LESSONS LEARNED FROM OFFSHORE IT OUTSOURCING: A CLIENT AND VENDOR PERSPECTIVE

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ABSTRACT
Achieving success in international information technology (IT) sourcing or offshoring projects is a significant, emerging challenge for many organizations. Success requires a significant amount of detailed management, cooperation and coordination among the client and vendor organizations. This paper synthesizes the key findings from eight dyadic case studies consisting of 56 interviews in total from both client and vendor firms detailing their IT offshoring experiences. The case investigations lead to the discovery of twelve disparate and innovative lessons learned emerging from the experiences and challenges involved with IT offshoring on the part of client and vendor firms. These lessons cover a wide assortment of economic, strategic, relational, personal (individual), and organizational issues encountered while offshoring. The list of lessons learned can suitably guide client and vendor firms in their plans to engage in successful IT offshoring projects in the future as well as academic researchers to better understand and position the relationship for success.

Keywords: Information Technology Sourcing, Offshoring, Client-Vendor Relationship

INTRODUCTION
Information Technology (IT) outsourcing has served as a significant IT sourcing option for decades. Today, many companies are taking advantage of the opportunities available through "offshoring" by relying on outside third parties (outside the borders of the U.S.A.) to provide critical IT products and services (King, 2008). An IDC (International Data Corporation) report estimates that the size of the worldwide outsourcing market will experience a 12% annual growth rate from 2006 to 2010 and grow from $240.2 billion in 2006 to $377.8 billion by 2010 (Hackett 2008). Clearly, with such a growing market and dependence on IT offshoring there is a need for both client and vendor firms to learn from previous offshoring experiences to ensure future success.
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Jayatilaka, 2004; Lee, Miranda & Kim, 2004; Palvia, 2008). While an extensive body of outsourcing literature exists from a client perspective (e.g. Koh, Ang & Straub, 2004; Lee et al., 2004), investigations into the vendor perspective are relatively rare (e.g. Jiang, Yao & Feng, 2008; Levina & Ross, 2003); single research studies incorporating both the client and vendor perspectives are comparatively even more uncommon (e.g. Koh et al., 2004). Even though some recent literature has emerged considering both the client and vendor perspectives (e.g., Lacity & Rottman, 2008; Lee, 2008), the preceding dominant client-centric perspective on IT offshoring provides ample opportunity to investigate offshoring from both client and vendor viewpoints. As a result, our research intends to bridge the gap by incorporating a comprehensive IT offshoring perspective capturing lessons learned by clients and vendors.

The remainder of the paper is organized as follows. The next (second) section reviews the extant IT offshoring literature regarding economic, strategic and relational theoretical frameworks applied to IT offshoring. The third section presents the research methodology. Section four describes the IT offshoring lessons learned from the case studies and organized as economic, strategic and relational perspectives. This paper presents a set of twelve distinct lessons learned from our intense client and vendor interactions garnered through our discussions with multiple participants at different levels within both client and vendor firms across eight IT offshoring projects. Section five presents implications and future research directions. Section six summarizes and concludes the study’s main findings.

THEORETICAL BACKGROUND

We drew upon the key tenets of three fundamental theoretical frameworks often used in the offshoring literature—economic, strategic and relational views—to encompass a broad theoretical perspective in identifying, interpreting and culling out the forthcoming lessons learned.

Economic Perspective

From an economic perspective, IT outsourcing examines the efficiency, coordination and governance of the economic transactions between the client and vendor firms (Goo, Kishore, Nam, Rao & Song, 2007). *Transaction cost theory* (TCT) (Williamson, 1985) has been the theoretical basis for many IT outsourcing studies, where efficiency through both economies of scale and scope drive the sourcing decision (e.g., Ang & Straub, 1998; Aubert, Rivard & Patry, 2004; Wang, 2002). Our findings, as will be presented shortly, support the financial concerns embodied within TCT, specifically the role of cost savings by utilizing the market (e.g. offshoring). However, while TCT is a widely applied, TCT alone cannot fully explain the IT offshoring relationship.

*Agency theory* can also be applied to frame the IT offshoring relationship from an economic perspective (Gefen & Carmel, 2008; Maheney & Lederer, 2003). This theory is concerned with resolving two problems that occur in business relationships (Eisenhardt, 1985). The first issue is the agency problem that arises when the desires or goals of the principal (client, in our case) and agent (vendor, in our case) conflict and it is difficult or expensive for the principal to verify the agent’s actions. Agency theory is appropriate in framing IT offshoring from a financial perspective; where the client wants to reduce its IT costs whereas the vendor wants to maximize its profits. Another agency issue directly in play within the IT offshoring context stems from a
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governance perspective; that is, the client and vendor may have a hard time monitoring each other’s work, due to the distances inherent in offshoring. Offshoring usually involves higher complexity because of the need to control the project remotely and to interact cross-culturally (Carmel & Agarwal, 2002). Thus, the ability to coordinate, monitor and control an IT offshoring project is a challenge due to communication issues that develop via the culture differences and the virtual nature of the relationship (Carmel & Agarwal, 2001). Miscommunication in the software development process is well documented to be among the greatest contributors to software development problems (Beizer 1990). Miscommunication is increased through the cultural differences, language barriers and linguistic subtleties (Fjermestad & Saitta 2005). Addressing such miscommunications requires greater management monitoring costs (Contractor & Kundu 1998) and more lengthy and complicated contracts (Gonzalez, Gascoa & Llopisa, 2006; Maheny & Lederer, 2003), which all may strain the success of the offshoring initiative.

Strategic Perspective
IT outsourcing is often framed as a strategic decision where firms implement outsourcing strategies to achieve competitive advantages (Grover, Cheon & Teng, 1996, Teng, Cheon & Grover, 1995). The resource based view (RBV) proposes a firm as a collection of productive resources that include physical, human, and organizational capital (Barney, 1991). Resources that are rare, valuable, difficult to imitate and non-substitutable (by other rare resources) may create a competitive advantage (Priem & Butler, 2001). Client firms often cite that outsourcing allows them to focus resources on those activities that are considered their strengths or core competencies (Quinn, 1999). From the vendor perspective, IT outsourcing vendors develop a core competency in IT management and can build and leverage best practices because, unlike the client firm, IT management is the vendor’s core business (Levina & Ross, 2003). However, one might argue that achieving a competitive advantage through offshoring to the vendor would be difficult since the market supplied IT product or service may not satisfy the requirements of rarity, inimitability or non-substitutability aspects of the RBV model (Goo et al., 2007).

Relational Perspective
A relational focus has been suggested as a key differentiator between IT sourcing success and failure (Feeny, Lacity & Willcocks, 2005; Han, Lee & Seo, 2008; Lee & Kim, 2005; Mirani, 2007). The concept of a relational view has emerged to describe situations in which critical resources may span firm boundaries and may be embedded in inter-firm functions and routines. Thus, the relationship would appear as a significant contributor to success. Dyer and Singh (1998) argue that relationships between firms are essential for understanding how firms can achieve competitive advantage. Consequently, the relationships created may result in relational rents which are supernormal profits jointly generated in a relationship, that cannot be generated by either firm in isolation (Dyer & Singh, 1998). This change in focus suggests that organizations can no longer just assume that their business partners are adversarial (although often economic goals are competing against one another - the vendor’s profits are often maximized at the client’s expense). Client and vendor firms may be able to generate these supernormal profits by focusing on the relationship benefits, which will benefit both clients and vendors. This new view posits that more relational factors and informal safeguards (e.g. trust, cooperative actions, information sharing) rather than third-party, formal safeguards (e.g. legal
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contracts) have a greater ability to generate valuable relational rents and position the relationship for success (Cannon & Perreault 1999; Dyer & Singh, 1998; Klein, Rai & Straub, 2007).

