill the objective. Therefore, 'ground theory building' methodology that builds theory in a grounded and inductive fashion is used for this study (Yin, 1984; Eisenhardt, 1989). First, a generic framework on the control structure for knowledge transfer is derived from extant literature. The framework consists of potentially important constructs to study the control mechanism for knowledge transfer. For the control mechanism, this study focused on hierarchy/subsidiaries structure, formal/informal control mechanisms and information systems. For knowledge type, the study derived the following types of knowledge—sensitive knowledge, codifiable knowledge and no-codifiable knowledge.

This framework is applied to a case analysis of a service provider in Mauritius to explore effectives control mechanism for transfer of each type of knowledge in Global BPS. As results of

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