

## Chapter 8

# Stakeholder Challenges in Information Systems Project Offshoring: Client and Vendor Perspectives

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### **ABSTRACT**

*This study of international information systems (IS) offshoring highlights the idea that project success or failure is often in the eye of the beholder and that proper attention needs to be provided to both client and vendor perspectives. This research contributes by identifying noteworthy IS offshoring challenges faced by client and vendor stakeholders. This research synthesizes key findings from eight dyadic case studies consisting of 56 interviews in total from both client and vendor firms detailing their offshore experiences. The case investigations lead to the discovery of nine unique challenges encountered by client and vendor stakeholders. The challenges include a wide assortment of economic, personal responsibilities/expectations, and organizational offshore project management issues. The reported challenges can suitably guide client and vendor project managers in managing international IS offshore projects as well guide academic researchers to better understand techniques for managing offshore IS projects.*

### **INTRODUCTION**

The well known saying of “don’t judge a man until you have walked a mile in his shoes,” is a classic reference highlighting the importance of understanding the different viewpoints of others. This same adage if followed may provide significant insight into understanding the challenges associated with managing and evaluating international

information systems (IS) sourcing (offshoring) projects. The need to effectively manage diverse project stakeholder interests has recently received significant attention in both the management and information systems literature (Jepsen & Eskerod, 2009). This research aims to contribute by identifying noteworthy project management areas of concern and challenges among the client and vendor stakeholders associated with IS offshoring projects.

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International sourcing has served as a significant IS sourcing option for decades. In today's environment of globalization and intense worldwide competition, offshoring provides many mission critical IS products and services to client firms. In this paper we use the term offshoring that expands the traditional definition of outsourcing to include location. In offshoring the third party vendor firm providing the IS products and services to the client firm is located outside of the client firm's home country (for example, a client located in the U.S.A. utilizing a vendor located offshore in India). The vendor's offshore location allows the client firm purchasing the IS products and services to take advantage of the inherent lower cost international labor arbitrage (King, 2008). Recent estimates put the global offshore sourcing market for IS and business services over \$55 billion for 2008 and some estimates suggest an annual growth rate of 20% over the next five years (Oshri, Kotlarsky, & Willcocks, 2009). Clearly with this greater reliance and predicted growth of IS offshoring, there is a significant need to understand the client/vendor relationship and key project management areas of concern to successfully handle and manage the offshore interactions that are now business critical to both clients and vendors.

Understanding the success and failure of IS sourcing projects has been a fundamental and enduring research issue. Despite over a decade of research into IS project sourcing, we still lack a consistent model to explain success and/or failure (Demirkan & Nichols, 2008; Dibbern, Goles, Hirschheim, & Jayatilaka, 2004; Palvia, 2008). The challenges in evaluating success from an organizational context may stem from the fact that many levels of stakeholders are involved within the project sourcing relationship, with each group having their own interpretations. Success is often suggested to be a multidimensional construct that is meaningful only if discussed from the point of view of a given stakeholder (Seddon, 1997). Thus, when evaluating offshoring one must remember that success is often in the eye of the beholder and that all perspectives (both client and vendor

and multiple levels) should be included to fully capture the relationship. IS offshoring projects so broadly affect client and vendor stakeholders that it may positively influence one set of stakeholders while negatively affecting another. In instances where both parties have divergent views of the same initiative, the project may be pre-positioned for failure (Bryde & Robinson, 2005; Legris & Colletette, 2006).

In addition, when evaluating the IS project sourcing literature, there appears to be a lack of research investing both client and vendor project stakeholder viewpoints in a single research study (Lacity & Rottman, 2008; Lee, 2008). Many times the client perspective is represented with the vendor perspective receiving little attention (Jiang, Yao, & Feng, 2008; Levina & Ross, 2003). The preceding dominant client-centric perspective provides ample opportunity to investigate both perspectives (Gable, Sedera, & Chan, 2008). Thus, without having a sufficient understanding of each party's multi-level perspective, it may be difficult for clients and vendors to achieve their project sourcing objectives (Lee, 2008).

As a result, we pursued an in-depth case study approach to investigate various stakeholder perspectives in an attempt to obtain a more complete picture of the project complexities among both client and offshore vendors. Consequently, our research intends to bridge the client-vendor gap by incorporating and highlighting challenges among client and vendor stakeholders to demonstrate the value in understanding both sides of the offshore IS project sourcing story. This paper presents a collection of key stakeholder challenges uncovered from our intense client and vendor case discussions. Interviews were conducted with multiple stakeholders at different levels and functions within both client and vendor firms across eight IS offshoring projects. As highlighted in this paper, there are always two sides to the offshore IS project sourcing puzzle (the client and vendor piece) and great value can be obtained if the two parties involved would sit back and put one another in each other's shoes to more fully

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