RESEARCH METHODOLOGY

Given the intent of this study to investigate the complex offshoring relationship from the standpoint of multiple clients and vendors, a multi-site case study approach was followed. Following the guidelines of Benbasat, Goldstein and Mead (1987), Eisenhardt (1989), and Yin (2002), standard practices prescribed for qualitative research and data analysis were employed. Recently, researchers in the context of IT offshoring have successfully used cases to build theories in the offshoring domain (e.g., Bhat, Gupta & Murthy, 2006; Levina & Su, 2008; Vlaar, van Fenema & Tiwari, 2008). The case study approach allowed us to focus our investigation on the context of the client and vendor relationship, process level and organizational issues.

We requested participating companies to allow data to be obtained from multiple (key team) members. For each case, we included stakeholders from business and technology functions along with both managerial (i.e., senior business and technology managers) and operational (i.e., business analysts, system engineers) level stakeholders. The variety of respondents allowed us to compare client-vendor relationship evaluations across stakeholder groups and organizational levels. Attempts were made to achieve as much diversity as possible by requesting access to both successful and challenged projects to capture diverse situations. In an attempt to avoid biasing the respondents, data was collected via a semi-structured interview using a common set of general, open-ended questions (Appendix A). In each interview, we asked questions based around the theories presented earlier. Interviews were designed to allow the participants to speak openly on each of the questions posed by the researchers. Interviewees were not provided the questions in advance to avoid prejudgment.

During the period December 2006 through June 2007, this study investigated a total of five large client firms (Table 1) representing the financial, service, and manufacturing industries headquartered in the United States, and six offshore vendor firms (Table 2) headquartered in India. Upon the request of the client and vendor firms the names of the companies involved have been changed to maintain anonymity. A total of eight cases representing four completed offshoring projects and four initiatives continuing into the foreseeable future were discussed (Table 3). The offshore cases included: IT development, software testing, database administration and network support. All interviews were conducted in one-on-one settings, were audio recorded (with interviewees’ permission), and typically lasted approximately 60 minutes each. In total, over 41 hours of audio-taped interviews were collected from the 56 interviews (Table 4) across a total of eight international IT sourcing initiatives resulting in about 725 single-spaced pages of transcriptions.
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Table 1: Client demographics. (*Source Hoover’s Online 2008 figures: http://www.hoovers.com)

<table>
<thead>
<tr>
<th>Client Identifier</th>
<th>Industry</th>
<th>Revenue ($US in Millions)</th>
<th># Employees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Financial</td>
<td>+ 29,394.0</td>
<td>+ 38,900</td>
</tr>
<tr>
<td>B</td>
<td>Financial</td>
<td>+ 21,923.0</td>
<td>+ 5,000</td>
</tr>
<tr>
<td>C</td>
<td>Manufacturing</td>
<td>+ 38,062.0</td>
<td>+ 140,000</td>
</tr>
<tr>
<td>D</td>
<td>Service</td>
<td>+ 10,100.0</td>
<td>+ 65,000</td>
</tr>
<tr>
<td>E</td>
<td>Manufacturing</td>
<td>+ 182,515.0</td>
<td>+ 323,000</td>
</tr>
</tbody>
</table>

Table 2: Vendor demographics. (*Source Hoover’s Online 2008 figures: http://www.hoovers.com)

<table>
<thead>
<tr>
<th>Vendor Identifier</th>
<th>Revenue ($US in Millions)</th>
<th># Employees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>+ 410.4</td>
<td>+ 12,363</td>
</tr>
<tr>
<td>G</td>
<td>+ 4,663.0</td>
<td>+ 104,900</td>
</tr>
<tr>
<td>H</td>
<td>+ 5,032.7</td>
<td>+ 100,000</td>
</tr>
<tr>
<td>I</td>
<td>+ 5,722.2</td>
<td>+ 108,000</td>
</tr>
<tr>
<td>J</td>
<td>+ 2,816.3</td>
<td>+ 61,700</td>
</tr>
<tr>
<td>Subsidiary of Client E</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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### Table 3: Client-vendor relationships

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Client Identifier</th>
<th>Vendor Identifier</th>
<th>Offshoring Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>A</td>
<td>F</td>
<td>Completed</td>
<td>SAP application development to replace the manual process of account reconciliation.</td>
</tr>
<tr>
<td>A2</td>
<td>A</td>
<td>G</td>
<td>Ongoing</td>
<td>Application testing for an annuity application. Testing performed to verify that the rules are set up correctly and the code works as expected.</td>
</tr>
<tr>
<td>B1</td>
<td>B</td>
<td>G</td>
<td>Completed</td>
<td>Development of an application to replace existing legacy system used to process disability income claims and to add additional functionality.</td>
</tr>
<tr>
<td>B2</td>
<td>B</td>
<td>H</td>
<td>Ongoing</td>
<td>Database administrative support to provide support for Level 2 and 3 database support activities. Level 1 support located onshore.</td>
</tr>
<tr>
<td>C1</td>
<td>C</td>
<td>I</td>
<td>Completed</td>
<td>Application development to manage the client's product management. Application manages parts, bills of materials, and product life cycle.</td>
</tr>
<tr>
<td>C2</td>
<td>C</td>
<td>G</td>
<td>Ongoing</td>
<td>SAP application maintenance support being provided for the finance and procurement functions used to link plants located worldwide.</td>
</tr>
<tr>
<td>D1</td>
<td>D</td>
<td>J</td>
<td>Completed</td>
<td>Application development project reengineering an accounting application from AS400 to Java.</td>
</tr>
<tr>
<td>E2</td>
<td>E</td>
<td>Subsidiary of Client E</td>
<td>Ongoing</td>
<td>Network support to offload onshore resources from day to day support of the network.</td>
</tr>
</tbody>
</table>
## Table 4: Interviewee Profiles

