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MOVING UP THE VALUE CHAIN OR RECONFIGURING THE VALUE NETWORK? AN ORGANIZATIONAL LEARNING PERSPECTIVE ON BORN GLOBAL OUTSOURCING VENDORS

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Abstract

The best Chinese offshore software service outsourcing (SSO) vendors are seen to be growing rapidly while dynamically adjusting their global position in their extended value networks. These organisations can be categorised as born-global firms, namely, organisations that are born with a clear goal to seek superior international performance from the application of knowledge-based resources to the sale of outputs in multiple countries. Taking this perspective, the paper presents a case study of one such highly successful Chinese SSO and investigates how it seeks to develop its organizational capability in order to achieve fast growth and strong performance in international markets, to position itself as a global SSO provider and innovator. The paper suggests that a Reconfigurative Strategy that combines ambidexterity, combinative capability and dynamic capability could offer some explanatory insights. The case was carried out via semi-structured interviews over a 4-year period and the analysis is iteratively linked to theoretical concepts. The findings contribute to our understanding of organizational learning strategies of born-global SSO firms situated in dynamic global markets and their potentialities for rapid internationalization and innovative performance.

Keywords: Born-Global, China, Software Services Outsourcing, Organizational Learning, Reconfigurative Strategy

1 Introduction

This paper investigates a particular type of born-global firm (Knight and Cavusgil, 2004) – the Chinese offshore software service outsourcing (SSO) vendor. Chinese SSO providers are part of an industry that emerged only in the last fifteen years. Compared to their Indian counterparts, Chinese SSOs are smaller in size, less structured and routinized, but the best performing firms are growing rapidly while dynamically adjusting their position in the geospatial value network. These firms are often started by entrepreneurs with an international background, living and working in foreign countries for years, who actively seek the opportunity to establish a presence in China to serve foreign markets, including Chinese-based multinational corporations (MNCs). In this paper we call them born-global SSO firms.

Born-global firms (BGs), sometimes referred to as international new ventures, are “business organisations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries” (Knight and Cavusgil, 2004). Unlike traditional patterns of internationalized firms which evolve from years of domestic market operation to international trade, born-global firms are often started by international entrepreneurs (Karra et al., 2008) with a vision to target international markets from or near inception, and develop capabilities needed to achieve international goals. They are usually characterized as young, entrepreneurial firms in terms of ownership and management structure, and tend to be knowledge-intensive (Hashai and Almor, 2004). Most of the top ten Chinese SSO firms fall into this category.

Like most Chinese manufacturers, born-global SSO firms rely on comparably abundant and cheap human capital, and as offshore service providers, they are less bound by physical resources and locations. With the help of information and communication technologies (ICTs), they are much more agile than traditional firms in traversing temporal and spatial boundaries. They often serve multiple foreign markets as well as the Chinese domestic market, each demanding very different capabilities, services and networking and marketing strategies. While this poses great challenges, our study suggests that this unique positioning could enable them to bypass the traditional trajectory of stepwise internationalization or moving up the value chain step gradually.

This paper presents a case study of one of the top Chinese SSO firms, VanceInfo Technologies, and explores its strategies in pursuit of fast growth and rapid penetration of international markets, to position itself as a global SSO provider as well as enhancing its innovative capacity.

2 Born-Global and SSOs

The literature on born-global firms, which tend to be small and medium enterprises (SMEs), has identified the phenomenon of new international ventures as departing from traditional internationalization processes, namely the stage/process models based on evolutionary economics theory, which perceive internationalization as an incremental process progressing from domestic to international markets (Bell, 1995; Knight and Cavusgil, 1996). Research has identified some driving forces behind superior performance of BG internationalization. Examples include entrepreneurial orientation, technological leadership and strategies of differentiation and focus (Knight and Cavusgil 2005) as well as IT capability (Zhang et al., 2012). Most examples of rapid expansion into foreign markets seem to come from hi-tech industries or knowledge-intensive sectors (Moen, 2002; McDougall et al., 2003). These firms may ignore the domestic market or enter both the international and domestic markets concurrently (Bell et al., 2003).

