

**UNIVERSITY OF VAASA**  
**FACULTY OF BUSINESS STUDIES**  
**DEPARTMENT OF MARKETING**

Nirmal K.C.

**ROLE OF TRANSACTION COST THEORY, AGENCY THEORY  
&KNOLWEDGE BASED THEORY IN DECISION OF OFF SHORING  
INFORMATION SYSTEM IN CROSS CULTURAL CONTEXT**

A case study of Finland-India

Master's Thesis in  
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**UNIVERSITY OF VAASA**

Faculty of Business Studies

Author

: Nirmal K.C.

Topic of the Thesis

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Name of Supervisor

: Minnie Kontkanen

Degree

: Master of Science in Economics and Business Administration

Department

: Marketing

Line

: International Business

Year of Entering University

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: 2009

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**ABSTRACT**

Due to globalization, outsourcing of Information system/Information Technology (IS/IT) has become a competitive necessity, even more off shoring IS has become new strategy to cut cost and focus on Core competency. Managers are vigilant about where and which IS segments to off shore. For the past one decade it has been noted that off shoring IS from Finland towards India has increased tremendously, however research into this dynamic nature of IS in these two countries is hardly noted.

The objective of this study is to explore the role of Transaction cost theory, Agency theory, knowledge based Theory into off shoring decisions by Finnish manager in cross cultural context. In the theoretical part, first the major components from the theories were developed and also the distances between Finland & India in cultural context were identified. Firstly the off shoring is defined and its relative advantages and disadvantages have been discussed. Secondly, various relevant cultural dimensions have been analyzed. Thirdly, several important propositions have been developed from theories.

For the empirical study, the various related firm publication, an expert consultant, and semi structured telephone interview were used. It was found out that Managers are prompted more by reactive motivation to off shore than proactive. Due to the distant geographical distance trust still seems infant at beginning, which is overcome by certain span of time. Besides from fluency in English, cheap cost, to some handful of well renowned vendors, Technical expertise of average Indian vendor is still doubted by Finnish manager which needs constant monitoring from Finnish side. With culturally sensitive communication/understanding and proper engagement from Finnish side, Knowledge transfer can occur in cost effective manner. All in all Finnish Managers perceive Indian vendors as quite a worthy recipient of IS off shoring in the future.

**KEYWORDS:** Information system off shoring, Transaction cost Theory (TCE), Agency Theory(AT), Knowledge based Theory(KBT), Culture



## 1. INTRODUCTION

### 1.1 Background of the Study

As the expanding range of Information system (herein afterward referred as IS) applications has led to mounting levels of Information system expenditure, there have also been parallel pressures towards a realignment in the roles of in-house IS functions and outside vendors (Scarborough, 1999:11). On the other hand influence of globalization of resources has led to dramatic increase in cross-country business cooperation. The global Information System is one business that has been experiencing exponential growth since 1980s (Greenemeier, Information week, 2002).

Although companies outsource IS for many reasons (Willcocks & Fitzgerald 1994), researchers generally warrants the growth of the IS outsourcing market to two primary phenomena. Firstly focusing on the core activities and outsourcing the rest whereby firms can more concentrate on the core activities. Secondly the growth in the outsourcing is a function of unclear values delivered by IS (Lacity & Willcocks 2001). Managers view it as an overhead – as an essential cost but one to be minimized nevertheless.

In this study an arrangement involving Information system outsourcing between two countries –Finland and India will be discussed. Realistically, the two countries have been noted as major players in the global software industries (Heeks 1996). Moreover outsourcing has become an appealing option to organizations operating within the globe for a variety of reasons. Some of those include the desire to be competitive (Porter. 1980:369), occasioned by intense global competition, scarce human resources, cost reduction and time-to-market considerations (Lacity & Willcocks 2001).

One primary reason for choosing these countries is, both these countries are major players in information technology market and it hasn't been long the practice of offshore outsourcing in Finland is noticed (Apte, Uday, Sho, Tatsumi, Saarinen, Salmela & Vepsalainen 1997:292) as compared to other western countries. Also India is world's highest receiver of Information technology related off shore outsourcing. In the course of 2008 the amount of revenue made from software activities and other IS services was \$ 52 Billion, a 32 % climb from 2007. India may exceed a \$ 60 billion-target only in revenue by March 2010 as per Nasscom (Bloomberg webpage 2008).

Although off shore outsourcing has been a promising way to cut cost and focus on core strategy, the initial advantages of making this move are increasingly tampered by realities on the ground (Harvard Business publication, 2008). This could be because it is more difficult to manage off shore service providers than manage one's own employee. These types of problems are more pronounced in arrangements like Finland and India, two geographically and culturally distant societies.

## 1.2 Research objective and Justification for the research

As outsourcing evolves into a competitive necessity, managers must increasingly assert with the decision about which process and how to outsource. Even though variety of theories have been invoked to study the initial outsourcing decision, much of this work has relied on isolation on one theoretical perspective (Apte et al. 1997). Therefore, the relative importance ascribed by managers to the factors from these theories is poorly understood.

Also according to Wang (2002:153) the understanding of information system off shoring is hardly complete as the factors that affect off shoring is narrowly explained Hence in order to explore the role of several important theories like Transaction cost

theory, Agency Theory and Knowledge Based theory in cross cultural context, this study is being undertaken.

The main objective of the study is

- To explore the role of Transaction cost theory, Agency Theory & Knowledge based theory related factors in decision of Finnish managers to off shore IS activities to India in cross cultural context

To answer this research question, following specific sub objective are used:

- To define off shoring & identify its advantages and disadvantages in relevance of Information system.
- To analyze cultural dimension & to identify the cultural distance between Finland and India
- To identify & analyze role of Transaction cost theory, Agency theory & knowledge based theory in off shoring decision.
- To explore the Finnish manager perspective on influencing factors to off shore.

The purpose of the first sub objective will be to present clear idea of Information system off shoring. It will be achieved by isolating off shoring from outsourcing. Moreover the characteristics, advantages and disadvantages of off shoring IS will also be discussed.

The purpose of the second sub objective is to study the complex concept of cultural distance between Finland and India. However, it will be done in the light of some

general assumptions by researchers and Geert Hofstede's and Edward Hall's dimension.

The purpose of the third sub objective is to identify and analyze important factors from Transaction cost theory; Agency Theory & Knowledge based Theory. Various factors which can have some important decisive role in determining off shoring decision will be developed in the form of proposition.

The purpose of the fourth sub objective is to get the data through semi structured and telephone interview from our target firm to analyze how the developed propositions affect the managers in their decision to off shore in cross cultural context, in other words to study their perception.

### 1.3 Prior Studies

Even though it was hard to find some previous studies related to Finnish manager's perception on off shoring decisions, there has been many previous studies on information system off shoring from western firms towards India. Most of them have based their studies on aspects like knowledge transfer process like (Bresman & Birkinshaw & Nobel 1999), also in IS outsourcing practices in Finland, Japan and USA by Apte et al. (1997) etc.

Since our main objective is to try to dig managerial perspective into off shoring decision in the light of theories and cultural context. It would be relevant to discuss some of the findings that came across when doing this research.

The importance of culture in global software development has been widely cited in the information system literature (Hersleb & Moitra 2001; Walsham 2002). It has also

been noted that managing virtual teams whose members are geographically and linguistically diverse is a daunting task (Ebert, Reiner, Manfred, Andreas & Never 2001). As researchers insist that identifying key personnel and transferring knowledge is one complex task when working with culturally distant land.

As one of the major obstacle when working with distant cultures like India, for Western a manager is transfer of knowledge, which is inevitable for successful completion of off shored project. Still it is a matter of huge debate for researchers that indeed knowledge transfer is quite hampered, when working with distant culture and which is quite a vital subject in Information system off shoring.

However, Javidan, Stahl, Brodbeck & Wilderom (2005) are some of the notable researchers who have highlighted the area which is under discussion; they argue that cultural differences do not automatically create problems in knowledge transfer. Further, they have concluded that failure due to culture is often the result of poor management and if managed well, culture can instead have a positive impact on the transfer.

Krishna, Sahay and Walsham (2004) states that some movement towards other culture is necessary in cross culture IT off shoring, as it is unrealistic to expect expatriates in any country to be able to think and act like locals. This can create problems in areas such as application software development, where in-depth client contact is needed. To resolve this problem, successful outsourcing relationships often involve people who bridge cultures. For example, people originally from India but with higher education and long term residence in western society could be reposted to India as expatriate managers for off shored projects, as it would bring the conflicts that arise to minimum level.

Table1. Prior Findings

Study	Topic	Theoretical / Empirical	Findings	Approach
Yalaho, (2007)	Plugging into Off shore outsourcing of Software development: A multiple case study	Empirical	projects like “culturally neutral” thrive despite cultural distance, effective communication&good relations are vital for project success	Multiple case study
Vonsild, &Jensen (2005)	Outsourcing Projects between Europe and India- Bridging the Cultural Divide	Empirical Case study	Cultural differences are not always foreseen ahead of time. Action learning based training program recommended. Managers need some cultural training	Case study of Lk Denmark and LK India
Gonzalez, Gasco and Llopis. 2005	Managerial perspective ; successful IS off shoring (Spanish Managers)	Empirical Survey of 357 IS managers in Spain	Providers’ understanding of clients’ objectives, Choosing the right provider, & Client’s clear idea of what is sought through outsourcing	Quantitive
Krishna, Sahay, Walsham (2004)	Managing cross cultural issues in Global software outsourcing	Theoretical	Minimize cross-cultural issues through project choice of culturally-neutral software, use relationship to transfer leading edge business systems.	Qualitative
Vitol & Benoit (2001)	A Resource- based Analysis of outsourcing :Evidence from Case studies	Resource based Theory	Presence of appropriate resources plays vital role as strategic value in sourcing	Case study
DiRomualdo & Gurbaxani(1998)	Strategic Intent for IT outsourcing	Study conducted among 23 United states and 27 Non United States firms.	Organizational culture and work practices should be similar between client and vendor. Enable continuity and relationship	Quantitative

Egerkrans & Weckner (2007)	The Effect of Culture when Transferring knowledge in Off shoring Projects	Empirical Case study/Cultural differences	Motivation differs according to culture, how and where decisions are taken will have different effects on cultures depending on their position on the power distance dimension	Qualitative
Wang (2002)	Transaction attributes and software outsourcing success: an empirical investigation of transaction cost theory	Transaction cost theory/ Study conducted on 100 off shoring respondents	The results appear largely consistent with the predications of TCT, Avoid resource constraint being a factor for outsourcing.	Quantitative
Gurung & Prater (2006)	Research framework for the impact of Cultural Differences on IT Outsourcing	Theoretical	Virtual software teams are impacted by the determinants of cultural affinity, trust and experience	Self Development of research framework
Devos, Landeghem & Deschoolmeester (2008)	Outsourced Information Systems Failures in Small and Medium Enterprises	Qualitative study	Structured control not sufficient, Loss of trust was often a very strong determinant for failure.	A multiple case study

Yet, in another study conducted by Wang (2002), it has been emphasized that although IS outsourcing is not new, it has become a major IS phenomenon and has been recognized as an important means of managing IS, as evidenced by increasing large scale outsourcing deals. Moreover he states that to study the implications of outsourcing, transaction attributes on the consequences of software outsourcing are meaningful. In this study, it has been concluded to avoid resource constraints being the predominant factor that motivates to outsource.

In yet, another study conducted by Egerkrans and Weckner (2007) effects of culture when transferring knowledge in off shoring Projects between IBM Nordic (Sweden) and IBM (India), they have presented a very thorough study of transfer of

knowledge as a critical part of a successful off shoring project. As in cross border IS projects culture will influence the outcome.

Firstly, how and where decisions are taken will have different effects on cultures depending on their position in the power distance dimension. Culture affects both the perceived legitimacy of the decision and the motivation in the employees to implement the decisions. As they came up with the conclusion that the knowledge transfer process in off shoring projects depends on which two cultures interact and also what type of projects are undertaken for study. (Egerkrans & Weckner 2007:34)

#### 1.4 Delimitation

There are several theories which can be used in the process of exploring the research problem. Each theory has its own ontological and epistemological assumptions, which in turn help to identify and explore the specific issue under study (Hurmerinta-Peltomaki & Nummela 2004). The theories used in IT outsourcing can be further classified into different perspectives in order to analyze outsourcing from separate viewpoints. For example, Lee, Miranda & Kim (2004) classify theories in three perspectives, where theories involved in I. **Strategic perspective** (e.g. resource based, resource-dependency, core competence, coordination, game/auction theory) explain how to acquire the best possible resources outside the firm for it to focus on its core business, and gain and sustain competitive advantage.

The theories involved in II. **Economic perspective** (e.g. transaction cost, agency/agency cost, and economic efficiency) focus on delivery of products and services at a minimum price in order to achieve economies of scale. The theories involved in III). **Social perspective** (e.g. social/relational exchange, inter-organizational, institutional, power, Political, social) seeks to explain interrelationships between vendors and outsource and how/why these are formulated. However, since we will be discussing about culture in this research we

will therefore omit the social perspective as most of the issues in the social perspective are similar to that of culture.

Resource based theory view of the firm recognizes the important role of knowledge in firms that achieve a competitive advantage, proponents of the knowledge based view argue that the resource-based perspective does not go far enough in this sense as it regards the unique knowledge of the client firm (Grant 1995 ). Adjustment of such knowledge with that of the vendor is often necessary in the software development process (Choudhury & Sabherwal 2003). Moreover knowledge based theory also helps to clarify the connection between business strategy and off shoring therefore We are omitting the Resource based theory from our research.

From among the number of prominent researchers like Kluckholm & Strodtbeck, Hofstede, Hall and Trompenaars & Hampden-Turner only Hofstede and Hall has been chosen. As Hofstede and Hall's cultural classification provides us with useful hints in determining the distance between our target countries. Even though Kluckholm and Strodtbeck and Trompenaars and Hampden-Turner has useful classifications for cultural distance like Universalism and Particularism, neutral and Emotional expressions etc (Eve et al. 2005), we deem it too broad for our research objective.

Still this research has treated Information system, Information technology, and data processing as same, as they have almost similar characteristics.

### 1.5 Structure of the thesis

The dissertation has been structured as following. In the chapter 1, aims of the study along with research problem and delimitations of the study are presented. Previous studies are also mentioned and structure of the study is presented.

Chapter 2: This chapter describes the Information system off shoring. It unfolds the definition of IS off shoring with its history and some of advantages and disadvantages of it.

Chapter 3: This chapter tries to define the culture and show the cultural distance of two countries Finland and India. Moreover a some light is shed on managing cultural distance and cultural gap.

Chapter 4: This chapter tries to define the theories in relevance of off shoring and then discuss the proposition that has been developed. At the end of the study summary of theoretical framework is presented.

Chapter 5: This chapter explains the methodology adopted in this study. It starts with Justification for method, Research method and benefits of case study research. Moreover, methods of data collection & analysis are discussed, with validity and reliability at the end.

Chapter 6: This chapter reveals some relevant information about case company with its working mechanisms followed by the empirical findings.

Chapter 7: This chapter discusses the summary of this present study followed by conclusions based on objectives of our study and empirical finding thereafter. It also mentions about managerial implications, some practical limitations and implications for further research.