<table>
<thead>
<tr>
<th>#</th>
<th>Type</th>
<th>Title</th>
<th>Project</th>
<th>#</th>
<th>Type</th>
<th>Title</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>A1</td>
<td>29</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>C1</td>
</tr>
<tr>
<td>2</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>A1</td>
<td>30</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>C1</td>
</tr>
<tr>
<td>3</td>
<td>Client</td>
<td>IT Manager</td>
<td>A1</td>
<td>31</td>
<td>Client</td>
<td>Project Staff – Business Analyst</td>
<td>C1</td>
</tr>
<tr>
<td>4</td>
<td>Client</td>
<td>Business Staff</td>
<td>A1</td>
<td>32</td>
<td>Client</td>
<td>Project Staff – IT Analyst</td>
<td>C1</td>
</tr>
<tr>
<td>5</td>
<td>Vendor</td>
<td>Engagement Director</td>
<td>A1</td>
<td>33</td>
<td>Vendor</td>
<td>Account Manager</td>
<td>C1</td>
</tr>
<tr>
<td>6</td>
<td>Vendor</td>
<td>Relationship Manager</td>
<td>A1</td>
<td>34</td>
<td>Vendor</td>
<td>Onsite Coordinator</td>
<td>C1</td>
</tr>
<tr>
<td>7</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>A1</td>
<td>35</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>C1</td>
</tr>
<tr>
<td>8</td>
<td>Vendor</td>
<td>Program Manager</td>
<td>A1</td>
<td>36</td>
<td>Vendor</td>
<td>IT Staff</td>
<td>C1</td>
</tr>
<tr>
<td>9</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>A2</td>
<td>37</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>C2</td>
</tr>
<tr>
<td>10</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>A2</td>
<td>38</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>C2</td>
</tr>
<tr>
<td>11</td>
<td>Client</td>
<td>IT Project Staff</td>
<td>A2</td>
<td>39</td>
<td>Client</td>
<td>Systems Analyst</td>
<td>C2</td>
</tr>
<tr>
<td>12</td>
<td>Client</td>
<td>Business Staff</td>
<td>A2</td>
<td>40</td>
<td>Client</td>
<td>Business Manager</td>
<td>C2</td>
</tr>
<tr>
<td>13</td>
<td>Vendor</td>
<td>Account Manager</td>
<td>A2</td>
<td>41</td>
<td>Vendor</td>
<td>Onsite Coordinator</td>
<td>C2</td>
</tr>
<tr>
<td>14</td>
<td>Vendor</td>
<td>Onsite Manager</td>
<td>A2</td>
<td>42</td>
<td>Vendor</td>
<td>Account Manager</td>
<td>C2</td>
</tr>
<tr>
<td>15</td>
<td>Vendor</td>
<td>Test Manager</td>
<td>A2</td>
<td>43</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>C2</td>
</tr>
<tr>
<td>16</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>A2</td>
<td>44</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>D1</td>
</tr>
<tr>
<td>17</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>B1</td>
<td>45</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>D1</td>
</tr>
<tr>
<td>18</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>B1</td>
<td>46</td>
<td>Client</td>
<td>Project Manager</td>
<td>D1</td>
</tr>
<tr>
<td>19</td>
<td>Client</td>
<td>Business Analyst</td>
<td>B1</td>
<td>47</td>
<td>Vendor</td>
<td>Account Manager</td>
<td>D1</td>
</tr>
<tr>
<td>20</td>
<td>Vendor</td>
<td>Account Manager</td>
<td>B1</td>
<td>48</td>
<td>Vendor</td>
<td>Onsite Coordinator</td>
<td>D1</td>
</tr>
<tr>
<td>21</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>B1</td>
<td>49</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>D1</td>
</tr>
<tr>
<td>22</td>
<td>Vendor</td>
<td>Test Manager</td>
<td>B1</td>
<td>50</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>E1</td>
</tr>
<tr>
<td>23</td>
<td>Client</td>
<td>Senior IT Manager</td>
<td>B2</td>
<td>51</td>
<td>Client</td>
<td>Senior Business Manager</td>
<td>E1</td>
</tr>
<tr>
<td>24</td>
<td>Client</td>
<td>IT Staff – Database Administrator</td>
<td>B2</td>
<td>52</td>
<td>Client</td>
<td>Systems Architect</td>
<td>E1</td>
</tr>
<tr>
<td>25</td>
<td>Client</td>
<td>IT Staff – Database Administrator</td>
<td>B2</td>
<td>53</td>
<td>Client</td>
<td>Business Consultant</td>
<td>E1</td>
</tr>
<tr>
<td>26</td>
<td>Vendor</td>
<td>Account Manager</td>
<td>B2</td>
<td>54</td>
<td>Client</td>
<td>Network Analyst</td>
<td>E1</td>
</tr>
<tr>
<td>27</td>
<td>Vendor</td>
<td>Project Manager</td>
<td>B2</td>
<td>55</td>
<td>Client</td>
<td>Systems Analyst</td>
<td>E1</td>
</tr>
<tr>
<td>28</td>
<td>Vendor</td>
<td>Offshore Project Manager</td>
<td>B2</td>
<td>56</td>
<td>Client</td>
<td>Systems Consultant</td>
<td>E1</td>
</tr>
</tbody>
</table>
LESSONS FROM THE CASE STUDIES

While an exhaustive chronicling of each of these offshoring engagements is beyond the scope of this article, our goal is to share and highlight a few of the key lessons learned from our experiences in studying IT offshoring. In order to structure and frame the lessons learned (Table 5); they were separated into economic, strategic and relational themes based on our introduced theoretical frameworks. Table 5 brings to light the specific lessons learned from the eight offshoring engagements. The lessons are described in detail to provide insights for researchers as well as practitioners of IT offshoring.

| Table 5: IT Offshoring Lessons Learned & Frequencies |
|---------------------------------|---------------------------------|---------------------------------|
| **Lesson**                      | **Economic**                    | **Strategic**                  |
|                                 | **Client**                      | **Relational**                 |
| Economic                        | **Vendor**                      |                                |
| 1. It is a myth that “follow the sun and productivity will improve.” | A1 x | A1 x |
| 2. Be aware of the potential mismatch of client and vendor expectations. | A2 x | A2 x |
| 3. Impart education on the hidden costs of IT offshoring. | B1 x | B1 x |
| 4. Offshoring and globalization are irreversible. | B2 x | B2 x |
| 5. Offshoring is a gateway for strategic opportunities. | C1 x | C1 x |
| 6. Partnership is a one-sided goal. | C2 x | C2 x |
| 7. Offshoring facilitates long lasting impact on thinking horizon of individuals. | D1 x | D1 x |
| 8. Importance of face-to-face communication continues. | E1 x | E1 x |
| 9. Cultural homogeneity is important for effective communication. | A1 x | A1 x |
| 10. Change management is critical to offshoring. | A2 x | A2 x |
| 11. Offshore vendor personnel on the client’s site are generally home bound for career opportunities. | B1 x | B1 x |
| 12. Utilize creative ways for effective communication. | B2 x | B2 x |
|                                 |                                 |                                |
| **Frequency Count**             | **Frequency Count**             |                                |
|                                 | **Client**                      | **Vendor**                     |
|                                 | A1 | A2 | B1 | B2 | C1 | C2 | D1 | E1 | A1 | A2 | B1 | B2 | C1 | C2 | D1 | E1 |                                 |
| 1. It is a myth that “follow the sun and productivity will improve.” | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 2. Be aware of the potential mismatch of client and vendor expectations. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 3. Impart education on the hidden costs of IT offshoring. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 4. Offshoring and globalization are irreversible. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 5. Offshoring is a gateway for strategic opportunities. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 6. Partnership is a one-sided goal. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 7. Offshoring facilitates long lasting impact on thinking horizon of individuals. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 8. Importance of face-to-face communication continues. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 9. Cultural homogeneity is important for effective communication. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 10. Change management is critical to offshoring. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 11. Offshore vendor personnel on the client’s site are generally home bound for career opportunities. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
| 12. Utilize creative ways for effective communication. | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |                                 |
Economic Lessons

Lesson #1: It is a myth that “follow the sun and productivity will improve.”

