

IT Offshoring: Trust Views from Client and Vendor Perspectives

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ABSTRACT

This article is about the role played by trust in structuring and shaping offshoring projects and how cultural differences interfere in the related inter-firms relationships. The study, conducted with three IT service provider companies established in Tunisia, has provided a dataset that confirms the structuring role of trust in terms of transferability effect between the client and the offshoring unit. Findings indicate that trust is perceived as an influencing factor when it is situated at the inter-organizational level and not at the interpersonal level for all the actors concerned. This finding is independent of the cultural affiliation (individualistic versus collectivist). While cultural differences are not "negotiated" the same way by all of the respondents, trust seems noticeably more difficult to settle between the Tunisian partners than between the Tunisian offshoring unit and its European clients.

Keywords: IT Offshoring, IT Outsourcing, National Culture, Organizing Principle, Trust

INTRODUCTION

This paper is aimed at providing insights into offshoring activities by focusing specifically on the role of trust in structuring and shaping offshoring processes and also by exploring how cultural differences interfere within offshoring dyads. Numerous researchers in information systems and organization science have provided evidence about the role of trust in strengthening and stabilizing business relationships (Marandon, 2003; Ring & Van de Ven, 1994; Olsson,

Conchuir, Agerfalk, & Fitzgerald, 2008; Sun, Lin, & Sun, 2002; Cohen & El-Sawad, 2007; Mumbi & McGill, 2008; Siakas & Siakas, 2008; Karlsen, Græe, & Massaoud, 2008). It has been demonstrated indeed that trust allows firms to reduce transaction costs (Zaheer, McEvily, & Perrone, 1998; Dyer & Chu, 2003; Simon, 2007) and to deal with conflicts and social complexity (Luhmann, 2006; Giddens, 1994; Arrow, 1974). Following the tradition started by outsourcing studies, offshoring can be examined through an economic lens as a means to reduce costs (Williamson, 1985, 1993).

With regard to the research issue discussed in this paper, the literature provides very rich

DOI: 10.4018/jitpm.2011040102

insights on two separate perspectives: the first one addresses the role of culture within offshoring relationships (Gopal, Willis, & Gopal, 2003; Cohen & El Sawad, 2007) and the second perspective is focused on the role of culture in shaping trust between individuals and entities (Ting Toomey, 1999; Dyer & Chu, 2003; McEvily, Perrone, & Zaheer, 2003; Huff & Kelley, 2003; Zaheer & Zaheer, 2006; Ueltschy, Ueltschy, & Fuchinelli, 2007; King & Torzadeh, 2008). However, research studies that yield a set of generalizable propositions about the triad “trust, -culture, and offshoring” are rare and require a deeper investigation effort. Our study is aimed at filling this gap.

We propose to conceptualize trust as an organizing principle in order to describe and analyze the offshoring interrelationships (Delerue & Berard, 2007; Dyer, 1997; McEvily et al., 2003; Charreaux, 1998; Thuderoz, 1999). In this paper we will discuss this theoretical choice and explain how it has been applied as an investigation canvas through which we have explored the role played by trust in shaping the offshoring relationship established between three entities: a global IT vendor (France), its offshore unit (Tunisia), and their clients, with regard to the respective national cultures of all these actors.

We have also started to extend our empirical study by investigating how national culture interferes in shaping trust between offshoring/versus outsourcing relationships, specifically in the country of the offshore destination (Tunisia).

Our paper is organized as follows: we first present our theoretical foundations articulated around three key concepts: offshoring, trust, and culture. We then display our research strategy. The paper concludes with a discussion about the limitations of this study and its implications for practice and research.

THEORETICAL FOUNDATIONS

What is Offshoring?

IT offshoring has been defined as a practice through which an organization subcontracts all

or part of its IT operations to one or more external service providers outside its own country (King & Torzadeh, 2008). Offshoring has appeared as a challenging decision that gives rise to difficulties related to differences in culture, language, business methods, politics, etc. (Carmel & Tjia, 2005; Willcocks & Lacity, 2006). These issues are not yet fully understood and studied (Zaheer & Zaheer, 2006) and require in-depth theoretical and empirical investigations (King & Torzadeh, 2008).

It is important to point out that “offshoring” and “outsourcing” are close but not synonymous concepts (Olsson et al., 2008; Olsen, 2006; Atkinson, 2004). While outsourcing relates to the relocation of a part of a company’s activity to a foreign provider assigned to perform the tasks, offshoring is the relocation of a part of a company’s activity overseas (Barthélemy, 2007). Offshoring, then, is an “*inter-country outsourcing*” (King & Torkzadeh, 2008). Following Carmel & Tjia (2005), outsourcing is about governance while offshoring is about location.

In this study, we adopt the definition proposed by Cohen and El-Sawad (2007) which states that offshoring is “*a whole range of organizational arrangements from contracting out to a third party based overseas...to the wholly owned subsidiary.*” (p. 1236). According to Goles and Chin (2005), there are three categories of possible perspectives to study offshoring relationships:

The economic perspective (Willcocks & Lacity, 1995; Fimbel, 2003; Barthélemy & Quélin, 2006; Barthélemy, 2007) which is based upon Transaction Costs Economics (Williamson, 1985), states that the offshoring decision depends on three factors: Asset specificity, transactions’ frequency, and environmental uncertainty (Goles & Chin, 2005). The agency theory (Jensen & Meckling, 1976) provides an economic lens to study offshoring. For instance, the relationship between the client and the offshore unit is considered as a Principal/Agent relationship and with regard to the opportunistic nature of the individuals, it is important for the offshoring partners to specifically define the

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