**Chapter 1. Introduction**

- Background of the study
- Research objective and Justification for the Research
- Prior studies
- Delimitations
- Structure of the Thesis

**Chapter 2. Information System Off shoring**

- Information System off shoring History
- Advantages &Disadvantages of Information system off soring

**Chapter 3. Culture**

- Cultural distance
- Managing IT off shoring relationship in cross-cultural context
- Cultural gap in Information System off shoring

**Chapter 4. Complementary Theories**

## Transaction cost Theory

- Cost Criteria
- Opportunistic Threat
- Technical complexity
- Strategic Importance

## Agency Theory

- Outcome measurability
- Vendor behavior Observability

## Knowledge Based Theory

- Vendor Technical Knowledge
- Knowledge transferability
- Evolution of need

**Chapter 5. Research methodology**

- Justification for method
- Research method
- Data collection
- Data analysis

**Chapter 6. Empirical Findings**

- Introduction to Case company
- Working mechanisms of IS off shoring in case company
- Finding to developed propositions

**Chapter 7. Summary and Conclusions**

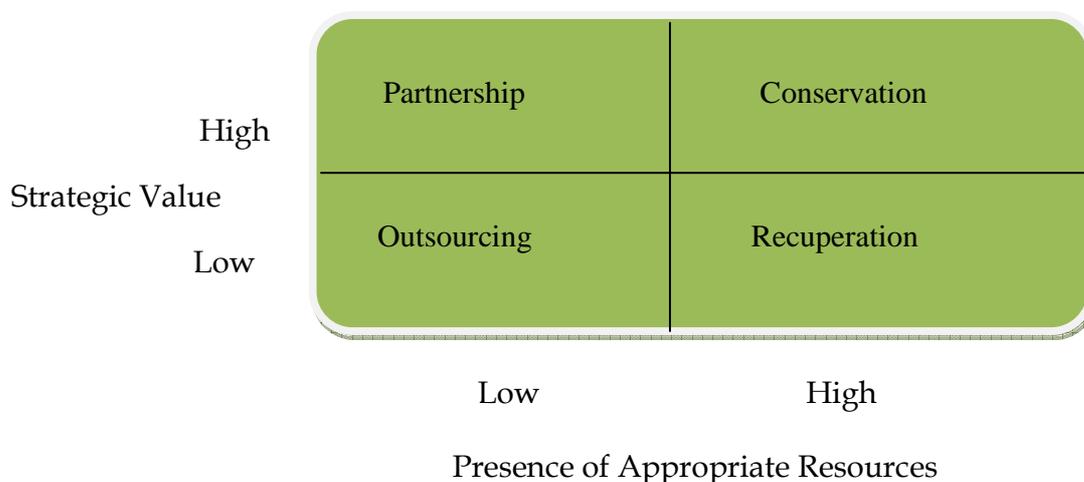
- Summary
- Conclusions
- Managerial Implications
- Practical Limitations and Implications for further research

**Figure 1.** Structure of the Study

## 2. INFORMATION SYSTEM OFF SHORING

Outsourcing is the contracting of a third party to manage a business process, manufacturing, product design more effectively and efficiently than can be done in-house, which involves the transfer of the management and/or day to day execution of an entire business function to an external service provider Overby (2007). The client organization and supplier enter into a contractual agreement that defines the transferred services. The supplier often acquires the means of production in the form of a transfer of people, assets and other resources from the client. Client agrees to procure the services from the supplier for the term of the contract.

To be competitive, companies remain vigilant. Managers are aware of current and developing market conditions, to prepare effective strategies for cutting cost and develop products and services to grow and retain market share rapidly. In today's business culture, the ability to move quickly is vital. This requirement somehow explains the recent growth in outsourcing. (Outsourcing Direct webpage, 2009)



**Figure 2** Model explaining outsourcing (Vitol & Benoit 2001)

Interactions between two factors strategic value and Presence of appropriate resources have quite an impact on the sourcing mode, which is explained by the above figure. For example, in a situation where the strategic value is high and the presence of appropriate resources is also high, the firm would be well happy to develop the new system in-house(Conservation), thus safeguarding its trade secrets and efficiently leveraging its distinctive competencies to further its strategic goals.. On the contrary where the strategic value is low and the presence of appropriate resources is also low, the sensible choice would be to outsource the development of the future system (outsourcing). When choosing this mode of sourcing, the company assumes full responsibility for the eventual success (or failure) of the project and stands to gain the eventual benefits (or the losses) that will result

As per the working definition laid out by Loh and Venkatraman (1992) of IT outsourcing, it is turning over part or all of the organization's IS/IT functions to external service provider(s) to acquire strategic, economic and technological advantages to improve overall business performance. Information system covers several domains from the development of simple application programs, information processing (data entry, transaction processing, back office support or IT) and facility management(managing hardware, software, personnel and networks) to the leasing of all functions incorporating IS and IT. For the wider purpose of this research we will treat Information technology, software maintenance under Information system

Now it can be predicted that this reflection gives rise to off shoring activities to cheaper third world countries. Since IS was no longer regarded as strategic assets only.

The term IS outsourcing, although not specific to IS is that it reflects the use of external agents against internal to perform one or more organizational activities (e.g. purchasing of a good or service), is now quite much used in the IS domain and applies to everything from use of contract programmers to third party facilities management. It has been defined in the IS literature as follows;

“Turning over to a vendor some or all of the IS functions...” (Apte et al. 1997).

“Business practice in which a company contracts all of or parts of its information systems operations to one or more outside information service suppliers” (Hu, Saunders & Gebelt 1997)

“The purchase of a good or service that was previously provided internally” (Lacity & Hirschheim 1993b)

		Outsourcing	
		No	Yes
Off shoring	NO	I No Changes	II Moving activities to Companies without Relocation
	Yes	III Relocation of activities to other countries within the same corporate	IV Relocation of activities to other companies in other countries

**Figure 3.** Combination of outsourcing and off shoring

(Ali-Yrkko & Jain 2005:1)

As the above figure clearly differentiates outsourcing from off shoring, where it states that off shoring is relocation of activities to other countries within or outside of the firm.

However, after the Kodak deal which was done with view to acquire specialized service from Vendor IBM rather than reducing cost, managers started to explore other opportunities if Kodak can acquire some specialized service from a vendor then why not us try to acquire the cheaper cost service(Lacity & Willcocks 1995), presumably this motive has given rise to acquire cheaper cost service from other third world countries as Generally managers undertake outsourcing information system for cost reduction acquiring specialized needs.

As Chad Dickerson (2005) puts it just as one man's trash is another man's treasure, one man's commodity is another man's competitive advantage. This somehow explains the growth of off shoring from Western firms, which are eyeing the cheap labor cost available in third world countries like India, in other word off shoring

The term offshore outsourcing therefore covers the relocation of jobs or processes to an external and internationally located provider (Lieberman, 2004). Sourcing Mag (2009) defines off shoring as having the outsourced business functions done in another country with strategic view or to tap currently unavailable talent or lower cost domestically.

One of the most famous of these studies is probably by Forrester research firm (2003) where they have made an estimate of the characteristics and growth of off shoring. The term "off shoring" is often associated with outsourcing but neither implies the other. Whereas outsourcing refers to the relocation of jobs and processes to external providers regardless of the provider's location, off shoring refers to the relocation of

jobs and processes to any foreign country without distinguishing whether the provider is external or affiliated with the firm. Outsourcing may therefore include job relocations both within and between countries, whereas off shoring refers only to international relocations.(Forrester webpage 2003)

The wage-differential has of course been the main incentive for manufacturing companies to move their production from the western hemisphere to low wage countries like India or china. Outsourcing production to a low wage country is what is called off shore outsourcing. (Lieberman 2006)

There still are many complexities regarding the definition of Information system as there is no universally accepted explicit definition for IS outsourcing among the researchers. In this study Information system, based on above definition, off shore outsourcing is defined as an “organizational decision which includes Information technology, software maintenance and other back office IT works to contract out to an foreign service provider be it own or foreign IS service provider. And off shoring has specified objectives and the goal of the off shoring transactions is to achieve the desired objectives.”

## 2.1 Information system off shoring History

Despite of the previously unnoticed history of outsourcing, it can also be argued that the major notice among researchers went only after the so called Kodak deal. Loh & Venkataraman were among the earliest to identify outsourcing as they defined it as a significant contribution by external vendors in the physical and human resources associated with entire or specific components of the firm wide IT infrastructure in the user organization(Lacity and Willcocks 1995).

Initially, IS off shoring consisted of an external vendor providing a single basic function to the customer, exemplified by facilities management arrangements where the vendor assumed operational control over the customer's technology assets, typically a data center. Outsourcing of information systems began to evolve in 1963 when Ross Perot and his company Electronic Data systems (EDS) signed an agreement with Blue Cross of Pennsylvania for the handling of its data processing services. This was the first time a large business had turned over its entire data processing department to a third party. (Dibbern, Goles, Hirschheim & Jayatilaka 2004: 7)

However, after firms realized the importance of moving part or whole of IS functions to another vendors, managers were quick to realize the attractiveness offered by vendors beyond the border Reingold (2007).

The major event that eventually led to the growth of off shoring IS activities were the Y2k phenomenon. Fearing the collapse of major computer systems as the new millennium dawned; there was a huge demand for technologists to help update systems quickly. Which gave rise to off shoring of IS functions to beyond borders. But still it can be argued that in the late 1970s when the Indian government put in place a policy requiring a majority ownership of all foreign ventures. With that companies such as IBM pulled out leaving the country only with a small tech infrastructure but no one to maintain it. After ward Indians were forced to build an industry to maintain that existing base. This gave an international impression about Indian as being skilled workforce for maintaining IT jobs. (Fast company webpage, 2009)

Consequently, it can be predicted that with this impression, after 1970s American firms started off shoring some of whole part of there IS maintenance towards India followed by other European firms.

In the case of Finland, outsourcing (within the border) of IS activities has been practiced from 1960, however off shoring can only be traced in the 1980s due to the common practice of forming a captive company to whom all IS functions of parent company were off shored. Labeled as 'total outsourcing', the practice involved large sums of money and risk and hence these off shoring decisions were often made by the CEOs of companies in Finland. With subsequent failures experienced by several captive companies Saaksjarvi (1991); Saarinen and Saaksjarvi (1993), the practice of selective off shoring of IS functions have gained more popularity. (Apte et al. 1997:292).

## 2.2 Advantages & Disadvantages of information system off shoring

Due to the advanced information technology solutions, industry standards, planning focus is shifting increasingly towards new business and profit models, adaptive organizational structures and management concepts. (Dekker 2003). For quite a notable time off shore outsourcing (**hereafter referred as off shoring only**) has been seen as an effective way to achieve this organizational flexibility and agility.

The impulses to off shore IT usually spring from the company itself. However there are some globally accepted reasons for off shoring among managers; an effective way to implement new ideas, strategies, and change at a faster and more controlled rate. Lacity and Willcocks (2001) have divided the different rationale to off shore namely organizational driven, improvement driven(achieve specialized service), revenue or cost driven and employee(acquire specialized workers) driven off shoring.

Information technology (IT) systems are expected to meet high standards of operation and processing integrity, while offering round-the clock availability, security, and good performance. In today's environment, organizations must deal with rapid and regular changes in IT, the performance demands of the e-economy, and pressure to deliver competitive IT functionality. To meet these challenges, organizations are increasingly considering off shoring of their information systems activities as an attractive option. In fact, many organizations already use off shoring in one form or another. (Canadian Institute of chartered Accounts, 2003: 3).

Off shoring has also proven to benefit companies in-directly through increased strategic flexibility, great goal orientation and higher quality of knowledge exchange (Delporte Vermeiren, 2003). Off shoring is also a common option for start-up operations and for organizations entering new business lines. Rather than devoting time, energy and capital to the creation of IT processing services, organizations feel they can minimize the start-up time required to enter new markets by contracting a third party to provide those services immediately.

As in the case of Finnish Firms, it is expected that the benefits they gain from information system off shoring towards third world country like India would not be highly deviating from above mentioned advantages.

#### Disadvantages of off shoring

Even though researchers have highlighted numerous disadvantages associated with off shoring, most of the time it principally revolves around three criteria namely I. Shirking II. Poaching III. Opportunistic re pricing or holdup.(Clemons 2005)

**Shirking:** As more and more firms move IS activities off shore to countries that are distantly located from their home base of operations, the initial advantages of making this move are increasingly tampered by realities on the ground. One reason could be as Off shoring carries with it the possibility of the loss of managerial control, shirking on vendors' part. This is because it is more difficult to manage off shore service providers than manage one's own employee. (Harvard Business online publication, 2008)

**Poaching:** There are often hidden costs involved in off shoring that are difficult to prepare for or calculate like Poaching. As this is one critical issue for Western firms off shoring IS activities towards third world countries like India. As Greenemier (2004) states that companies must be careful of the level of intellectual property that they entrust to any vendor. As he further emphasizes that that firms need to be careful about what to off shore because collaborators can become competitors.

**Opportunistic re pricing:** When a company enters into a long term contract, it is uncommon for the vendor to try to change the terms at some point. Vendor Holdup occurs when a vendor over changes for unanticipated enhancements and contract extensions (Clemons 2005).

However in the case of Finland off shoring IS activities to India, there are even more challenges involved as it has not been over a decade that notable amount of IS functions are off shored towards India. Differences in languages, uncertainty towards a new Indian culture seems to be some of the challenges for Finnish firms.

In general terms, notable disadvantages of off shoring are that managers can't assimilate all the information at their disposal, they can't accurately work out the consequences of the information they do have. A good instance would be is the game of chess. Despite knowing all the rules which fully specify the game, no one is

capable of faultlessly analyzing any given position during the chess game. This is partly because the game itself is inherently too complex (there are too many alternatives), and also because the actions of the opponents/vendors are quite unpredictable. Managers face the same problems. No matter how knowledgeable they might be, they cannot consider all the possible alternatives courses of action. This is compounded by the fact that in reaching a decision they must take into account how vendors will propose a new move once the off shoring deal has been made.

### 3. CULTURE

Culture is a complex term due to the fact that it does not present a fixed meaning. People's perception of culture varies from place to place-that is called the world view which is a product of culture. Culture is the way of life of a group of people. It forms a person's life through influences that are available to everybody through the circle of humanity that is surrounding the individual at the center. Taylor (1964) defines culture as a variety of human experience. Culture is that complex whole which includes knowledge, beliefs, arts, morals, law, custom and any other capabilities and habits acquired by man as a member of society (Scupin, 2003). (Leo 2005:1)

In other definition Laroche (2003) puts it as culture includes an implicit list of standard operating procedures. Lindsey and Beach (2002) offer a useful definition of culture: Human behavior is immensely varied and the variations are fundamentally determined by culture. Culture is a human society's total way of life; it is learned and shared and includes the society's values, customs, material objects and symbols. Accordingly, every person's culture includes his or her social heritage that tells them which behaviors are appropriate and which are not.