One of the popular perceived benefits of offshoring is the opportunity to leverage a 24x7 (follow the sun) work cycle, where client firms are able to take advantage of the different time zones throughout the world and be productive around the clock. However, this paradigm and any associated productivity expectation may not always be justified or realized. The client’s IT staff (in C2) expressed how turnaround and performance was even lower due to utilizing offshoring and the inherent time zone differences.

“when you only need a yes or no answer, and you have to wait a whole day for that answer, or if you are testing a configuration or a code and yeah I got the email today, but I just hit a button and it didn’t work, so I now have to wait another day so I can get an answer... that is probably the thing that if I could change I would.”

Client stakeholders were reliant on email and phone calls to communicate with the offshore staff. Since the work schedules were not synchronized with one another, there was typically a day lag in any response. Clients and vendors would be highly advised to coordinate schedules for some overlap to ensure questions can be handled in a timelier manner if desired.

Productivity was also not as expected due to holiday and vacation differences among the client and vendor stakeholder cultures. The cases investigated consisted of personnel from India and the USA. Each country specific culture observed different holidays due to religious differences and established country specific holidays. Differences in the observance of holidays were noted by the senior business manager (in A1)

“sometime in November the entire vendor office was closed for a week, we should have taken that into consideration when we were planning... they also have a lot more holidays then we have here.”

The systems engineer (in E1) indicated that

“here we understand that if something is going on, it is an issue, that requires attention it is more job first and family second, vacation second, holidays are second to keeping the business up and running, there holidays are first, off time is off time, you can’t call or touch them during off hours.”

Additionally, the senior business manager (in D1) pointed out a significant difference in offshore’s culture of handling vacation time

“they would go away, like the guy doing all the coding left for like a month or a month and a half to go visit family and stuff that isn’t necessarily something we do here.”

It appears that a deep cultural difference among the role of work and family may have contributed to the productivity evaluations by client stakeholders.
Clients entering into an offshoring agreement must recognize that this preconceived notion of increased productivity through offshoring is project dependent and may not always be a reality and may be based on both the project and cultural characteristics of the offshore vendor stakeholders.

**Lesson #2: Be aware of the potential mismatch of client and vendor expectations.**

The clients invariably perceived the vendors as NOT being proactive and NOT taking initiative. This was a recurrent for both ongoing and completed offshoring projects. The client’s onsite coordinator (in B2) expressed

"I think they were also learning the process but I think they needed to be a little bit more aggressive in terms of their interaction... I mean in terms of their proactiveness on the issues, they really need to work on that a little bit."

The client’s senior business manager (from C2) had higher expectations and commented

"I would have liked to have seen more initiative on their part. Look I’m spending about 7 million dollars a year and these guys need to provide more than just people. They need to provide best practices, thought leadership, strategic skills... they don’t bring that, I can tell you that... no one ever comes into my office and says hey I’ve got a better way to deliver this project. I am displeased with that."

The client’s senior business manager (in A1) observed

"offshore is still operating in the 1950s mode where the boss is the boss and the workers are workers and whatever the boss says goes, our culture is not that... we encourage our staff to speak up... if we’re going to fall off a cliff we want them to let us know."

The apparent mismatch of mutual expectations possibly was due to client and vendor cultural differences (both country specific and organizational). The client’s senior business manager (in E1) pointed out

"the American culture, especially our company’s, is very aggressive... they are more relational based... there is direct conflict there. We are more about ‘get it done’, and we will talk about the relationship if we get time; so there is a direct conflict there."

Overall, the client appeared to desire more from the vendor than what they were receiving. For instance, the client’s IT project manager (of A1) noted

"culturally they don’t want to admit that they don’t understand certain aspects so they don’t ask questions, we have had to encourage them... it is OK to say that you don’t know."

The client’s senior business manager (from B2) noted
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"the vendor needed to move from an attitude of 'ok tell me what work you want me to do and I'll do it to a more consultative mode of 'let me help you solve your' business problem."

These findings suggest that the client stakeholders had higher expectations from vendors in terms of being proactive in problem solving than what they were demonstrating. A suggestion for vendor stakeholders is that they should establish clear expectations up front, so that client stakeholders do not have an ill-conceived expectation of the relationship. It would greatly help to establish up front clear expectations from both sides to mitigate lack of realism, and minimize displeasure and grief later. It cannot be emphasized enough that establishing and managing realistic expectations are keys to success.

Lesson #3: Impart education on the hidden costs of IT offshoring.
Beware of the hidden costs of IT offshoring. For many of the client firm stakeholders the beginning of the relationship was full of misconceived perceptions in regards to the pros and cons of IT offshoring. A case in point; in project (D1), the perceived cost advantages and budget ramifications were not consistent with reality. Even client stakeholders, involved on the same project, perceived the budget ramifications very differently. The client’s project manager (in D1) indicated that

"our initial justification to use these services was that offshore would be 30-35% more cost effective than in-house staff... the overruns were probably 20-25%, so when you look at the savings they were less than expected, but at the same time we probably still came out a little bit ahead than if we would have done this in-house."

On the other hand, for the same project the client’s senior business manager (for D1) indicated that in his view they would have been more cost effective if they had kept everything internal. The senior business manager’s perception was that since it went over their budget it was a cost ineffective initiative, when in actuality even with the budget overruns it was still much cheaper than doing the project with internal staff. It appears that business stakeholders were not informed of the overall cost effectiveness picture. It is important that clients are educated on the realities of offshoring including overall cost implications, to remove any misconceptions which could challenge the future success of the relationship.

Strategic Lessons
Lesson #4: Offshoring and globalization are irreversible.
A running theme, especially from the client perspective, was that in today’s competitive global environment, there was really only one answer to the strategic question: ‘should firms utilize offshoring or not?’ Conversations with both client managerial and operational levels revealed that offshoring was viewed as a necessity for survival. The client’s senior business manager (in A2) suggested

"it was probably more survival strategy... if your cost structure remains higher than your competition that is going to cost you business."
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Even at the operational level, client stakeholders expressed their realization that offshoring was an inevitable progression. Client IT staff (in A2) commented

"it is what everybody is doing unfortunately."

Even though client management expressed some concern over the potential personal negative aspects to the decision, overall they perceived offshoring to be the only rational decision regarding the economics of the IT offshoring decision.

Furthermore, client firms appeared to agree and accept that globalization was a reality in today’s business environment. The client’s senior IT manager (in B2) expressed

"globalization is just reality, you know if you fight it you’re just going to lose; it is best for the business and you have to do what is best for the business."

The client’s senior IT manager (from C2) pointed out that

"I see a lot of jobs that used to be done in North America are now are being done in China, India... the capitalist in me says that’s the best thing to do because we have to be competitive, but the personal side of me sees the impact that it has on many people, it is difficult to rationalize... however, if I had to make the decision again I wouldn’t do anything different."