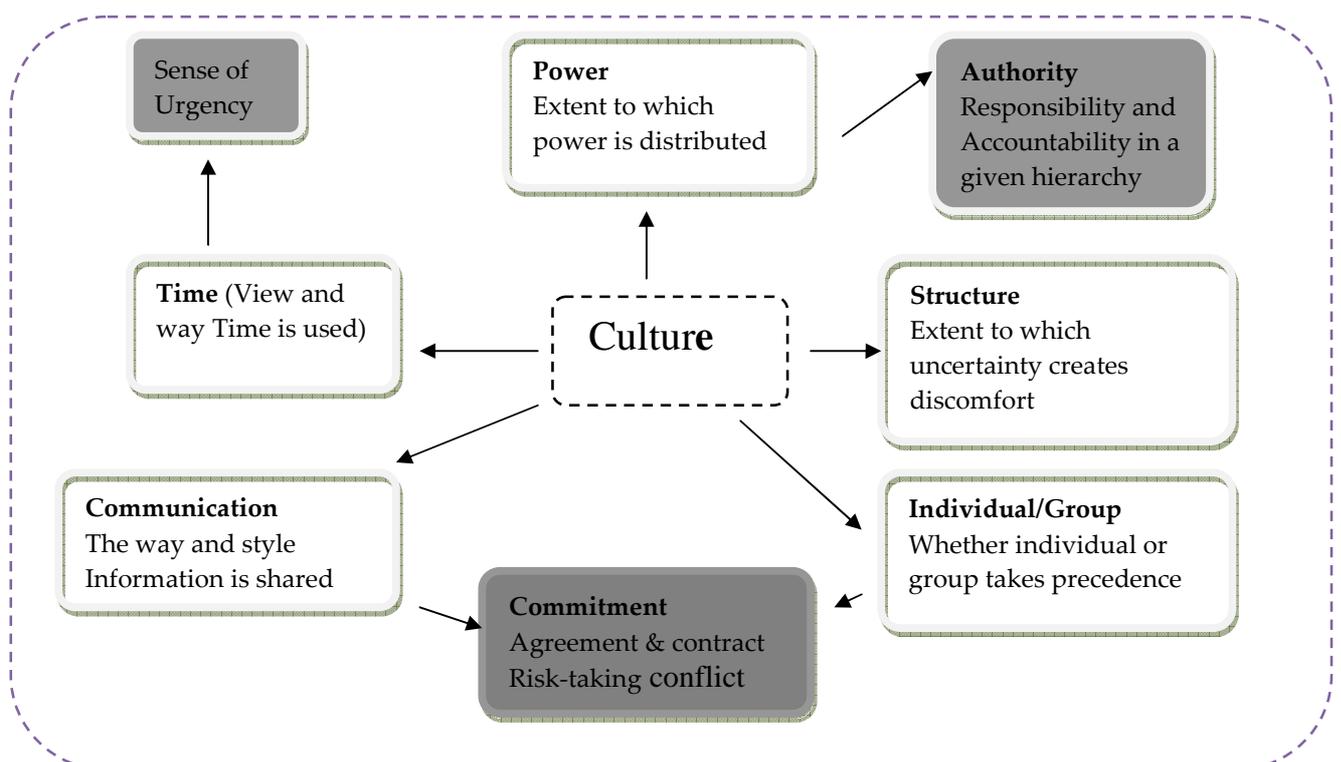
Consequently, we can assume that when two parties are involved in off shoring are stranger to each other, making it hard for each other to communicate work ethics and approaches to problem solving among virtual teams. Culture may create

significant differences in IT off shoring; i.e. the user interface in computer programming may have different appearances in different societies.

On the other hand language differences among virtual teams in terms of accents, style and lingo can impact the off shoring of IT functions. The vocabulary size of a specific language may control how precisely or bluntly ideas are articulated and problems finessed in IT management. (Gillam & Oppenheim 2005)

### 3.1 Cultural Distance

There can be many layers of cultural difference between Finland and India of course: national, regional ethnic, professional. However, here in this study we will be referring to national culture only. Mentioned in the figure below are the 5 key variables which are quite notable in measuring the distance between Finland and India namely Responsibility, accountability, sense of urgency, commitment and agreement or contract (Interlink, 2001).



**Figure 4.** Impact of culture on key organizational variables

Source: Interlink webpage. The next Wave of Off shoring, March 2005

Based on the above figure (Vonsild & Jensen 2005) key contrasts on selected cultural trait between Finland and India are explained in following table:

**Table 2.** General cultural distance

Variables	India	Finland
Communication style	Quite detailed and heavy emphasis	Short clear specific
Organizational hierarchy	High Titles and respect of position are important	Low/Flat with broad delegation, person more important than title
Time/plans	Flexible, deadlines less important	Deadlines are important, Time is money
Change	Heavy bureaucracy, less willing to try new approaches	Leadership is quick to see change, general resistance at lower level
Agreement	Need to be monitored actively by customer	An agreement is agreement, Individual accountability normal

Still there are Cultural researchers like Geert Hofstede and Edward Hall, whose cultural dimension can prove to this study meaningful in determining major distance between these two countries.

Geert Hofstede, in 1989, based on a large scale study of IBM employees located in over 40 countries, developed a set of cultural indices. The indices are relativistic scales (continuums) for a culture's approach to power distance Individualism/collectivism,

masculinity/femininity, Uncertainty avoidance and long/short term orientation. (Eve, Yvone & Kruchten 2005:1)

**Power Distance:** The power distance index measures the extent to which a culture embraces social inequality. In a culture with high power distance, there exists an established hierarchy of power, based on status, wealth intellectual capacity, or some other factors. A culture with low power distance on the other hand, considers every individual as equal, despite difference in power, status or wealth. (Eve et al. 2005)

Nordic countries exhibit medium levels of power distance, indicating that people in society are not to a large extent divided by power or authority. India, on the other hand demonstrates high levels of power distance in both of the studies mentioned above (Javidan et al. 2005). This indicates that there will be higher hierarchy in Indian organizations and things such as status and position will have more magnitude. As a result knowledge transferred from a Finnish firm may only be withheld by high ranking authority in Indian vendor, thereby severely affecting the outcome quality of IT activities.

**Individualism/Collectivism:** individualism/Collectivism index is based on how an individual is perceived in a culture: either as an independent entity, or as part of a tightly knit group. A highly Individualist culture is expected to look after himself/herself (Hofstede webpage 2009). A highly collectivist culture is one in which people are integrated into strong cohesive groups which protects each other in exchange of unquestioned loyalty. People are expected to give allegiance to the groups to which they belong. Nordic countries, as Finland have stronger ties to the state and institutions where Indians rely more on the groups that they belong to such as the family and the workplace (Eve et al. 2005).

Since India is termed as a collectivist society, whereas Finland is in sharp contrast to it being individualist. Moreover, there is a difference regarding in-group collectivism where India shows a high level of Loyalty towards the in-group and where the Nordic countries can be found around the middle (Javidan et al. 2005), which directs us to make a conclusion that Knowledge tends to stay in one group rather than transfer to another, however it should also be noted that knowledge could transfer easily within one group.

**Masculinity/Femininity:** A more masculine culture has more distinct social gender roles (i.e men are supposed to be assertive, strong, and focused on material success while women are gentle, caring, and concerned with quality of life). Gender roles in a feminine culture are more fluid ( i.e. both men and women can be concerned with relationship, modest, tender and focused on a improving quality of life). This index is reflective of culture on a national rather than personal level. Finland is found to be strongly feminine while India is on the other side of the middle, namely a masculine society. Consequently, according to Hofstede cultures are quite different in this respect. (Eve et al. 2005)

Here, we can assume here that there could be a successful transfer of knowledge between the cultures having similar values. Masculine and Feminine societies have different values that is embedded in them. Showing off is something that is highly valued in masculine societies(Egerkrans & Weckner 2007) whereas in feminine society this can be perceived as the other party is over promising and under delivering. On the other hand, feminine party's inability to show off can cause for lack of trust in masculine entities.

**Uncertainty Avoidance:** The uncertainty avoidance index indicates the tolerance a culture exhibits towards unfamiliar or ambiguous situations. A culture with a high ranking in this area may rely upon strict, detailed rules and procedures in order to

mitigate uncertainty. A culture with low uncertainty avoidance is more comfortable handling unknown events and thus relies less upon rules. (Eve et al. 2005)

Finland demonstrates high to medium uncertainty avoidance while India ends up in the low-middle of the dimension (Javidan. et al. 2005; House, Dorfman, Hanges & Luquet 2005). Consequently people from organizations in the Nordic countries will have a greater need to plan ahead, they will be more risk averse and organizations and society will develop ways to reduce perceived risks.

Therefore we can assume that uncertainty avoidance also has its impact on the off shoring of information systems. For one, the manner in which the deadline is carried out can be different. People in societies with high uncertainty avoidance will pursue organized, formal and structured deadlines while in low uncertainty society people show lack of respect for processes and deadlines as well as an inclination to make abrupt decisions (Javidan et al. 2005).

Nevertheless, looking at it from the Hofstede's cultural perspective similarities can be found as both cultures demonstrate relatively low assertiveness, below medium. This indicates that both cultures are not very aggressive and confrontational. Still, regarding gender equality Finland is more equal than India but still, the difference is not as distinguished as in Hofstede's dimensions (Javidan et al. 2005).

Edward Hall's (1976) research results in a dimensional model that examines culture from a more anthropological standpoint. The two dimensions we will discuss here are time (polychromic Vs monochromic) and communication patterns (high context vs low context). (Eve et al. 2005: 2)

**Time:** In a monochromic culture time is managed in a linear manner: one event takes place at a time; a task is completed before another can be started. Activities such as meetings have definite start and end points and scheduling mechanisms are used to ensure that interruptions are avoided as Finland is categorized within this country. A polychromic culture, on the other hand, considers time to be much more flexible. Tasks can be handled simultaneously and interruptions are common as India is categorized in this segment. (Eve et al. 2005: 2)

**Communications patterns** According to Hall (1976), a culture's communication patterns fall somewhere in the continua between high context and low context. In a low-context culture the speaker assumes that he/she must be explicit in the message. The intention of the speaker is directly and unambiguously stated. In a high context culture the speaker assumes that every participant in the conversation understands the context and thus complexity may be expressed in fewer words. (Eve et al. 2005: 2)

India is regarded as high context culture whereas Finland is regarded as low context culture. In Finland Yes and No are regarded as in their correct meaning whereas in India Yes could be no and no could be Yes.(Thehindubusinessline Webpage, 2006)

### 3.2 Managing IT off shoring relationship in a cross cultural context

**“Culture is more often a source of conflict than of synergy, cultural differences are a nuisance at best and often a disaster”** Geert Hofstede(Personnel webpage).

However, it doesn't lead managers to any profitable position with this one statement as firms need to cut costs in IS and one of the most promising road to achieve that is

moving IS activities towards third world countries like India, which is in sharp cultural contrast with Finland.

As Gopal, Sivaramakrishnan, Krishnan & Mukhopadhyaya (2000) argues that harmonization can be achieved through lots of common process such as compatible technology and systems. However, it is important to recognize the limits of this approach. Major differences in norms and values cannot be harmonized, since they derive from deep seated differences in cultural background, education, and working life. Examples include attitudes toward hierarchy and power and different business practices.

For example British managers in an off shoring relationship with a particular Indian software supplier found that Indian programmers, in defense to authority would not voice criticism in face to face meetings but would sometimes send their opinions in email messages after the meetings had disbanded. The British managers, used to intense interaction and the development of ideas through meetings, felt frustrated at this polite behavior. Such difficulties can, however, be recognized and understood, but it requires substantial effort by both sides in the cross-border collaboration. (Krishna et al. 2004)

Managing Information Technology off shoring is one of the complex actions that needs proper approach in decision making to avoid mishaps in the post off shoring relationship. In managing a successful IT off shoring relationships, Gottschalk & Sollisaether (2006) argues that the IT off shoring market has seen unprecedented growth in the past few years, but many organizations still need to develop a mature and reflective understanding of off shoring. Researchers have for a long time tried to focus on the important issues of objective, structure and management of IT off shoring relationships and develop models and guidelines for the complex IT off shoring process and emerging relationships.

**Table 3.** Cultural classifications and some of their Influences on off shored IS Project

<b>Cultural Classifications</b>	<b>Influences in IS off shored projects</b>
Large Power distance	Authoritative decision-making and leadership styles can hamper knowledge distribution
Collectivism	Heavy reliance on informal controls, knowledge tends to stay within one group and not go out easily, people tend to be faithful towards their group rather than to any institution or work, could give rise to piracy/opportunism
Masculinity	Equal opportunity programs or right to knowledge may be resisted by males creating a situation where know-how will only be withhold in them
Low uncertainty avoidance culture	deadlines are ignored, if mixed with collectivist society opportunism can't be ignored
Polychromic Culture	Projects may not be completed giving rise to chances of extra cost as deadlines are not met
High context culture	Knowledge transfer may seem to have transferred but reality may be different

### 3.3 Cultural gap in Information System Off shoring

As Radoff (2006) states that firms having good approach for intercultural understanding can increase the productivity by 30 %. To some extent that different cultural values, different attitudes and subsequently different behaviors can be fully understood and managed within and across foreign business setting, will be predicated on the extent to which cultural diversity is valued within a firm.(Eve et al. 2005) But since Information system off shoring is a distinctive phenomenon which involves working with previously unknown or partially known parties with lots of

technical specifications and communication, it might not be an easy task to make an easy approach for decision making.

Moreover, in understanding the difficulties associated with this, culture needs to be considered at two levels, organizational and national. Organizational culture can be analyzed in what Deal & Kennedy (1982) describe as “levels of cultural analysis”. The first level is associated with observed culture” (how things are done). The second level is associated with what are understood to be “shared values” (practices that people respect). The third level of analysis is associated with “common assumptions” (these are truths that are taken for granted irrespective of whether they are agreed to or not).

Without a proper approach in decision making, one major area where problems can arise in off shoring is in the cultural adaptation of the working ethics and principles in the vendor countries. Challenges not only concern the need to adapt to different ways of working but to cultural norms of social behavior, attitudes toward authority and language issues. (Krishna et al. 2004) Moreover a rather poor approach in decision making can have disastrous results in post off shored situations.

## 4. Complementary Theories

### 4.1 Transaction cost theory

Troubled by a discrepancy between economic theory and organizational reality Williamson developed transaction cost theory. Williamson questioned the prediction of Economic theory that goods and services are most efficiently produced in specialized organization that are able to achieve economies of scale by arguing that why the 20th century witnessed the growth of large bureaucracies that produce many good and services internally. Williamson proposes that costs are comprised not only of monitoring, controlling and managing transactions. Thus managers consider total costs (production costs plus transaction costs) when selecting among sourcing alternatives. (Lacity & Willcocks 1995:205)

Transaction cost theory provides a potentially useful framework for off shoring phenomenon for numerous reasons. Transaction cost theory argues that production costs are lower with off shoring due to vendor economies of scale achieved (Lacity & Willcocks 1995). First transaction cost theory specifically addresses sourcing decisions, that is, the decision to produce a good or service internally or purchase it externally (Lacity & Willcocks 1995:204). Secondly, transaction cost theory captures the widely-

held perception that organization members make sourcing decisions based upon an economic rationale-the commencement of new off shoring contracts often heralded with anticipated savings from 10% to 50% (Anthens 1990:119).

As TCE states that inter-firm exchanges incur transaction costs that arise from having to implement complex transaction governance structures to reduce costly bargaining over specialized resources (Koh, Ang & Straub 1998). Transaction costs are defined as the direct and indirect expenses of negotiating, monitoring, and enforcing explicit and implicit contracts between firms. TCE theory states that exchanges or activities that incur high transaction costs are likely to be kept within firm boundaries, whereas transactions for which such costs are lower are more likely to be outsourced (Williamson 1991: 275). These characteristics of IS projects that lower transaction costs are likely to increase the likelihood that managers will choose to outsource them.

#### 4.1.1 Cost Advantage

If the scale of internal operations of client is small then the Productivity of internal IT development operations is limited. In contrast, specialized Indian IT vendors have the capacity to address the demands of multiple clients, which results in greater software development as compared to a client firm. Reversely, client can still do in-house development but at higher cost.

Relative cost advantage is defined as the expected overall cost savings from off shoring an IT development project instead of pursuing it internally as Comparative cost advantage has been found to be the strongest predictor of IT off shoring (Koh, Ang & Straub 1998). Therefore instead of doing a rather expensive in house IS development, we directly consider the relative cost advantage from off shoring a project than internally completing the same job. So the extent to which managers perceive high

relative cost advantage from off shoring a project will therefore increase the likelihood that they will choose to off shore it.

*Proposition 1: Relative cost advantage propels Finnish Managers to off shore their activity towards an Indian Vendor.*

#### 4.1.2 Opportunistic Threat

As Radhakrishnan (2005) mentions in “India’s Disadvantages in Software” that software industry is virtually the only Indian industry that is primarily export-oriented in practice as well as in official policy. The limitations on the packaged front have encountered imports and piracy to fulfill the country’s software product requirements. Rampant piracy is stalking the Indian software market. The gravity is evidenced by the US placing India on the priority watch list in this regard. Software is taken for granted, lacking recognition as a distinct industry. Even though the above argument is related to the software users it is not unethical to assume that same type of opportunism will not be practiced by Indian Vendors when it comes of IS activities, as IS and IT are closely related.

Another of the most important elements of off shoring transaction costs is the clients firm’s exposure to opportunistic behavior by the vendor. As Wuyts and Geyskens (2005) states that one important element of off shoring transaction cost is the client firm’s exposure to vendor opportunism. Such opportunistic behavior might manifest itself in the form of the vendor taking advantage of the client after the off shoring contract has been made. Threat of opportunism is defined as lack of trust that a vendor will honestly fulfill project obligations (Wuyts & Geyskens 2005). Greater the degree of this types of threat, the greater the extent to which a client must implement complex and costly governance mechanisms to safeguard its interests in its transactions with vendor (Dyer 1996).

Since the IS off shoring involves significant hazards of opportunism, managers are likely to outsource a project only if they perceive ex ante that they are sufficiently protected from opportunistic behavior.

By putting together Hofstede(1989) classification of Indian Society (which is quite a collectivist and low uncertainty avoidance culture) and also due to the fact that absence of proper rules for copyright material or absence of proper implementation of rules vendors tends to be opportunistic to some degree as we discussed in Table 3.

Lower trust between the client and vendor firms therefore reduces inter-firm transaction cost by lowering the perceived threat of opportunism (Dyer & Chu 2003). Trust in vendor is a specific characteristic that might arise from a near culture experience or vendor's reputation or also through prior experience. Trust gained through prior experience with a vendor there for accounts for further expansion of new contracts between firms.

On the other hand it can also be argued that a client might perceive a different degree of threat for different type of IS project with the same vendor. Client then if inappropriately trusts and therefore chooses a vendor then the threat of opportunism actually rises. So greater the perceived threat of opportunism specific to a project, the lower is the likelihood that managers will choose to outsource that project.

*Proposition 2 : level of the threat of opportunism in an Indian Vendor being higher de motivates the Finnish manager to off shore IS activities to India.*

#### 4.1.3 IS Technical complexity

Transaction cost Theory has two opposing arguments on the effects of technical complexity of IS on managers' decisions to offshore. As the complexity of a IS project grows the demand of that complexity requires specialized vendor motivating off shoring, adversely greater control is desired by managers for such complexity demotivating off shoring (Bensaou and Anderson 1999). However, in the case of IS activities firms have no other way than to off shore if the project is not their core competency.

Project complexity is the complexity due to its size and technical know how (Xia and lee 2004:70). Moreover, more complex IT projects are inherently riskier and prone to failure (Anders & Zmud 2002).

Software development, maintenance, data processing are naturally more prone to failure, which motivates managers to rely on a specialized vendor, who is more likely to be equipped with the skills and experience to handle technical complexity relative to a client. Gopal, Mukhopadhyaya, Krishnan (2003).

Hence we can assume that as project complexity rises, the benefits that manager perceive from using a specialist vendor will give some push to off shore that activity.

*Proposition 3: better perceived technical complexity of IS function propels Finnish managers to off shore to Special Indian vendor.*

#### 4.1.4 Strategic importance of IS

Projects with greater strategic importance are viewed as having greater asset specificity from a TCT perspective (Dyer, 1997). As Information system components which have higher degree of strategic importance to the customer are more likely to be kept in house. IT development such as routine applications development, maintenance, or enhancement of existing noncritical IT applications can be non strategic (Barua, Kriebel and Mukhopadhyay 1991). On the other hand IT applications that facilitate competitive moves and differentiations of the client firm, development of new firm level capabilities, or software that is deeply embedded in hardware products (Such as X box or Cell phone) can be of high strategic importance (Fichman, Keil and Tiwana 2005 ).

Higher strategic importance of a project to the client firm's business drives attempts to closely control its development through both formal and informal mechanisms. Both informal and formal forms of control are easier to exercise when a project is internalized and uses the customers' own IT staff. Such type of close, hierarchy based control can facilitate greater direct control over the development process. (Kirsch 1996 :2).

This, in turn will increase the likelihood of internalization of the development process. Thus the greater strategic importance of the IS activities lower is the likelihood that managers will off shore that project. This leads us to our fourth proposition.

*Proposition 4: Strategically important IS projects are internalized by Finnish managers rather than off shored to India.*

#### 4.2 Agency theory

According to Eisenhardt (1985) Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that

arises when the goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing. The second is the problem of risk sharing that arises when the principal and agent have different risk preferences (Eisenhardt 1985). Apparently these problems are well known in IT off shoring

An example might be that the client organization wants to reduce its costs, while the vendor organization wants to maximize profits. The agency problem arises when the two parties do not share productivity gains. The risk sharing problem might be the result of different attitudes towards the use of new technologies

The central tenet in agency theory is the notion of goal incongruence between an agent and a principal, respectively external vendor and the client (Eisenhardt 1985).. Even though agency theory was originally conceptualized at the individual level of analysis, it has previously been applied to understand principal agent conflict in inter firm relationships such as off shoring alliances because its basic assumptions hold irrespective of whether the involved entities are individuals or organizations (Reuer & Ragozzino 2006).

#### 4.2.1 Outcome measurability

Choudhury and Sabherwal (2003) have found that agency problems are indeed more pronounced in off shored software development projects relative to internal projects emphasizing the assertion of goal non congruence among clients and vendors in off shoring arrangements. The degree to which a client can gather such information at the initial phase influences the decision either to offshore or not. Agency concerns can be mitigated through two mechanisms (Choudhury and Sabherwal 2003) specifying in advance in detail how the outcomes of an outsourced project will be evaluated and using these metrics to tie vendor performance with rewards and monitoring the behavior of a vendor during the development process.

Outcome measurability is therefore a critical requirement for effectively controlling the development process (Kirsch 2002). However it can be argued that it is necessary in both internal and off shored development, the need is more pronounced in off shored projects.

There for we can assume that higher project measurability encourages managers to off shore.

*Proposition 5: Better projects measurability encourages Finnish managers to make off shoring decision to India.*

#### 4.2.2 Vendor behavior observability

Business distance is measured by physical distance (geographical distance), cultural distance (language, educational level and economic development level) (Ioustarinen 1989). The extent to which vendor employee behaviors can be readily monitored during the development process once a project has been off shored is termed as vendor behavior observability (Kirsch 2002). As in relationship like off shoring, this is accomplished through three means (1) collocation of vendor and client employees, (2) imposing frequent deliverables (3) use of web based project tracking software that facilitates monitoring (Choudhary and Sabherwal. 2003)

As also discussed in chapter 3 and Table No. 3, that due to the polychromic nature of Indian Society they need to be monitored regularly for timely completion of any IS project. Agency theory states that behavior monitoring facilitates oversight of vendor employees working the off shored projects, providing the mechanism for quality control and is an important form of process that discourages potential agency problems

(Kirsch 2002). Whereas projects in which vendor behavior observability is lower; it could create opportunities for agency problems and shirking.

A recent empirical work by Koh, Ang and Straub (2004) has found out that close project monitoring is an important antecedent to successful off shoring. This makes our sixth proposition

*Proposition 6: better observability of Indian vendor behavior for a IS project increases likelihood of off shoring*

#### 4.3 Knowledge based theory

The knowledge-based theory of the firm considers knowledge as the most strategically significant resource of the firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance.(York and Appalachian University webpage, 2000)

Grant & Baden-Fuller (1996) states that in knowledge based theory, firms are viewed as distributed repositories of tacit and explicit knowledge whose heterogeneous knowledge bases are the key determinants of sustained competitive advantages. Therefore the aspect of knowledge-based theory emphasizes the importance of exploiting knowledge resources within and outside firm boundaries

The prescriptive aspect of knowledge based theory emphasizes the importance of exploiting knowledge resources within and outside firm boundaries. Successfully exploiting specialized external knowledge therefore also requires creating shared

understanding between the client and vendor firms. As in the case of software development requires project level integration of client domain knowledge and vendor technical knowledge during the development process (Rus, Lindvall & Sinha 2002). Without such integration, the unique knowledge of the client firm cannot be successfully leveraged in the outsourced custom-software development process. The degree of successfully exploiting the technical knowledge of a vendor at the project level is also influenced by two other project characteristics:

1. Communication of clients firm's requirement for a specific project to vendor
2. The extent to which such knowledge remains stable over the course of the project life cycle.

The first focus on whether the client has the necessary technical knowledge for successfully completing a project Hickey and Davis (2004), the second on whether the knowledge of client needs for a project can readily be conveyed to a vendor and the third on whether such knowledge is expected to remain stable during the development process (Fichman et al. 2005). The first variable thus corresponds to the difference in client-vendor knowledge and the latter two to creating a base of common knowledge between the client and vendor. Our emphasis on project requirement seems from the recognition that requirements are the key knowledge integration mechanism in software projects

#### 4.3.1 Vendor Technical Knowledge

In the inter-firm alliance context, this theoretical perspective suggests that off shoring arrangements serve as a vehicle for utilizing vendor's complementary skills and expertise (Grant and Baden-Fuller 2004:80). Therefore the managerial decision to

outsource an IT project should be motivated by the need to access and exploit specialized technical knowledge that is not present within the firm

Whenever the client firm does not possess any specialized technical knowledge, it motivates for managers to gain access to and exploit technical knowledge that they does not possess (Levina & Ross 2003). If the client firm possess higher levels of technical skills and knowledge in the domain of a prospective project, off shoring that project will be unlikely. In contrast, specialized vendor are more likely to recruit and retain more technically skilled IT employees (Levina & Ross, 2003) making it more attractive for a client to outsource when the internal skills are weaker relative to those of a prospective vendor.

Also previous work in manufacturing sector also shows that the internal availability of technical skills is quite de motivating to the use of outside contractors (Davis-Blake and Uzzi 1993). Reversely whenever the internal supply of the requisite technical skills is scarce, clients are more likely to acquire them from outside firms.

Consequently, if the client firm has in sufficient preexisting expertise to complete a project internally, it will be highly attractive for managers to outsource it. Therefore, the higher the client's technical knowledge in general, the higher is the likelihood that managers will outsource it. This leads us to our next assumption:

*Proposition 7: Indian Vendors' technical knowledge is one key factor driving Finnish manager to off shore*

#### 4.3.2 Knowledge transferability

As Lacity puts it about Knowledge transfer in off shored projects with CIO.com “When you (clients) are in the early stages of off shoring you tend to do more pilots project. You pick things for which you already know your requirements. But as you try to use suppliers more strategically and do more value added kinds of works, the issue of customer- specific knowledge becomes more critical”. (CIO webpage 2009).

As mentioned earlier in chapter 3, when transferring knowledge from high context culture to low context then there could be some misunderstandings(especially in technical instructions, yes in high context culture is still not yes and no still not no. (thehindubusinessline, 2006).

The level of prediction of smoothness in knowledge transferability present in the initial stage of off shoring a project guarantees the better result in the running of the relationship. Some of the knowledge of the IS project’s problem is requirements can be highly tacit, sticky, and deeply embedded in the idiosyncratic internal practices of the client firm (Hippel 1994). As such internal IT know how, blueprints, formulas, idiosyncratic routines are often complex to articulate.

On the other hand the level of the presence of Lower knowledge transferability makes it more difficult for the client to convey/transfer knowledge of the project’s problem domain in a manner that is necessary for the vendor to effectively implement the outsourced system. Lower knowledge transferability separates the implementation decision-making authority for the project that is delegated to the vendor and the knowledge that is required to effectively make those project implementation decisions (Jensen and Meckling 1992).

Knowledge must nevertheless be integrated into the software development process for the outsourced project to succeed (Ocker, Hiltz, Turoff and Fjermestad 1996). There can be a complexity arising out of lower transferability of precisely communicating

knowledge about the objectives at the outset of a project to a vendor. Managers in the client firm will also encounter difficulties in formulating target objectives for a prospective vendor (Rowen 1991). These will in turn increase the uncertainty about project requirements, which in turn increases project risk.

Adversely, the better a client firm can precisely communicate project requirements-typically through a formal requirements specification document-the more likely a vendor will be able to perform better in the development process. Prior empirical research on the post-decision making phase of IT off shoring has similarly found that clear requirements are an important antecedent to better project off shoring outcomes (Koh, Ang and Straub 2004). So, managers' likelihood of off shoring will be influenced by their perception of whether the requirements for that project can be clearly and completely specified to a vendor.

*Proposition 8: Finnish Manager are more likely to off shore projects which have higher knowledge transferability and vice versa*

#### 4.3.3 Evolution of the need

If the project requirements are expected to rapidly change once development has begun, the client firm runs heightened risk that the features, functionality and design of the delivered project-while meeting the initial formal requirement-might not satisfy the client's evolved needs(Deephouse, Mukhopadhyay, Goldenson & Kellner 1996). Therefore high requirements volatility lowers the reliability of knowledge transfer about the scope and problem that the project is intended to address. This in turn can expose the project to cost, schedule and functionality-related risks.

Project requirements usually act as a knowledge transfer mechanism through which client requirements are transferred to a vendor (Byrd, Cossick & Zmud 1992). Clients' needs in the initial stage cannot be the same after the time of offshoring has passed. As markets change and evolve, client business needs also change. Evolution of a project can be defined as the extent to which the business requirements of a project change during the project development life cycle.

If the project requirements are expected to rapidly change once development has begun, the client firm runs a heightened risk that the features, functionality and design of the delivered project - while meeting the initial formal requirements - might not satisfy the client's evolved needs.

Therefore, higher volatility of any IS project lowers the reliability of the transfer of technology which therefore might not satisfy the client's evolved needs (Deepphouse, et al 1996). Consequently, client needs will be different from what it was in the beginning. Furthermore, it can expose the project to cost, schedule and functionality related risks. Therefore, managers will have a greater tendency to keep projects with volatile characteristics in-house.

*Assumption 9: Higher volatile projects are kept inside rather than offshored to India.*

**Table 4.** Summary of Theories

<b>Theoretical Foundation</b>	<b>Level of Analysis</b>	<b>Basic Assumption</b>	<b>Main Variables /Focus</b>	<b>Key Authors</b>
Transaction cost Theory (York University webpage, 2009)	Transaction	Limited rationality, opportunism	Transaction cost, production Costs	Coase (1937); Williamson (1975, 1981)

Agency Theory (York University webpage,2009)	Organizational	Asymmetry of information, differences in perceptions of risk, uncertainty	Agent costs, optima contractual relationships	Jensen and Meckling (1976)
Knowledge based Theory (York University Webpage,2009)	Organizational /knowledge	Knowledge as a key factor	Knowledge as an asset/resource	Wernerfelt 1984, Barney 1991, Conner 1991

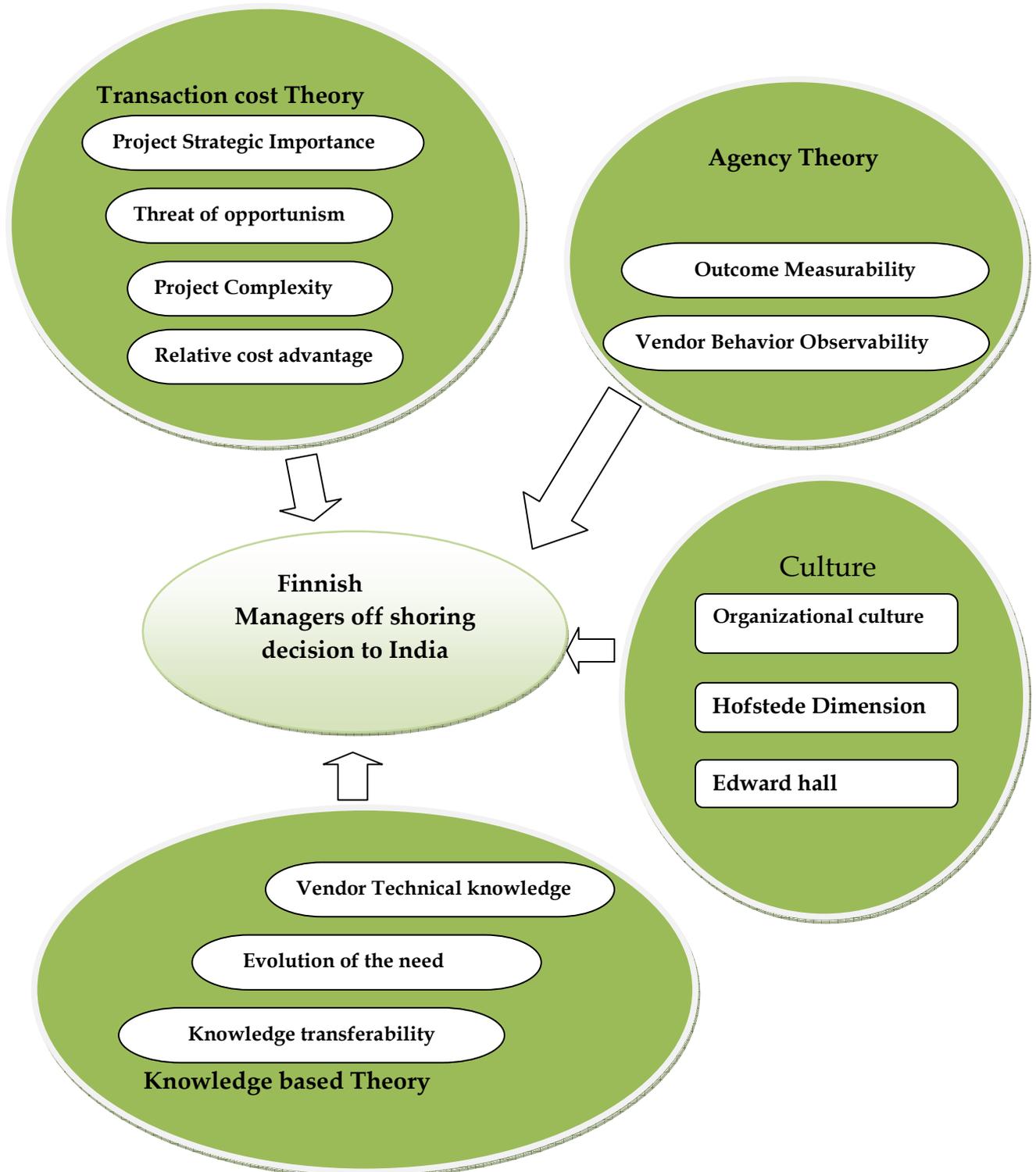


Figure 5. Summary of theoretical Framework.