**Lesson #5: Offshoring is a gateway for strategic opportunities.**

The various case discussions suggest that offshoring was an effective strategy enabling client firms to ignite change within their internal boundaries and break free from their routine actions. Often the clients pointed out that without migrating to offshoring their firm would have stayed stuck in their old ways. The client’s senior IT manager (in A2) expressed

"even with the people that we had we kept trying to put processes in place and do things differently and people were just too stuck in their ways, which is too bad it had to end that way."

In addition, another unique indirect offshoring benefit was a proof of concept that the client organization could succeed in uncharted waters. The client’s IT manager (in A1) noted

"offshoring showed that we can change our own internal culture and do something that our people didn’t think was possible... offshoring created a momentum for us in some other places as far as our own employees willingness to be retrained and to take on new assignments and have some breakthroughs in other places."

These findings point to the fact that besides the direct, measurable benefits of offshoring (often economic cost savings), client firms were able to capture some indirect and even unexpected benefits by accepting the challenges made available through the change to offshoring.
Lesson #6: Partnership is a one-sided goal.
The idea of a true partnership was not necessarily an equivalent goal of both parties involved. The ambition of the client in many cases was not to even strive for a partnership in the true sense in comparison to the vendor who typically looked to achieve a partnership in order to grow as a company. Client firms were glad that vendors had this partnership orientation, since the partnership goal may motivate the vendor to excel and move the project to greater success; however, the clients themselves did not necessarily reciprocate this partnership goal sentiment. Interestingly when describing the goal of the relationship for Client D the senior IT manager expressed

“was our goal to build a long term relationship and partnership? I don’t know if that was necessarily our goal, but we like it when vendors have that approach.”

Even though the client appeared to value the vendor’s goal of building a long term relationship and partnership that was not necessarily true on the part of clients. It appears that the vendor would be best served to clearly lay out the partnership expectations from the very beginning to ensure that the client and vendor are on the same page regarding the partnership goal. Otherwise, one party could be left out in the cold.

Relational Lessons
Lesson #7: Offshoring facilitates long lasting impact on thinking horizon of individuals.
Discussions revealed that in many instances the client and vendor stakeholder’s personal satisfaction with the offshoring relationship enhanced their thinking horizon. The client’s IT project manager (from A1) glowingly noted

“I welcomed the opportunity [to be exposed to and participate] in this increasingly global world. I think it has been a very valuable experience for a lot of people to be exposed to working with this model... it gives you that expanded experience of working in more of a globalized environment.”

The client’s business staff (in C2) exemplified

“it helped open my eyes that the global economy is really right in your next door/room... these are nice people and they are friends and I have no problem in saying that at all.”

It appeared that besides the business benefits client stakeholders achieved an intrinsic, personal satisfaction with the opportunity to participate in a global initiative across both ongoing and completed IT offshoring initiatives. Thus, it must be recognized that the individual impact that the offshoring experience has on the stakeholders involved in the offshoring relationship cannot and must not be ignored or forgotten.

The individual benefits were not limited only to the client stakeholders. The vendor staff also emphasized the desire and opportunity for personal benefits resulting from the relationship. As noted by the vendor’s offshore project manager (in B2)
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"we would like to participate more in the kind of work that was going on there, we would like to participate more in the migration work that is going on there... trainings that have been going on onsite we have not been able to attend from offshore."

Our findings highlight how offshore personnel were envious and desired similar opportunities available to their onshore client counterparts. Overall, it appears that both client and vendor stakeholders valued the offshoring experience from a personal vantage point which should not be lost sight of when educating stakeholders as to the benefits that can arise out of offshoring.

Lesson #8: Importance of face-to-face communication continues.
The classic view of offshoring has been that it replaces face-to-face communication with virtual communication. However, in our discussions the critical role of face-to-face communication was hardly reduced; if anything, the importance of face-to-face communication was greater. In many of the projects, both ongoing and completed, the vendor provided an onsite management team at the client’s location allowing for face-to-face communication to occur between client and vendor stakeholders. The vendor management team at the client site would handle all virtual communications that occurred with the offshore team. The vendor’s account manager (from B2) indicated the value in being located onsite as an account manager

"the relationship is built among the guys being onsite... you have to be at a customer’s place, you have to be seen at all times and they should have the comfort of picking up the phone and calling you when they have an issue."

The value attributed to face-to-face communication was also demonstrated through the physical visitation by the client and vendor executives and staff to each other’s location. In one project (B1) the client actually sent their own people overseas for three weeks to work side by side with the offshore vendor staff. The client’s business analyst (in B1) noted that

"...some of the other projects I worked on would have been helped if they would have had the option to work face to face with the vendor."

The client’s IT project manager (in A1) suggested

"visitation is a very important part of the relationship... you actually get to see their operations and meet some of the people over there and it also puts a face on us and I think that it is the key."

The value given to visitation was also emphasized by the vendor firms. The vendor’s test manager (in B1) expressed that

"if the client’s personnel go offshore they can learn something there and then come back and add much more value to their own firm."

The vendor’s account manager (in C1) noted that
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“if the people who work with us here on a day to day basis, if they have an opportunity to visit us and see our work environment it would make a massive impact on their confidence..., it is very difficult for them to imagine that we are really world class, so that is something that would make a huge impact... only senior leadership spent a week over here, but if you go a level below, they wouldn’t have seen India at all... that leaves a lot of things to imagination which is not good”.

Our findings suggest that face-to-face meetings are critical to relationship development and cannot be duplicated through virtual communication. Overall, it appears that the critical role of face-to-face interaction continues even with the inherent virtual nature of IT offshoring.

Lesson #9: Cultural homogeneity is important for effective communication.

Our findings suggest that both client and firms should consider hiring local people for onsite coordination to reduce cultural and visceral differences and communication gaps. Client and vendor staff both valued and felt more comfortable dealing and interacting with stakeholders that were similar culturally and visually to their own persona. Unique to Project A1 was the fact that both the relationship manager and onsite coordinator from the vendor firm were (white) American citizens working for the offshore vendor. Reasons for this may have been an attempt by the vendor to reduce the cultural differences experienced by the client. The client staff in the USA would be dealing with people they could relate to visually and most likely culturally. According to the vendor’s relationship manager (from A1)

“"I was the token white guy in offshoring... I don’t believe it was a conscious decision on the part of my firm (the offshore vendor), maybe back in the 90s this was a differentiator between offshore vendors... I do not feel this is significant in today’s global marketplace."”

However the vendor’s onsite coordinator (in A1) did believe he was hired to fill a specific role for his firm due to his ethnicity

“my managers told me that they wanted me to focus more on relationships and not so much on project execution.”

It appears that utilizing American (client’s local country) citizens as a face-to-face liaison by the offshore vendor may be an effective tool in smoothing out any client apprehension regarding the cultural, visceral and visual differences of the offshore vendor.