## 5. RESEARCH METHODOLOGY

This section deals with the methodology of the empirical research that will be conducted among Finnish firms' manager. The purpose of this section is to explain and justify the steps and approaches that will be used in collecting the information.

### 5.1 Justification for method

Validity in the research process is increased where the choice of research strategy is closely related to the researcher's general epistemological viewpoint, which in turn is influenced by the researcher's general ontological beliefs (Andersen and Skaates 2004). For research objectives, a research can be carried out in different approaches, which should meet the standard approach. Since there are numerous methods available for analyzing the data, the obligation is to the researcher to choose the best suited method, as it should be more relevant to the objective of the study.

Qualitative and quantitative studies have long dominated the scenario of master thesis studies. The quantitative approach measures and explains the data by seeking to understand the phenomena in specific context and provides answers to the questions like what, why and how (Saunders, Lewis & Adrian 2007). Whereas, Qualitative study targets deeper insights into the research objective, moreover as the researcher is closely involved with the respondents thereby chances of producing anything useless is limited.

On the other hand quantitative study uses experimental methods and numerical measures to test hypothetical generalizations for large sample size, as it is a systematic research method therefore it has little flexibility. The aim of quantitative approach is to

measure and explain the phenomenon by statistical analysis of the collected data, which is used to provide answers to the questions like how much, how many.

Qualitative methods are suitable when study is exploratory in nature and when emphasis is on understanding and observing a phenomenon in natural mode. (Ghauri, Gronhaug and Kristianslund 1995). As our case study is exploratory in nature since emphasis is on studying the criteria on Finnish manager's perspective through our developed propositions.

Recent case study evidence suggests that, authors have mostly used Quantitative studies, thereby producing results from hypothesis testing and verification. However in this case study a major objective is to observe the perception of managers towards off shoring information system towards Indian vendors. The main reason for this is to understand the in depth arrangements of Finnish Managers' perception towards the identified propositions.

## 5.2 Research method

The approach used in this study could be considered as a deductive. As the study intends to grasp the characteristics of IS, cultural differences in between our target countries and tries to extract some of the important propositions from three theories (Form of deductive approach).

Single case study is used in this study as the appropriate research approach. According to Yin (2003:13), case study belongs to a qualitative research practice and forms a special research strategy and approach. It is an empirical research method, which examines a contemporary phenomenon in a real life situation, when the boundaries

between phenomenon and the context are not clearly evident; and in which multiple sources of evidence are used.

As per Yin (2003:21), there are five components that are important to develop the research design.

Study questions: the study questions must provide the important clue regarding to the most relevant research strategy to be used. In this study, the study questions concerns “How to prioritize in decision making and Why”

Study propositions: It is the attention of the study’s scope. As on this study, managerial perspective towards proposition (which are developed from some theoretical base and culture). The study propositions are deducted from the theories which are positioned during the research process.

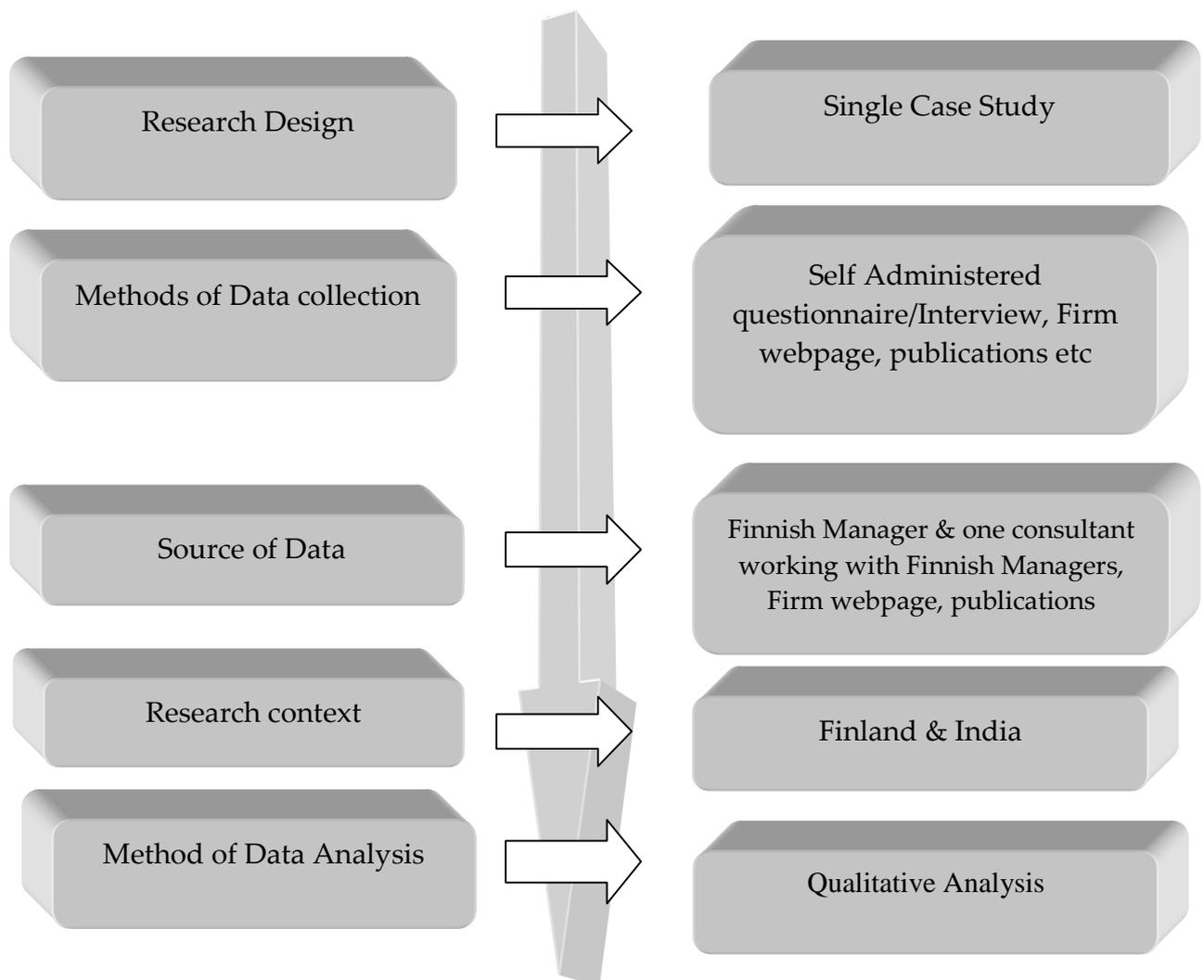
Unit of analysis: It defines what the case is. As in this study the case of the study is the Finnish firms that offshore information technology to India.

The Link of data to the propositions: is a way of relating data to the propositions , there is the evidence from the literature that managerial perspective can influence the outcome of off shoring. Apparently it is logical to link this framework with the propositional factor.

Interpretation of the study’s Findings: By studying the questionnaire and conducting telephone interview from the manager, conclusion about the queries that were raised in our proposition will be made.

As per the objective of the study, the research questions are dealt with strength of YES or NO and again how and why questions. Therefore the case study is most suitable for this objective. Moreover the qualitative study is suitable for gaining deeper understanding of the specific reasons behind the components that have been developed in the research objective. Also two perceptions from different managers from two different organizations will be presented and compared. A better understanding will be gained of the real and current situation of managers' perceptions towards off shoring IS to India.

**Figure 6.** Research Designs and methodologies in this research



### 5.3 Data collection

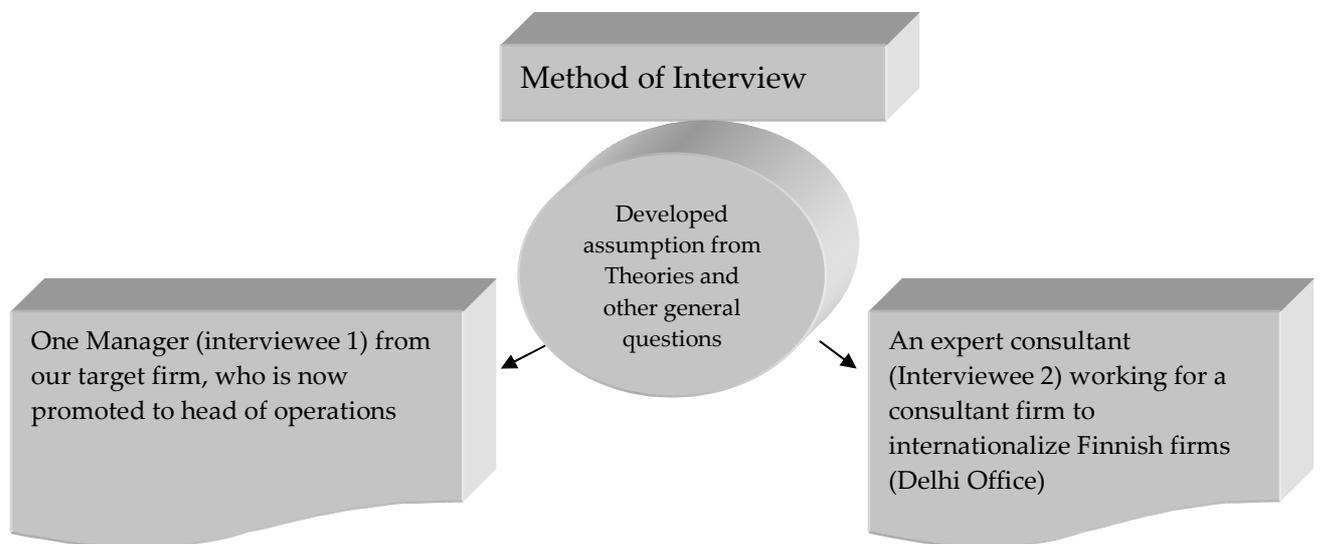
The data collection is carried out by presenting the semi structured questionnaire and interview. However one supplementary interviewee has also been selected to make the conclusion more general and several other sources have been used like company website, company magazines and also one voluntary respondent(Expert consultant) was used. Main reasons for following the semi structured questionnaire are:

- The semi structured questionnaire can address each managers perceptions on the critical points that have been developed on the off shoring of IS functions.
- The results can be reliably predicted on the contrast of each other when the same questions are put forth to managers on similar type of task.

Semi structured interview gives the researcher the chances of covering a larger perspective on study unlike fully structured or unstructured interview. A totally structured interview gives the respondent a limited space to answer and the data gathered will lack the richness because the number of possible responses is often limited. (Saunders et al. 2007)

For this study, a semi structured questionnaire was told to fill up, followed by a telephone interview. Necessarily, because such type of questions gives the respondents choice to take up a direction in the response. The response may then be followed up with more specific questions from the interviewer (Saunders et al. 2007:320). Moreover, due to the nature of study, judgment selection process has been adopted. It takes place when the interviewer chose respondents in advance who are deemed interesting for the

study, which is vital to increase the information content as the respondent possesses much knowledge of the subject.



**Figure 7.** Methods of Interview

Note: Due to the geographical distance between the two interviewees it was not possible to bring them together and conduct an oral interview together. As one consultant was stationed in Delhi and another Manager was stationed in Helsinki. Nevertheless, due to the cooperation of both interviewees which allowed us to redirect questions to them numerous times through email and one time telephone interview.

#### 5.4 Data analysis

Data analysis means that the researcher is deciding what and which meaning can be attributed to the collected data, and what are the implications to that effect and how does it relate to the topic being investigated (Denscombe 2000). Accordingly, author has tried to put another firm (Finnpro) which is a consulting Firm working for Internationalization of Finnish Firms. One expert consultant who helps in decision making for Finnish manager to off shore to India has been requested to participate in our study to give us some general perspective as to study the decision making criteria of Finnish managers.

In qualitative research, critical themes emerge out of the data and researchers require some creativity to place the raw data into logical, meaningful categories; to examine them in holistic approach. (Bogdan & Biklen 1982)

In this study, during the process of data interpretation, it has been best tried to eliminate superfluous material such as repetitions and deviations and to differentiate between essential and non essential data. The existing knowledge achieved through several phases of study is used as lens when to make sense of collected data. Yin (2003) argues that by using the existing knowledge, a logical separation can be made for investigation.

#### 5.5 Validity and Reliability

The three aspects of validity are construct validity, internal validity and external validity as well as reliability of the study (Bryman & Bell 2003, Yin 2003a). Here validity refers to the question of whether the study measures or records what is intended to measure or record, while reliability measures whether the studies are repeatable.

Bryman & Bell (2003:33) defines construct validity as the question of whether a measure that is devised of a concept really does reflect the concept that is supposed to be denoting and refers to the establishment of correct operational measures for the concept under study. In line with that, in this study all the constructs were deduced from theories also while keeping in track validation of results from previous researches. Simultaneously, the interview questions were built following closely the previous key works. Additionally, multiple sources of evidence including interviews, firm publications, and firm internet webpage were used. Telephone interview was taken in order to get more explanation received from questionnaire send earlier.

Internal validity refers to the issue of the causality in other words to ensure whether a suggested casual relationship holds (Bryman & Bell 2003). Those issues were addressed with due care during the interpretation by analyzing and re-reading the data External validity refers to the question of whether the findings of the study can be generalized beyond a particular research context(Bryman & Bell 2003). The theoretical generalization was done by findings, explanations and conclusions were used to frame relevant questions in the qualitative part.

Similarly, reliability refers to the repeatability of the results of the study and includes issues related to the stability of the investigation and the internal consistency of the measures (Bryman & Bell 2003). This was ensured with selection of focal case organizations, site visits, data collection, testing of the interview guide. Also from the reliability point of view, this study can be considered as an ideal. As in this study only one pilot interview was conducted which lasted for almost 45 Min excluding the questionnaire sent earlier. Moreover an expert consultant's voluntary participance makes it even more reliable.