Having client personnel in place similar to the vendor’s culture was an approach used in one of the cases (D1) to ensure effective communication between the client and vendor. In this case the client’s project manager in charge of coordinating the offshore project with the vendor had previous employment experience working for an offshore vendor firm and was also originally from India. The client’s project manager (D1) noted

“I could understand their point of view and I could present it in a fashion that our management would understand... I could talk to them in their native tongue... not all of them but some.”
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His experience with the vendor side of the client-vendor equation along with his first hand knowledge with the particular vendor’s culture appeared to smooth the transition for the client since this was their first foray into offshoring. It appears that similar to the client, vendors also viewed that working with staff that was of similar national cultures could mitigate many of the (real or perceived) cultural issues and enhance communication within the offshore relationship.

Lesson #10: Change management is critical to offshoring.

A common theme throughout the multiple cases from both the client and vendor perspective was addressing how their current and future role would be impacted by the decision to engage in IT offshoring. From the client viewpoint, stakeholders wanted to know where they fit in with the offshoring initiative. The client’s senior business manager (from E1) noted

"some Americans worry about losing their jobs and it [decision to offshore] had nothing to do about that... talk about bringing people in from India, people were defensive right away."

The client’s senior IT manager (in B2) expressed

"the DBA role is evolving into more of a consulting role then a doer role, the doer stuff is going to be taken care of by offshore... the advising and consulting is going to be done out of my team... I don’t think that’s easily replaceable, it’s not a commodity... it takes very talented people who have had a lot of experience in the business... the journeyman level and below work has to be done offshore for 25 dollars an hour."

These discussions demonstrate that the role of the traditional client IT worker is changing and has to change with the advancement of IT offshoring.

One of the most recommended ways of addressing the client stakeholders’ concerns over their current and future roles appeared to be effective and direct communication. The vendor stakeholders placed some of the blame on the client’s upper level management for not addressing where their current IT employees fit in the IT sourcing plan. The vendor engagement manager (in A2) indicated

"the client stakeholders were worried that they were going to lose their job, so a lot of our issues were related to them protecting their turf so to speak."

The systems engineer (from E1) suggested

"what would have helped make the offshore transition more successful would have been if some research had been done or some training on the US side regarding what to expect interfacing with their offshore companions. Without that we had to feel it out on our side and obviously make a lot of mistakes in the process and probably injure the relationship... now we have to overcome those, where we could have addressed those to begin with knowing that they exist, we could have alleviated some of those things."

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In an interesting turn of the tables so to speak, one onsite client staff (in E1) indicated that he was going through similar resentment and fear of losing his own position to offshoring

"right now I am in their shoes... my firm is offshoring, and because I live here now (in India), I feel the same, they are offshoring jobs so someday my job may also leave... before I was a part of that side."

It appears that offshoring is coming full circle where the original offshore personnel are being replaced by alternative offshore staff, with all sides concerned over current and future roles. Overall, it appears that client and vendor firms should not leave current and future roles up to imagination and interpretation. It is wise to take action in educating employees of their current and future responsibilities to smooth the IT offshoring relationship transition.

Lesson #11: Offshore vendor personnel on the client’s site are generally home bound for career opportunities.
The American bias and perceptions, in many of our cases regarding vendor staff who come onshore to work at the client location, tend to be that the vendor employees come to America to stay. However, after our discussions with the vendor staff, it appears that the individual career goals are often the complete opposite. Client stakeholders may need to recognize that for many onsite vendor staff offshoring is viewed as a stepping stone to future career opportunities located back in their native country and not a step towards a permanent move to the client’s native land. The vendor’s project manager (from C1) described how in the future many of the onsite offshore workers would most likely move back offshore to their home base

"climbing up the corporate ladder becomes easier for personnel when they are back offshore at home base... many of the growth opportunities within the organization are offshore... many offshore personnel out of college want to come to the US... they want to see new things, see the way America works, how the client works from a business process, but five or ten years down the line, many people want to be back offshore."

Client stakeholders may need to adjust their perception as to the motivations of the onshore vendor staff for coming to their location and realize that like many of them home is where the heart is. This may ease any animosity and tensions on the part of client stakeholders toward offshoring vendors and their staff, and promote more cooperation.

Lesson #12: Utilize creative ways for effective communication.
In many of the cases verbal and non-verbal communication was an area where client and vendor stakeholders experienced challenges. Issues regarding verbal communication typically focused around accent differences. However, as the relationship matured, the impact from accent dissimilarities diminished as expressed by the client’s IT staff (from C1)

"challenges in communicating included accents and not being able to see them... I found that I could not talk to any of them if I was not watching them talk...phone was hard because the connection was not always the greatest and they talked a little too fast...it was almost better sometimes to use instant messaging because you can see the typed stuff."

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The vendor's account manager (in C2) elaborated on the reasons for the communication challenges

"the folks coming from the eastern part of the world, the focus is not as much on communication as it is on the technical capability, whereas if you look at the western part of the world communication forms an equal and essential part of your professional skill-set...getting the guys on the same communication boat has been one of the key cultural challenges."

One of the biggest non-verbal surprises for client stakeholders has been the meaning of the head nod. During our discussions, the client’s senior business manager (in B1) commented

"when an Indian says yes they actually shake their head no, so people who don't understand that could be confused at times."

The client's business staff (in C1) noted that

"I had them saying yes to me, but they were shaking their heads to me in the American way as no, and then another group of them were saying no to me and shaking their heads to me in an American way of yes."

Our findings suggest that clients and vendors must be well prepared in both the verbal and non-verbal communication structures of each other to position the relationship for success.

Vendor and client stakeholders also indicated a number of solutions to help ease communication challenges. The vendor’s project manager (of C1) expressed

"almost all staff was trained on the American way of working, the American etiquette; everyone that came on-site went through training on how she/he should be behaving."

One solution practiced by the client firms was to replace as much as possible the non-verbal communication with more objective communication. The client’s senior IT manager (in C1) indicated a solution he practiced

"we tried to take the language out... what we would do is direct them towards instant messaging... unless it was relatively straightforward we would recommend trying that first."

Client and vendor stakeholders are advised to pay close attention to the ways they communicate and whenever possible obtain training in the cultural differences of one another. Overall, both parties need to make sure to introduce a more complete and nuanced approach to understand the culturally-rooted communication differences. Our findings suggest the value in exploring and exploiting the opportunities offered by contemporary technology for the manifold modes of communication.
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DISCUSSION AND IMPLICATIONS FOR PRACTITIONERS AND RESEARCHERS

We anticipate that the insights offered by this study expressed as twelve lessons would prove useful to scholars and practitioners involved with IT offshoring. Each of the lessons learned could be further expanded upon to investigate their role in IT offshoring success. On a practical front these lessons could be used as a guide on how to address some of the economic, individual and organizational issues associated with IT offshoring relationships. We discuss economic, strategic and relational lessons from our research in the context of prior literature. We also provide implications of our findings for practitioners and researchers.