However since this case study was conducted on one firm. This case cannot be the representative of all other Finnish firms off shoring IS towards India, as different firms have different priorities. A rather holistic multiple case study including IS off shoring from different sector of Finnish industry like Manufacturing, Software Firms would come out with some different conclusion. Still since India was chosen as the destination, for the reason that it is world's highest receiver of IS related off shoring, another destination country would make the conclusion again different. Nevertheless generalization is possible by applying this model to further multiple case studies.

## **6. EMPIRICAL FINDINGS**

### **6.1 Introduction to the Case Company**

This chapter presents empirical findings of the current study. Firstly the case company is introduced briefly. Then the main firm which has been off shoring activities to India and its Indian vendor will be discussed. Later on findings on from the questionnaire and interview that we presented to the Manager will be presented.

The firm which has been off shoring information system activities to India is one of the largest software development firm in Europe based in Finland (At the request of Firm's Manager (herein referred as interviewee 1) all identities have been withheld). It has presence in more than 25 countries with close to 17000 experts working on it making it one of the largest firms in Finland.

The company has principal focus areas in the fields of banking & insurance, Global software sourcing, ICT operation management, telecom & media, healthcare & welfare, forest & energy as well as government (in Finland), manufacturing and

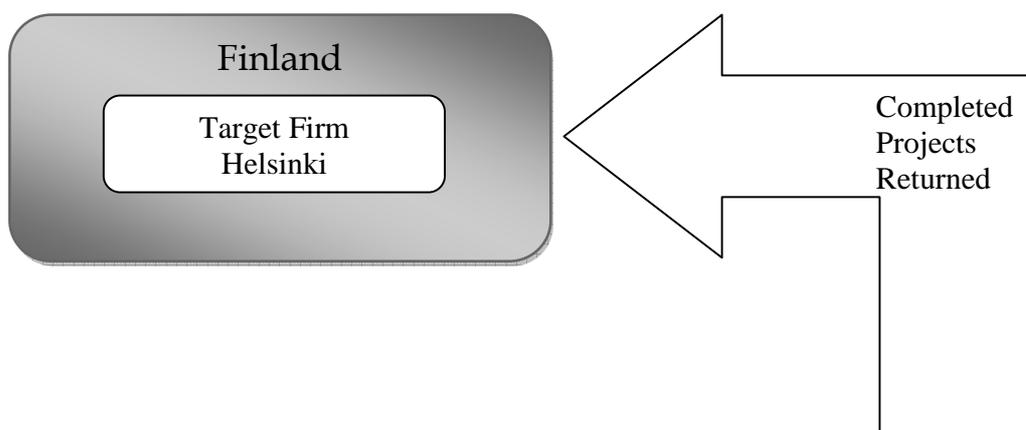
retail etc. Its superior customer centricity and Nordic expertise are some of the key competitive advantage. Its main customers are large and medium sized organizations in markets like Northern Europe, Germany and Russia. Moreover in telecom, forest, oil and gas as well as digital services, they serve customers globally.(Company website)

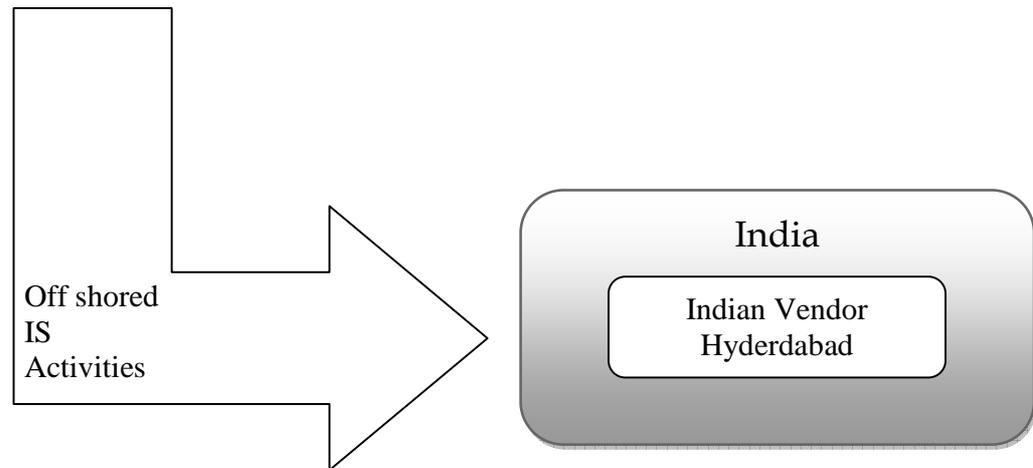
Its two biggest Vendors in India are based in Hyderabad and Pune, to where it has been off shoring since 2004. According to company source Hyderabad was chosen because of its known popularity in information technology and IT enabled services. Numerous software firms, call centers, business process off shoring (firms) makes this place a popular destination for western firms to off shore. Pune brand focuses primarily on product development, Welfare and Banking & Insurance business area.

## 6.2 Working Mechanisms of IS off shoring in case company

The Hyderabad Vendor more focuses on R&D services and develops turnkey software solutions for major European and Asian mobile device manufacturers of 3G handsets with 300 experts at its disposal.

The Finnish firm is off shoring various activities to its partners based in Hyderabad and Pune and they are redirecting the completed projects back to Finland. According to our interviewee1 the first off shoring from their firm was undertaken in 2003 towards Czech Republic. Not even one year later India emerged out to be a strong contender in the world of IS off shoring and they couldn't take any chances and from 2004 till now there has been no looking back





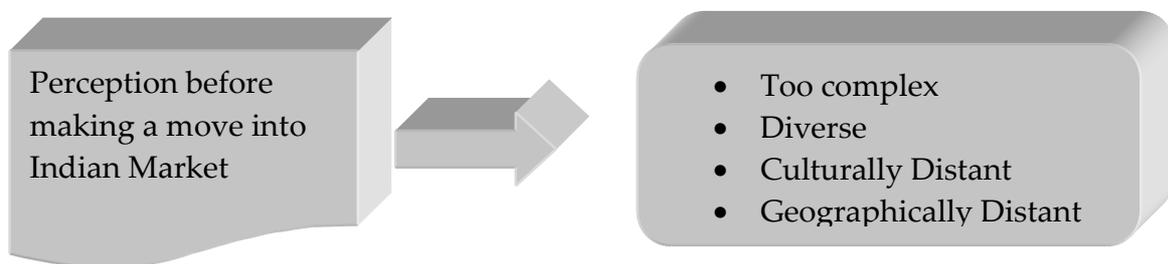
**Figure 8.** Working mechanism of Target Firm

As the above figure depicts IS activities are off shored to the target firm and back again to it after completed, from the Indian Vendor. Since our focus is on the Hyderabad partner it would be relevant to explain the working structure of these two. The Target firm has been off shoring its activities to Hyderabad from 2004. Event though these days Research and development are also routed towards India, but till date most of the off shored activity includes transactional type of work that is suited for IS development and other data management tasks. Some of the main functions that are being off shored from this firm in Finland to its Indian Vendor are (related to IS):

- Health care
- Welfare
- Financial services
- Telecom and Media
- Software sourcing

Even though it doesn't fall to our research objective, the consultant expert emphasized the managerial perception before choosing any Indian Vendor, as it is related to culture directly we deem it necessary to be mentioned.

*Interviewee 2: "At times Finnish companies' managers especially of SMEs are unsure of how to proceed in the Indian market which is generally perceived as too complex, diverse, culturally and geographically distant. Once the initial hurdle of selecting the right partner is crossed, they often realize that Indian organizations are by and large professionally managed"*



**Figure 9.** Perception before making a move into Indian market

Finnish Manager revealed that they initially started off shoring to Czech Republic in 2003. It could be because of the less psychic distance between both countries as compared to India. But due to the global IS off shoring trend that was showing the road towards even a cheaper destination, it just couldn't just ignore that. After just

one year they started to off shoring to Czech Republic, even though they are still continuing with their first vendor, most of the off shoring of Information system activities these days goes to India.

Indian vendors had reputation for lower cost, skilled workers and English competency; however it was not enough to start the off shoring operation. Hence it can be stated that during the partner selection stage Finnish managers do rely on some type of consulting services as per our consultant interviewee.

It was also revealed in the data studying phase that Finnish SMEs managers who cannot afford any specialized consulting services rely upon the Tier 1, Tier 2 type of classification of the Indian Vendors. (Note : Tier 1, Tier 2 is the classification being awarded according to their qualification for example Tier 1 vendor is one of the largest and most well know in its field- often enjoying national or international recognition and likewise :according to Interviewee 2)

### 6.3 Findings to developed propositions

**Proposition 1: Relative cost advantage propels Finnish Managers to off shore their activity towards an Indian Vendor.**

As the first proposition argues that managers are encouraged by the charm of lower cost for IS activities, by off shoring to India. Finnish manager from our target firm seems to agree on the cost criteria initially assumed by us. As he emphasized that cost is the prime reason for moving IS activities towards India. However still he emphasized some criteria in parallel to cost. On the other hand expert consultant agreed to the cost factor as well.

Interviewee 1: *“Competence availability, English Language, Time zone is the major criteria of competence that we looked for selecting an Indian Vendor.”*

Interviewee 2: *“Information system Managers who we are working us values Skills, Domestic Market and cost saving as the three major criteria for choosing any Indian Vendor.”*

**Table 5.** Prime reason stated by interviewee in parallel to cost

Interviewee 1	Interviewee 2
Competence availability	Skills
English language	Domestic Market
Time Zone	Cost saving

**Proposition 2. Threat of opportunism in an Indian Vendor being, de motivates the Finnish manager to off shore activities to India.**

Our second proposition argues that IS off shoring contract involves significant hazards of opportunism, managers are likely to outsource a project only if they perceive ex ante that they are sufficiently protected from opportunistic behavior, as this is one of the major proposition to be tested in this research.

Earlier in chapter 3.1 by putting together Hofstede (1989) classification of Indian Society (which is quite a collectivist and low-medium uncertainty avoidance culture) and also due to the fact that absence of proper rules for copyright material or absence of proper implementation of rules we assumed that Indian vendors tends to be opportunistic to some degree.

Interviewee 1: *“Opportunistic behavior of Indian Vendor is fairly important and it will have some effect on continuing of working with the same vendor”,*

Interviewee 2: *This is not a big issue with Finnish Managers as Indian companies are well aware of the consequences these types of problems have been seen very rarely.*

Even though our theories and social thinking makes us suspect that Indian Vendor will have some degree of opportunism, Finnish SMEs managers regard opportunistic threat in decision making fairly and in the telephone interview it was revealed that they already take big precautions while writing the contracts. Nevertheless one of the major statements that our Interviewee1 made should not go unnoticed.

Interviewee 1: *“I think they are all playing with different rules compared with Nordic vendors. Fooling customer with junior / senior ratio in projects seems to be a habit not an exception.”*

**Proposition3: better perceived technical complexity of IS functions propels Finnish managers to off shore to Special Indian vendor.**

As our third proposition argues that higher the perceived technical complexity of IS functions, higher is the likelihood to outsource to India in other words the presence of inner technical know-how of the project to be off shored will encourages managers to off shore the functions as they have greater control over that particular topic.

Proposition 3 is further again validated by our interviewee 1. As he classifies Indian vendors as a worthy recipient only of transactional type of work but the interviewee 2

emphasized that Finnish Managers especially SMEs choose Indian vendors which are prioritized according to the Tier based qualifications, Tier 1 firms will certainly be the worthy of complex technical project. As opposed to the Interviewee 1, Interviewee 2 suggests us that those type of inner technical knowledge does have some role because most of the Indian Vendors are classified under Tier 1, Tier 2 and Tier 3 criteria and some handful of them have received some prestigious award as well.

**Proposition 4: Strategically Fit IS projects are internalized by Finnish managers rather than off shored to India.**

As our fourth proposition assumes that strategically fit IS projects are not off shored to Indian vendor. Upon questioned about the effect of the strategic fit of Information system activities on likelihood of off shoring both the interviewee had near equal type of perception.

Interviewee 1: *“No I do not see any direct correlation here but still we prioritize bigger projects with plenty of transactional type of work suite best for the Indian Vendor. As we put our concern before making any decision on transactional type of work rather than looking at strategic fit of IS components”*

India is quite regarded as a destination where completing the IS projects with very low cost than compared to Finland or other Western countries. As our Interviewee 1 has mentioned that he regards Indian Vendor efficient in fulfilling the transactional type of work rather than looking for any strategic fit.

**Proposition 5: Better projects outcome measurability encourages Finnish managers to take off shoring decision to India.**

Our fifth proposition argues that projects outcome measurability of any project motivates Finnish managers to off shore to India, as it can reduce the risk associated with the project.

Interviewee 1: *“We highlight this aspects as one important aspects on determining whether to off shore or not as it will save tremendous amount of time and money. Smaller vendors who we have engaged are found not to be professionally managed or trained, there by posing bigger threats to our firm.”*

Interviewee 2: *“As for the mangers that we are working with, we give some good insight into the working pattern of Indian vendors to them. It it is not so important the measurability of any IS project’s risk because longer the virtual teams get involved better the project measurability becomes”*

Both interviewees seemed to agree that project’s risk will be evaluated when it comes of making off shoring decision. Still again both regard risk on different elements which posses the risk like Interviewee 1 argues outcome measurability is lower in smaller vendors but Interviewee 2 argues trust is build up gradually which increases by time.

**Proposition 6: Higher observability of Indian vendor behavior for a IS project increases likelihood of off shoring**

Our sixth proposition argues that observability of Indian vendor motivates managers to off shore project to Indian Vendor. As in the chapter 3.2 we have tried to explain how can an Indian workers be aligned to certain group rather than being faithful to state or organization or individualist. Moreover as according to our Table 3 being a polychromic culture, Indian workers should to be monitored as deadlines are not necessarily met. Business distance is measured by physical distance (geographical distance), cultural distance (language, educational level and economic development level) (Ioustarinen 1989: 136-137). When the topic of cultural distance and vendor behavior observability was presented in front of our both interviewee, they were both quite interested to put forth their view on this matter.

*Interviewee 1: "Cultural difference is one factor causing delays if the scope and requirements are not clear from the beginning – which is often the case with smaller engagements, in other words smaller vendors who they have engaged has not been professionally trained or managed."*

*Interviewee 2: "Finnish companies tend to follow a flat organizational structure where supervision and monitoring is flexible and not as strict and clearly defined as in Indian organizations that tend to follow a strict and clearly defined as in Indian organizations"*

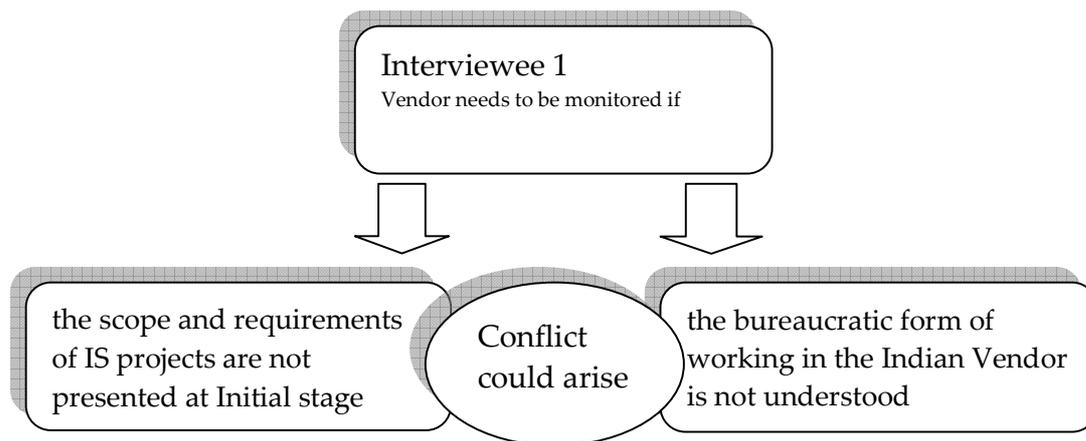
What can be stated here is smaller vendors need to be monitored which makes it reluctant for Finnish firms to off shore to it, whereas in the case of bigger firm there was no such case of a observability matter, since they are professionally managed.

Mentioned in earlier chapters where it has been tried to clarify to some extent the cultural distance between Finland and India. Expert consultant revealed to us that Finnish SMEs managers are quite uncertain in the initial phase about the diverse phenomenon characterized by huge geographical and cultural distance between these two countries. Once the initial confusion is cleared they find it much easier to

work with the Indian vendors which make it easier to transfer more off shoring projects to India there by eliminating the observability concern for more projects.

On the other hand the Finnish manager (Interviewee 1) has stated that cultural distance is more prevalent in smaller vendors where the workers come without any type of training or good education. However, again a major statement by Interviewee 1 should not go unnoticed.

*Interviewee 1: I don't think it is true that only Indian Vendors need to be monitored on a regular basis as every vendor needs to be monitored.*



**Figure 10.** Model of Potential conflict arising elements for monitoring

**Proposition 7: Indian Vendors' technical knowledge is one key factor driving Finnish manager to off shore**

Another important theory used in our proposition developing is Knowledge based Theory. As it suggests firms do regard the technical capability of Indian vendor as important factor in making decision to off shore. As Levina & Ross 2003 puts it whenever the client firm does not possess any specialized technical knowledge, it motivates managers to gain access to and exploit technical knowledge that they does not possess.

Interviewee1: *"Initially when we off shore to India it's not due to any technical knowledge possessed by them but rather cost, but still I wouldn't undermine their competency for transactional type of work and English competency which are suitable for bigger projects"*

Here we can say that Indian vendors are quite a worthy candidate for bigger projects with lots of transaction inside it and also their English competency.

**Proposition 8: Finnish Manager are more likely to off shore projects which have higher knowledge transferability and vice versa**

Knowledge transfer being one of the most important variable in knowledge based theory and again in the cross cultural context where researchers have emphasized on various elements that hinder in the process of knowledge transfer. There have been many previous studies on knowledge transfer (Bresman et al. 1999, Sulanzki, 1996, Davenport & Prusak 1998), but very few have put the knowledge transfer process in

cross-cultural perspective (Javidan et al. 2005). Hence this one topic has been put with a great consideration to our two interviewees.

As mentioned in chapter 3.1 in a relationship between two partners where one operates in a masculine society and the other in a feminine there is a risk of misinterpretations. If the partners involved in the knowledge transfer have similar values there will be a greater chance for successful transfer. (Javidan & Mansour, 2005 19:2). As masculine and feminine societies promote different values this is important to attend to. Showing off (Egerkrans et al. 2007), is something that is valued in masculine societies as it shows the ability of the individual and through that it will provide pride in masculine societies. In feminine society this can be perceived as the other party is over promising and under delivering. On the other hand, feminine partner's inability to show off can cause for lack of trust in masculine partner.

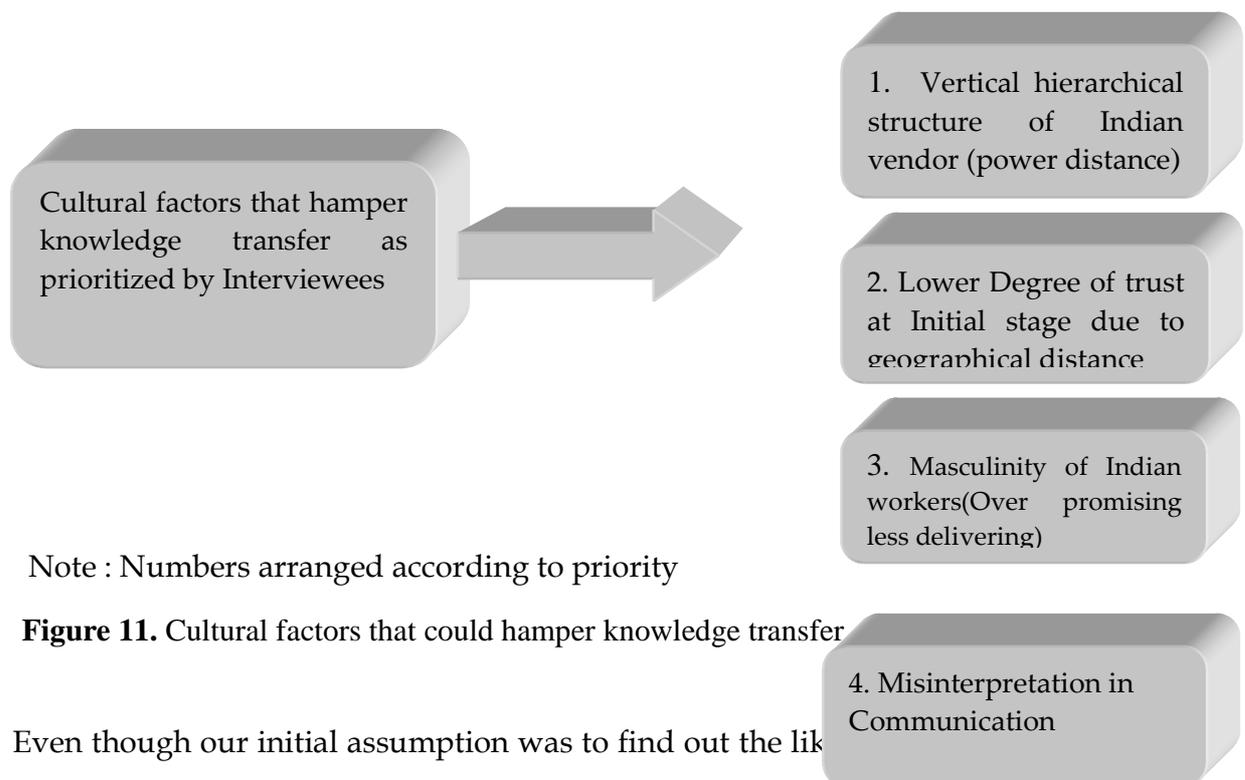
Major drawback that has been seen is from the beginning of the project off shoring when the instructions and requirements that are being transferred are not clearer to the Indian Vendor. Indian culture is such that even the other party tends to pretend to understand the requirements, even if they don't fully understand it (Radhakrishnan 2005). This statement is also being supported by Hall's classification of high context (India) and low context (Finland) country.

Interviewee1: *"Cultural difference is one factor causing delays if the scope and requirements are not clear from the beginning – which is often the case with smaller engagements. Communication on the other hand has to be carried out in a culturally viable way. It is one of the major factor to be considered before making any off shoring decision"*

Interviewee 2: *"Maybe only for the initial stages when companies are deciding between countries. Ultimately if they consider India and go in for a partner especially those with*

*international exposure cultural issues shouldn't be an area of concern for knowledge transfer."*

Other minor but important barriers highlighted by the interviewees were communication pattern, Vertical hierarchical structure of Indian Firms (vendors), cultural misunderstanding.



Even though our initial assumption was to find out the likelihood to the knowledge transferability of the project, our interviewee more emphasized on the right implementation of the certain factors for smooth transferring of the knowledge related to the IS projects and according to that a frame work, as above has been developed.

**Proposition 9: Higher volatile projects are kept inside rather than off shored to India**

Our final proposition assumes that Information technology has one peculiar characteristic i.e. it tends to be very much volatile which keeps on evolving. If the project requirement is expected to change rapidly the client firm runs in higher risk of paying high price for the project (Deephouse et. al 1996). As our interviewee1 has revealed that Indian vendors are the right partners for bigger engagements so it is of high importance to find out whether in the long term the sensitivity of IT characteristics plays any role in the decision making of the off shoring.

Interviewee 1: *“This is of course true and also the market goes currently for agile methods which will make the effect even more clear. You need to have a lot of involvement on-site during an agile project.”*

Regarding the evolution of the project, Finnish managers seem to be very much cautious for any volatile projects go useless. It is seen by managers that not only project which takes long span of time to finish but also any agile type of project needs to be monitored closely so as to keep up with the latest development in the ever changing information technology world.

## **7. SUMMARY AND CONCLUSIONS**

This chapter would summarize the findings, highlights the implications for managers. Additionally, the chapter would pin point the limitations that occurred during the research and suggestions for further research.

### **7.1 Summary**

The objective of this study was:

*To explore the role of Transaction cost theory, Agency Theory & Knowledge based theory related factors in decision of Finnish managers to off shore IS activities to India in cross cultural context*

Hence in line with the objective, four sub objective has been formulated namely 1. To define off shoring & identify its advantages and disadvantages in relevance of Information system 2. To analyze cultural dimension & to identify the cultural distance between Finland and India. 3. To identify & analyze role of Transaction cost theory, Agency theory & knowledge based theory in off shoring decision. 4. To explore the Finnish manager perspective on influencing factors to off shore in the case company.

**Chapter 2** The purpose this chapter was to clarify the meaning of off shoring and also isolate it from off shoring. Hence it was achieved by distinguishing it from outsourcing In order to achieve this, a clear definition of outsourcing and off shoring and IS off shoring has been presented through literature review.

Overby (2002) defines outsourcing as the contracting of a third party to manage a business process, manufacturing, product design more effectively and efficiently than can be done in house. Moreover a model has been presented to explain the organizational motive of outsourcing, where it has been tried to show how the role of strategic value and presence of appropriate resource affects motivation for outsourcing. However, Once the outsourcing crosses the border (presented in Figure 2), it is termed as off shoring, as Lieberman (2004) who terms off shore as relocation of jobs or process to an external and internationally located provider. Since off shoring is generally undertaken to acquire knowledge that is not possessed by a firm or to exploit lower cost, firms started to move off shore where they can exploit even lower cost and better skills. As per the definition laid out by Loh & Venkataraman (1992) IS off shoring is turning over part or all of organization's IS/IT functions to

external service provider to acquire strategic, economic and technological advantages to improve overall business performance.

After specifying the definition of information system off shoring a general history of off shoring and off shoring from Finland is discussed with advantages and disadvantages of off shoring in general.

**Chapter 3:** The purpose of this chapter was to explain culture and some of its critical components which could have some negative effect in off shoring activities and how to manage it in cross cultural context. It was achieved by presenting some important definitions from well known researchers like Laroche(2003) and Lindsey and Beach(2002). And again clarifying the distance between Finland and India according to Hofstede's and Hall's dimensions and some factors based on those dimensions have been assumed.

As Lindsey and Beach(2002) states Culture is human society's total way of life; it is learned and shared and includes the society's values, customs, material objects and symbols and accordingly every person's culture includes his or her social heritage tells them which behaviors are appropriate and which are not. In the light of this logic a cultural distance between Finland and India has been tried to highlight by using Hofstede's and Hall's dimension. Also it has been tried to analyze some important points in the light of IS activities when two virtual teams like Finland and India comes in contact. Several assumptions have been worked out which gives probable cause for Opportunism, Observability, Knowledge transfer, communicational misunderstanding.

**Opportunism:** By putting on Hofstede's identification of Indian culture being highly collectivist and low Uncertainty avoidance (Eve. et al. 2005) we assumed Indian vendors will be opportunistic in their dealings.

**Observability:** According to Edward Hall Indian culture is polychronic in nature (Eve et al. 2005) i.e. taking deadlines not so seriously resulting in off shoring activities not being completed in time.

**Knowledge transfer:** If the partners involved in the knowledge transfer have similar values there will be a greater chance for successful transfer. (Javidan et al. 2005). India being highly masculine society and Finland being Feminist society, a masculine society is characterized by a man showing off unnecessarily in other words bragging (Egerkrans et al. 2007), resulting in over promising and less delivering. Now in the case of IS off shoring instructions transferred by client may not be understood by vendor employee, but still pretending to comprehend it.

**Communication misunderstanding:** According to Hall classification of high context and low context, India is high context culture and Finland is low context culture (Thehindubusinessline, 2006). In India yes can be no and no can be yes, whereas in Finland yes is yes and no is no. Due to these characteristics there can be some misunderstanding in communication.

**Chapter four:** The purpose of chapter four was to study Theories like TCT, AT and KBT and develops some decision criteria in off shored project in the form of propositions. Hence short definition of those theories have been presented and based on those theories some propositions have been developed which could measure the off shoring decisions.

Transaction cost theory provides a potentially useful framework for off shoring phenomenon for numerous reasons. First transaction cost theory specifically addresses sourcing decisions, that is, the decision to produce a good or service

internally or purchase it externally (Lacity and Willcocks, 1995). When we relate it to our topic IS off shoring it can provide us with some useful framework as well. Base for proposition development in short :

- Transaction cost theory argues that firms will off shore given the comparative cost is lower (Koh, Ang & Straub 1998).
- Transaction cost theory argues that in transaction cost there is firm's exposure to opportunistic behavior of outside vendor(Wuyts and Geyskens 2005)
- Task, transactional or project complexity is another important variable in TCT (Bensaou & Anderson 1999)
- Projects with greater strategic importance are viewed as having greater asset specificity from a TCT perspective(Dyer & Chu 2003)

Agency theory provides useful hints with resolving problems that can occur in agency relationships (Eisenhardt 1985), these problems are well noted IS off shoring. Base for proposition development in short :

- Agency theory provides useful criteria for checking the vendor in off shored software development (Choudhary & Sabherwal 2003) namely outcome measurability.
- Agency theory states that behavior monitoring facilitates oversight of vendor employees (Kirsch 2002) namely vendor observability.

Knowledge based theory emphasize the importance of exploiting knowledge resources within and outside firm (Grant & Baden-Fuller 1996). Base for proposition development in short :

- This theory suggests that off shoring arrangements serve as a vehicle for utilizing vendor's complementary skills and expertise (Grant & Baden-Fuller 2004)

- The level of prediction of smoothness in knowledge transferability present in the initial stage of off shoring a project guarantees better result(Hippel 1994), the level of the presence of lower knowledge transferability makes it more difficult for IS project to finish(Jensen and Meckling 1992).
- Project requirements usually act as a knowledge transfer mechanism through which client requirement are transferred to a vendor (Byrd, Cossick & Zmud, 1992). Project's higher volatility of any IS activities lowers the reliability of the transfer of technology which therefore might not satisfy the client's evolved needs.

**Chapter 5** The purpose of this chapter was to clarify why readers why some specific Research design was chosen like case study, qualitative analysis and other procedures. As according to Andersen and Skaates (2004) validity in research process is increased where the choice of research strategy is closely related to the researcher's general epistemological viewpoint and ontological belief. Since the focus of this study is on exploring the role of Transaction cost theory, Agency Theory and Knowledge based Theory in Finnish manager decision to off shore to India in cross cultural context, therefore propositions have been developed from those theories.

Data collection was done by semi structured questionnaire survey followed by telephone interview and one another interviewee as well as company webpage, publication was also chosen for some general idea. After data collection the data were interpreted by reanalyzing them several times. Lastly the issue about validity and reliability of this study were discussed in line with the instructions of Bryman & Bell 2003).

**Chapter 6** The purpose of this chapter was to reveal empirical findings. Hence it was done by offering the information about the company (With the name/Managers

identity withheld at latter's request). Afterward their working method with its vendor is explained. Finally the findings from our data analysis were revealed.

Nine proposition developed from earlier theoretical part were presented to the manager, concerning the role of various factors that were deemed turning point for making off shoring decision. Empirical finding were revealed that shows us they strongly regard three factors Cost, Observability of Vendor and transferability of knowledge in off shoring decision. Also Threat of opportunism, Project outcome measurability, Technical qualification of vendor, and volatile projects are given medium importance while making off shoring decision. Amazingly, Strategic Fit of any IS is given less importance.

Due to the nature of qualitative study various other findings were also discussed. Five important guidelines for especially for firms while operating and decision making were also identified afterwards.

## 7.2 Conclusions

As our study is quite a new phenomenon in the Finnish context, since the direct contributions from the researchers on similar topic are yet to be seen. This research has led us to several important conclusions some confirming our initial understanding and others being counter-intuitive.