Economic Lessons

Not surprisingly, the findings are mostly consistent with the economic frameworks of TCT and agency theory. The lessons learned demonstrate that cost savings is still a dominant and desired IT offshoring outcome. Our findings are in line with TCT where outsourcing is often seen as a rational decision made by firms that have considered the various transaction related factors (Ang and Straub, 1998; Lee et al., 2004). However, our findings also appear to be disconnected from the traditional tenets of TCT where a rational decision would suggest that the offshoring decision could be justified by increased productivity in association with the levels of transaction and productivity costs (Lesson #1). Our discussions revealed that the expectation of increased productivity by utilizing the 24x7 work cycle inherent in offshoring to far away geographical regions along the equator may not always be a reality. A traditional argument for the use of offshoring is that productivity should increase since the client has the opportunity to leverage the offshore vendor’s different time zones. However, Lesson #1 suggests that the idea of increased productivity through the use of 24x7 work cycle does not automatically result. As noted, there was in fact a decrease in productivity in some cases on account of other confounding factors such as communication breakdowns due to different cultural holiday observances and vacation schedules. Palvia, Palvia, and Roche (2002, pg. 362) highlight that some of these communication breakdowns could have been averted by a judicious use of asynchronous and synchronous communication channels and by the use of overlap windows.

Agency theory provided a valuable framework for addressing IT offshoring governance challenges. Lessons #2 and #3 demonstrate governance challenges where each side of the relationship (client vs. vendor and even client managerial vs. client operational stakeholders) had misconceived perceptions about other side’s actions. From a governance and agency theory perspective, client firms were concerned about their ability to monitor the offshore vendor’s work, since the work was often being completed overseas. Our findings from Lesson #3 demonstrate how within the client firm, different stakeholders had misconceived opinions in regards to the “true” cost savings achieved via the IT offshoring relationship. IT sourcing is often wrought with hidden costs such as: costs associated with selecting a vendor, transition, replacement, cultural, and ongoing contract costs (Barthélemy, 2001; Overby, 2003). Our lesson highlights that client stakeholders still have not been adequately educated on the associated hidden costs. This lack of education was a recurrent theme, which if corrected could portray a truer sense of the impact of IT offshoring throughout the client organization and negate any potential conflicts.
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The lessons learned in this category demonstrate that financial and economic factors continue to play a key role in the IT offshoring relationship. Overall, however, these lessons also underscore that the ultimate goal (cost minimization) and tenets (e.g. safeguarding assets, opportunistic behavior) of TCT do not appear to completely explain the pursuit and continuance of the offshoring initiatives. Likewise, the assumptions and tenets of agency theory (e.g., incompatibility of goals, adverse selection of and pursuit of actions by the parties in presence of information asymmetry and lack of or inadequate monitoring) also do not appear to explain all the governance aspects of the offshoring initiatives examined in this study. Future research must investigate beyond TCT and agency theory, non-economic factors such as need for education on all aspects of offshoring, setting and prioritization of objectives, recognition of mismatched expectations, hidden costs, etc.

Strategic Lessons Learned

From a strategic perspective our findings are fairly consistent with earlier literature that considers offshoring as a strategic decision. However, it appears that the offshoring decision may actually be outside of the client’s own control and may have become a pre-determined strategic necessity in light of the irreversibility of globalization and offshoring phenomena (Lesson #4). Many client firms believed that in today’s extremely competitive environment and given the well accepted benefits, offshoring has evolved into a competitive necessity. Future research could investigate the link between organizational outcomes and utilization of offshoring to validate this claim that offshoring today is a competitive necessity while simultaneously considering relevant industry-specific and other environmental pressures.

From a strategic viewpoint, Lesson #6 challenges the importance given to establishing an offshore relationship as a strategic asset. Our findings suggest that clients and vendors often place different values on achieving or describing the relationship as a partnership or strategic relationship. In one case the client indicated that they appreciated it when the vendor considered the relationship as a partnership; however, the client did not feel that it was necessary for them to aim for a partnership relationship. In our discussions, the cost absorption and risk sharing appeared to be slanted more heavily on the vendor’s shoulders. These findings contradict the traditional definition of a partnership, where partnerships are described to include the sharing of risks between the client and vendor (Saunders, Gebelt & Hu, 1997). This lesson challenges the view that IT outsourcing relationships are strategically important to a client and that the client may wish to have reliable, trusted partners over longer periods (Goo et al., 2007; Lee & Kim, 1999). However, it should be noted that the ability of an outsourcing relationship to be a partnership has been questioned and that it has been argued that outsourcing providers cannot serve as strategic partners because they do not share the same economic motives. The vendor’s profits are maximized at the client’s expense when the client’s costs are increased and this makes it impossible for a vendor to be a partner in the truest sense (Lacity & Hirschheim, 1993). Thus, as demonstrated through Lesson #6, clients and vendors appeared at odds over the notion of partnership and how partnership should factor into the relationship. Future research could investigate the differences in client and vendor partnership goals and how these viewpoints impact success or failure of the engagement.
In looking at offshoring through a RBV lens, our findings demonstrate how the offshore relationship created an attitude in the client firm that change was beneficial and achievable. This new acceptance of change is a valuable resource for client firms. Change and the acceptance of change has been an ongoing research effort in need of additional investigation (Paper & Ugray, 2008). Our research contributes to the calls for research investigating change management for IT offshoring projects. From a client’s organizational perspective (Lesson #5) offshoring ignited a new energy and an acceptance of change from established/operating norms of functioning. Offshoring opened up the client’s eyes to the global opportunities available. Offshoring provided the client organization, the strategic opportunity to re-evaluate their operations, improve business policies, and adopt a number of new ideas internally. These numerous strategic opportunities resulting from the offshore initiative can be used as a gateway by client firm to learn about the offshore foreign markets. The offshore relationship and associated learning process may open up new strategic opportunities for the client’s products and services.

Under the tenets of RBV, this indirect benefit of demonstrating an openness to change and improved change management could develop into a valuable resource that is rare, inimitable and non-substitutable that could better position the firm for future success. Future research may want to validate and highlight such additional benefits of offshoring, besides the traditional outcome oriented measures of cost savings or increased quality. These lessons learned support the themes of RBV demonstrating that resource value may be achieved directly and indirectly through the offshore relationship. But, juxtaposing the findings of Lessons #5 and #6 the ability of RBV to explain the offshoring phenomenon appears to come up short. If the offshore relationship were indeed considered a unique partnership (by both parties) then the consequences both in terms of the realized outcomes and the governance process could be explained well by the RBV tenets of value, rarity, inimitability and non-substitutability. However, extension and applicability of these RBV tenets have really not been explored and examined in previous research from both ends of (client-vendor) dyads. This could be a fruitful direction for future research.

Relational Lessons Learned
It is evident from the lessons presented that nurturing and developing the relationship between the client and vendor was critical to offshoring success. With the increased attention given to and rapid growth of IT offshoring it is imperative that both client and vendor stakeholders identify the relationship as critical to the success of the engagement from both a personal and organizational perspective and take actions to strengthen the relationship. For instance, Lesson #7 provided a unique perspective on how client and vendor stakeholders valued the personal opportunity of interacting with and participating in the growing global economy. Client staff acknowledged the changing world and how globalization was becoming more of a reality and their offshoring experiences had really opened their eyes to this evolution. Our findings suggest that the global mindset or the notion that “The World is Flat” (Friedman, 2005) and cultural fusion (Sheth, 2008) are all starting to sink in with USA client stakeholders. Client stakeholders are recognizing that globalization is the future and that it is not an evil concept. Traditionally, client personnel have focused on the loss of jobs, the simmering animosity, and associated underlying resistance to offshoring. Highlighting the positive individual benefits that emerge rather than a strictly organizational financial perspective may promote a more willing acceptance of and adaptation to the offshoring alternative. Our findings even point out some personal benefits that resulted from
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the client stakeholder's global experiences. These benefits were not limited only to client stakeholders, but also the vendor stakeholders. Vendor staff in many cases indicated how they valued the opportunity to grow personally from the offshoring relationship through the global experience and technical opportunities brought on by the offshore relationship. It appears that a shift in mindset is occurring for both parties involved, in accepting and gravitating towards the globalization movement.