During the qualitative analysis of the empirical data it has been found that managers are prompted more by reactive motivation than proactive to off shore their operations towards India. The reactive motivational variables are cost reduction, competence availability and English skills that leads them to off shore there IS

activities to India. It was interesting to note that Finnish Managers are quite optimistic about their Indian Vendor.

In total nine Propositions were developed from three theories in relevance of off shoring IS in cross cultural context. Moreover some general cultural assumption in chapter 3 was made in order to make the contents in proposition more arguable like Opportunism, Vendor observability, knowledge transferability (communication) in the context of Finland and India.

After empirical part of study to the role of Transaction cost theory, Agency Theory, and Knowledge based theory in decision making of Finnish managers following conclusion has been made.

As the central tenet of Transaction cost theory is that exchanges or activities that incur high transaction cost are likely to be kept within the firm but transactions for which such costs are lower are likely to be off shored (Ang et al. 1998). The first thing uncovered was that Finnish managers regards cost as very important in decision making to off shore. Apparently they admitted that projects having relatively lower cost are off shored.

As in chapter 3 we make some general cultural assumption that Indian vendors tend to be opportunistic in nature based on Hofstede and other research (Radhakrishnan. 2005), where we have tried to show possibility that Indian Vendor can be opportunistic . Another element of Transaction cost theory states that in off shoring transaction, client firm's exposure to vendor opportunism (Wuyts and Geyskens 2005:108). As contrary to this belief Finnish manger don't halt off shoring due to the perceived threat of opportunism, as they take quite much precaution at the time of writing the contract.

Task, transactional or project complexity is another important variable in Transaction cost theory (Bensaou and Anderson, 1999). TCT proposes two competing perspective here, as the complexity of project rises the need for specialized vendor also rises, thereby motivating off shoring, but while on the other hand greater control is desirable by managers motivating internalization in the case of production (Masten 1998, Bensaou et al. 1999). But since IS is quite different than manufacturing, it however require skills that are not clients core competency (Anders & Zmud, 2002). In our third assumption, where we have assumed that technical complexity of IS functions could motivate to off shore to India. Finnish manger revealed that they prioritize only bigger project with lots of transactional work to Indian vendor. Here we can state that technical complexity of IS functions is also one medium important variable in decision making.

Projects with greater strategic importance are viewed as having greater significance from TCT perspective, there by motivating firms to internalize the projects (Dyer, 1997). Our fourth proposition states that strategically important IS activities are internalized rather than off shored to India. Due to the insufficient evidence from Interviewee 1 it was hard to prove its validity, as manager from the target firm didn't mention seeing any direct correlation here.

The central tenet of Agency theory is the notion of goal incongruence between agent (Vendor) and principal (the client) (Reuer and Ragozzino, 2006). One critical characteristic of principal agent relationships is the measurement difficulty (Wuyts and Geyskens, 2005). Therefore creating a situation where the vendor might portray self interested shirking behavior. Hence, our fifth proposition argues that projects' outcome measurability motivates Finnish managers to off shore to India, as it can reduce the risk associated with the project. As per the manager since it reduces

tremendous amount of time and money, he takes due consideration of this factor in making the off shoring decision.

As in agency theory, monitoring behavior is an important form of process control that discourages potential agency problem (Kirsch, 2002), since it facilitates oversight of vendor employees working on off shored project. Reversely project in which vendor behavior observability is lower it could create lots of nuisance for client (Koh et al. 2004). So according to our sixth proposition higher observability of Indian vendor motivates Finnish managers to off shore to India. Since the manager mentioned that No matter which part of the world they have to observe the vendor consistently, we can regard our Sixth proposition to be valid.

Knowledge based theory understood in inter firm alliance, suggests that off shoring arrangements serve as a vehicle for utilizing vendor's complimentary skills and expertise(Choudhury et al. 2003). The reason is that effective software development requires project level integration of client domain knowledge and vendor technical knowledge of the development process (Rus et al. 2002). Hence Our seventh proposition argues that Indian Vendors' technical knowledge is one key factor driving Finnish manager to off shore, Since the manager states that the prime reason for moving IS activities towards India is cost, Vendors technical knowledge is less prioritized, thereby we can assume that Vendor's technical knowledge has medium significant role in off shoring decision, Making our seventh proposition less valid.

Some of the knowledge of IS project can be highly tacit, sticky and deeply embedded (Hippel 1994), which requires the possibility of potentially smooth knowledge transfer. Lower knowledge transferability makes it more difficult for the client to convey knowledge about specific project, apparently internalizing such project. As our eighth proposition argues Finnish Manager are more likely to off shore projects which have higher knowledge transferability and vice versa. Since the Finnish

manager directly agreed with this propositions it can be said that this proposition is valid.

Our ninth proposition states some of the projects can be potentially volatile (Deephouse et al. 1996) potentially volatile projects are kept inside rather than off shored to India. Even though the Finnish manager argued that potentially volatile project are accomplished by lot of involvement on site for agile method, he agreed that this is another fairly important factor taken up in while making decisions.

**Table 6.** Result of propositions in decision making

Role of	Role/Strength in Decision Making		
	Rejected	Medium	Accepted
Proposition 1 Relative Cost Criteria			●
Proposition 2 Threat of Opportunism		●	
Proposition 3 Perceived Technical Complexity of IS		●	
Proposition 4 Strategic Fit of IS	●		
Proposition 5 Project Outcome Measurability		●	
Proposition 6 Observability of Vendor			●
Proposition 7 Technical qualification of Vendor		●	
Proposition 8 Activities which posses higher possibility Knowledge transferability			●
Proposition 9 IS Activies which are Evolving/Volatile		●	

Finally, during the data analysis procedure with both interviewee, several other important information have been gathered, even though the manger agreed or disagreed to our several propositions he highlighted that

- Culturally sensitive communication reduces the chances of misunderstanding there by reducing chances of barriers in knowledge transfer,
- Trust seems infant during the initial phase of off shoring which is gradually over come by certain span of time.
- Regardless of any country all the vendors needs to be monitored constantly, There hasn't been any greater degree of monitoring only for Indian vendor.
- Technical qualification of Indian vendor is still doubted by Finnish mangers as constant on site involvement from Finnish side is quite necessary for an Indian vendor.
- All in all Indian vendors are quite worthy recipient of future off shoring IS activities

### 7.3 Managerial Implications

Since this study attempt to explore the role of TCT, AT and KBT in Finnish managerial decision to off shore IS activities towards India, the findings are

primarily treasured for Individual managers who are considering to internationalize there IS activities to India or even who have already internationalized their activities as well.

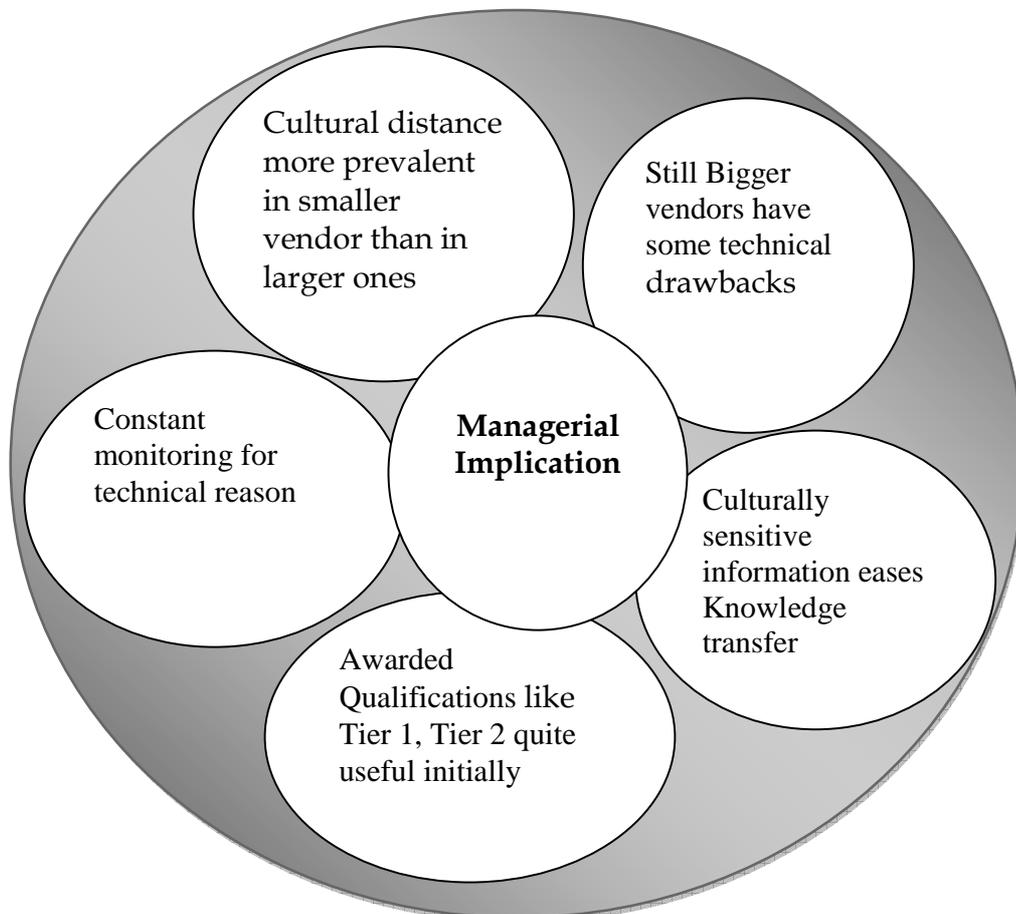
This study is based on three important theoretical framework and culture. From those three theoretical frame work nine most important factors which are vital for studying the off shoring of information system has been picked up to try to find out Finnish Managerial perspective. This exploratory empirical study studying the Finnish managerial decision criteria has led to several important conclusions that could be useful to managers.

Both the manager and the consultant seem to agree that off shoring to India is significant for cost reduction and the opportunity to focus on the strategic use. Hence India can be a good destination for lowering the cost of IS activities. Even though Indian vendors are quite an attractive destination for cost cutting, managers, who are liable for off shoring need to be well prepared for the extra cost or risk that could come at initial stage of choosing the vendor.

As opposed to our initial assumption which states that Indian vendor tends to be opportunistic, in practice it is very less likely to be so if paid good attention while writing contracts. The most important disadvantage are the difficulties in monitoring the performance and in explaining the business needs and specifications to an Indian vendor which can be minimized by proper planning as presented in the Figure 9.

Additionally, the following guidelines can be formulated after the empirical study:

- Cultural distance is more occurring in smaller vendor, as in large firms it is not so much pronounced as they are quite professionally managed
- Paying proper attention to culturally sensitive communication can ease the flow of knowledge transfer.
- Their still exists technical inefficiency in Indian Vendor despite their big popularity in IS/IT world.
- Proper/Constant involvement and monitoring from Finnish side is still necessary for timely completion of projects
- Especially SMEs firms which needs to off shore at the beginning should rely on Tier based qualifications



## **Figure 12.** Managerial implications

### 7.4 Implications for Further research & practical limitations

Even though, the direct contribution from researchers into a topic like this is yet to be seen but still there has been researchers who have contributed through other topic somewhat related to IS, like IS outsourcing practices in the USA, Japan & Finland (Apte et al. 1997) where only magnitude of off shoring into these respective country has been discussed, The effect of Culture when transferring knowledge in Off shoring projects-A case study between IBM Nordic and IBM India.(Egerkrans and Weckner 2007) where only knowledge transfer has been highlighted in cross cultural context, yet in another study by Yalaho (2007) name Plugging into off shore outsourcing of Software Development: A Multiple Case study with four firms, the author has come up with conclusions like culturally neutral projects thrive even in cultural distance like Finland and India, effective communication can cause less problems in IS projects. Whereas in our study, focused propositions on very critical aspects of IS off shoring has been done developed from important theories in cross cultural context. On the other hand, not only the Manager himself but a consultant who has been working with number of Finnish Managers in India has been interviewed to get more general idea

This study explored the criteria in off shoring decisions by Finnish managers when off shoring to India. Hence, a major contribution of this study is that it gives useful insights into off shoring decisions by focusing on IS(IT) to assure effectiveness of further academic research and managerial task. Future research can be conducted on

other industries actively involved in off shoring to India, as a quantitative study in order to get even more in-depth knowledge about Transaction cost theory, Agency Theory, and Knowledge based theory and possibly other theories which were delimited in this study, for better understanding in the decision making in cross cultural context or narrowed down to some individual topic.

Furthermore, the case company happens to be one of the largest Software development firm in Finland. As mentioned earlier, it might not represent numerous Small and medium enterprises in Finland currently operating or about to begin off shoring to India.

Due to economical reasons a field study to Indian Vendor was not possible. Moreover a field study to Indian Vendor could even better clarify us with cultural distance and working pattern in IS activities in Indian Vendor, which was only limited to Geert Hofstede's , Edward Hall cultural distance in this study, which is almost three decades old.

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## **APPENDIX 1. Questionnaire survey & Telephone interview format**

1. Kindly provide a description of the company and yourself.

a). Name of the company/year of establishment .....

Name of the respondent/ position held .....

Responsibilities.....

International Operation

When and where was the first off shoring (international outsourcing) undertaken by your firm?

Country ..... Year .....

Number of countries you off shore in the beginning .....

What is the situation now? (Are your firm still continuing with the same country )

.....

Which was the most important off shoring destination country at the time when you started off shoring?

.....

Proportion of off shoring in according to the geographical distribution

South East Asia .....% Eastern Europe ..... % Africa..... % South America.....% North America ..... % Western Europe.....% Australian continent.....% others .....

Off shoring to India

When did the first off shoring occur to India from your firm ?.....

Please name three most important reasons to choose India in the beginning?

.....

Number of your Indian Vendors or Subsidiary

.....

What was the share of the project off shored to India at first compared to other countries?

.....

Has the off shoring of IT projects increased now if yes by how much.....  
In general did Indian vendors meet your expectations ?

.....  
.....  
.....

Please point out three strengths of Indian vendor ?

.....

What is the importance/benefits of relocating some of your information system(IT activities to India in compared to other potential countries in south east asia? Please describe 3 short characteristic if applicable.

.....  
.....  
.....

Since this is case study, Pls think about two particular case, one which has been very successful and other not so satisfactorily when answering...

Evaluate the importance/ Applicability of following factors for choosing Indian Vendors at the time of decision making using the following scale.

1 - Not important, 2- little bit of importance, 3-medium important, 4-fairly important, and 5- very important

Reduced cost 1 2 3 4 5

Higher quality of IT work 1 2 3 4 5

Opportunist behavior of Indian Vendors 1 2 3 4 5

Technical complexity of IT project to be off shored 1 2 3 4 5

Strategic fit of IT components to be off shored 1 2 3 4 5

Initial measurability of project's outcome 1 2 3 4 5

Needs to regularly monitor Indian vendor 1 2 3 4 5

Host government(Indian) support for IT functions 1 2 3 4 5

Are Indian Software vendors result oriented partners for off shoring high end turn Key projects or just some low level encoding projects? Pls specify

Do you think Knowledge transfer (related to software development and maintenance, data processing) between your firm and Indian Vendor is hampered by the cultural distance between two countries? do you regard this as an important factor for off shoring? Any example.....

How do you regard the threat of opportunism from a Indian Party or vendor, In other words have you halted any operation due to the threat of opportunism?

IS there any role of strategic fit of Information technology components between your Firm and Indian Partner in the off shoring decision?

Indian Vendors needs to be monitored on a regular basis for the timely completion of any project. How much do you agree to this statement? Do you think if there is any reluctance to off shore to India due to this reason?

If a manager is well equipped with internal technical knowledge of any (IT or IS) project there is less likelihood to off shore that project to India. Do you agree with this statement if not why?

Higher the IT projects requirement volatility, the lower is the likelihood that managers will choose to outsource to India. Do you agree with this statement if not why?

Anything you would like to say from your experience in India.....