In addition, at a personal level, the lessons learned point to the fact that client and vendor stakeholders have a strong desire for clear explanations regarding their current and future roles (Lesson #10). Clarifying the roles prior to and during the offshoring initiative should help both parties determine how to better structure the relationship to help ensure success across all stakeholders involved. Thus, the personal benefits and implications of the offshoring relationship cannot be ignored in order to achieve the desired outcomes for both client and vendor stakeholders. Future research may want to draw attention to how the personal career growth benefits resulting from the offshoring relationship could be publicly promoted and positioned to strengthen the acceptance of the offshoring relationship and how such personal benefits can be nurtured to be reflected in greater success at the project and organizational levels for both the client and vendor firms.

Our findings also highlight how client and vendor firms have attempted to mitigate cultural issues and smooth the offshoring transition. As revealed by Lesson #9, the vendor's use of American (host country) citizens in on-site relationship management roles provided unique insight into a tactic to mitigate cultural differences and strengthen the initial relationship. Previous research appears to have missed an opportunity to investigate the role of utilizing American citizens in client facing roles to potentially ease the transition to the offshore delivery model by having client stakeholders interact with someone of their own culture. Similarly it appears that client firms believed having a former vendor employee who was similar in culture to the offshore vendor staff would help mitigate any cultural differences and position the project for success. Traditional relationship marketing theory needs to be expanded to consider this new twist and additional nuanced approach to bridging any cultural and communication gaps. Future research on a large scale needs to investigate if projects where clients and vendors have placed staff with similar cultures in relational positions involved in the day to day communications/coordination are indeed more effective in comparison to projects where actions are not taken to match the client and vendor stakeholder cultures. Our findings suggest client and vendor firms have taken a fairly simple approach to matching cultures to mitigate any potential issues from the cultural differences, but an in-depth analysis was outside the scope of this research as to their overall effectiveness.

Offshoring, by design, suggests a move towards (greater) virtual communications. However, our findings suggest that client and vendor firms may not be entirely ready to handle all communications virtually and still prefer face-to-face communication (Lesson #8). Many of the project discussions involved the vendor utilizing an onsite client management team to serve as a face-to-face bridge between the client and offshore stakeholders. Clearly our results suggest that client stakeholders valued being able to look the vendor staff in the eye when communicating their concerns rather than depending solely on virtual communications. It is highly recommended...
that future research investigate the link between (presence versus absence of) an onsite vendor management team and evaluations of project success. However, face to face communications were not absent of misunderstandings (Lesson #8). Our findings suggest that the meaning of the head nod is still a non-verbal surprise for many client personnel that must be understood for accurate communications (Nicholson & Sahay, 2001; Winkler, Dibbern & Heinzl, 2008). Future research may want to investigate the role of non-verbal communications and the success of the offshore relationship.

Overall, the findings of the study presented as lessons highlight the inability of a single theoretical frame (TCT, Agency, RBV...) to completely explain the complex phenomenon of (client-vendor) firms' pursuit and continuance of the offshoring phenomenon. It appears that it is necessary to invoke a more comprehensive and composite view overlaying multiple theoretical bases when undertaking research in this domain of inquiry. In any research project, choices made by the researchers create limitations in interpreting the results. Limitations encountered consisted of the limited sample size and the use of a convenient sample of large U.S. client firms and vendor firms located in India. Although attempts were made to ensure that a variety of stakeholder roles were included, this limited sample size across the eight specific offshoring initiatives suggests a call for caution in generalizing the findings. Our lessons apply only to large client and vendor firms. Future research could focus on how these lessons apply to relationships among small vendors and clients. These limitations notwithstanding, we believe that the study has provided meaningful insights and lessons learned. These limitations should be kept in mind when considering the findings. As the lessons demonstrate, an offshoring relationship should not be evaluated strictly on an economic, strategic or relational basis. Researchers and practitioners are advised when evaluating offshoring relationships to partake in an expanded view rather than focusing on a single perspective. The lessons learned should be highlighted and addressed early on in the relationship, throughout the relationship, and in closing the relationship to ensure overall success.

CONCLUSION

IT offshoring is clearly a phenomenon that will not disappear in the foreseeable future having evolved from being a cost saving initiative to more of a survival strategy for many organizations. IT Offshoring (ITO) has now evolved into Business Process Offshoring (BPO) and Knowledge Process Offshoring (KPO). We surmise that the lessons learned in the context of ITO are generally applicable to BPO and KPO also. Client and vendor firms face many challenges in their IT offshoring interactions as pointed out throughout this paper. Based on our findings we shared some unique, key lessons that were uncovered throughout our many investigations with both IT offshoring client and vendor firms. We pointed out some of the important implications our study findings have for firms that are increasingly relying on IT offshoring to create added value and to maximize stakeholder benefits in today's highly competitive, global economy. We believe our study also provides a valuable addition to previous external sourcing studies which have focused solely on the client perspective when investigating IT offshoring and in turn have neglected the other important piece of the international sourcing puzzle, namely the vendor. We urge both IT practitioner and researcher communities to build on the lessons learned to better position IT offshoring relationships for future and continued success.
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APPENDIX A
Sample of the Semi-Structured Interview Questions:

1. Describe how you evaluate the overall success of this initiative.

2. Can you recall and elaborate on some instances where your (client or vendor) exerted additional effort, devoted resources and did some unique things in order to sustain the relationship?

3. Describe situations or events where you may not have seen eye-to-eye with your vendor and how these situations were addressed.

4. Can you describe in some detail the financial, non-financial and the types of competitive benefits this initiative brought to your firm?

5. Can you describe in some detail your pleasure or displeasure with this offshoring initiative and the associated reasons? Tell me how this will influence future interactions with this (client or vendor).

6. Describe the information communication and sharing process between you and your (client or vendor) focusing on the frequency, context, nature, etc., practiced during the engagement.

7. Describe any such adjustments, alterations or investments to processes, systems, and/or procedures that were undertaken by your (client or vendor) in this project.

8. Describe also any such adjustments, alterations or investments to your processes, systems, and/or procedures that you undertook to accommodate the specific requests of your (client or vendor) in this project.

9. Discuss how the contract for this initiative was developed and managed focusing on the content, completeness, process and enforcement.

10. Describe any expected patterns of behavior that developed between you and your (client or vendor).

11. Can you think of and discuss any factors that were not formally stated in the contract, but were expected to be fulfilled to accommodate the needs and expectations of your (client or vendor)?

12. During this project engagement, describe any incidents/events where differences in culture between you and your (client or vendor) set up challenges and how they were addressed.

13. Please discuss any other aspects that were unique to this initiative that influenced your evaluation of this initiative. Would you do anything different?