Many of the above characteristics could be observed among the best performing Chinese offshore SSO firms. They have to be highly adaptable to the market, and develop capabilities very quickly to meet

clients' requirements in order to survive and grow in the highly dynamic international markets. While the importance of organisational knowledge is implied in the BG literature, on the whole, very few studies focus on the process of organizational learning or capability development in enhancing internationalization performance (Zhang et al., 2012), however, the development of capabilities intra-organizationally has been a long standing topic in IS literature related to strategy and competitiveness (Bharadwaj, 2000; Peppard and Ward, 2004). Inter-organizationally, outsourcing clients view compatible knowledge as a key value proposition in their suppliers (Bandyopadhyay and Pathak, 2007). Knowledge transfer processes are linked to outsourcing success because they allow for exploitation and exploration (Blumenberg et al., 2009), as are knowledge processes and the organizational capability to learn from outsourcing partners (Lee, 2001; Kotlarsky and Oshri, 2005). But beyond identifying generic capability categories essential for survival in these competitive markets, there is little that addresses how capability building or exploitation integrates with value creation along the complex value networks of which these SSOs are a part (Levina and Ross, 2003; Su and Levina 2010).

Our study constitutes an attempt to understand born-global SSO performance from an organizational learning/capability perspective, drawing upon existing literature on organizational learning as discussed in the following section.

3 Organizational Learning Processes

The literature on organizational learning and capabilities has evolved from the resource-based view of the firm (Wernerfelt, 1984), to absorptive capacity (Cohen and Levinthal, 1990; Zahra and George, 2002), to dynamic capabilities (Teece et al., 1997) including ambidextrous capabilities and combinative capabilities (Kogut and Zander, 1992; Kristal et al., 2010). This literature is underlined by the critical importance of the combinative effect of knowledge and capability. In the rest of the section we briefly review some key concepts of organizational learning strategies which are particularly related to the reconfiguration of organizational capabilities and resources.

3.1 Ambidexterity

Ambidexterity refers to the dual processes of *capability exploitation* and *capability building* (Luo, 2002). It is the capability to simultaneously exploit existing competencies and explore new learning opportunities, and is often believed to have an impact on a firm's long term performance. The concept has been widely discussed in disciplines such as organizational theory, networks, innovation, and inter-organizational relationships (Kristal et al., 2010). For example, Im and Rai (2008) suggest that both exploratory and exploitative knowledge sharing in long-term client-vendor relationships can lead to performance gains. The conventional perspective is often that exploitative and explorative processes are mutually exclusive and entail trade-offs or substitutes, while some argue that the two approaches are complementary (Soosay and Hyland, 2008). Capability building and knowledge exploration gives rise to a firm's innovative capability, which is considered a strong determinant in internationalization performance (Guan and Ma, 2003). Meanwhile, Bell and McNaughton (2000) and Bell et al. (2003) argue that "knowledge- and/or service-intensive" born-global firms develop new processes and improve productivity or service delivery through intensive exploitation of knowledge.

3.2 Combinative Capability

It has been argued that knowledge management research is often focused on specific internal knowledge processes, e.g. knowledge creation or exploitation (Nonaka, 1994), but fewer researchers consider knowledge inside and outside a firm's boundaries (Lichtenthaler and Lichtenthaler, 2009) and across time and space. Unlike traditional enterprises, born-global firms are often limited in tangible and human resources, therefore, it is imperative to integrate and synthesize internal resources

and external learning and apply both to the competitive environment. This is referred to as combinative capability (Kogut and Zander, 1992; Mathews and Cho, 1999). Since SSOs are both service-oriented and knowledge-intensive, they leverage knowledge and capability from clients/partners and other external sources and combine it with internal learning processes to accelerate organisational growth and internationalization.

3.3 Dynamic Capability

The concept of dynamic capability proposed by Teece et al. (1997) has been very influential in the literature of organizational learning and strategy. This concept refers to "the ability to sense the need to reconfigure the firm's asset structure, and to accomplish the necessary internal and external transformation". This involves surveilling, mobilising, and redeploying a firm's specific assets and negotiating organisational boundaries. A firm's assets may include financial assets, technological, financial, reputational, market, institutional, structural, and complementary assets.

3.4 Combining the Learning Processes and Resource Reconfiguration

These learning processes, namely exploratory and exploitative, internal and external, are not mutually exclusive and elements of these processes co-exist (Lane et al., 2006). Moreover, research has shown the complementarity of these processes and points out their inter-dependence in relation to innovation (Lane et al., 2006; Lichtenthaler, 2009). There have been scholarly attempts to integrate the two concepts of combinative capability and ambidextrous capability, i.e. exploitative vs. explorative, and internal vs. external knowledge processes. For example, Prange and Verdier (2011) introduced four types of dynamic capabilities linked to knowledge exploration and exploitation in internationalization, whereas Lichtenthaler and Lichtenthaler (2009) discuss intra-firm and inter-firm processes of knowledge exploitation, knowledge retention and knowledge exploration.

So it is clear that these processes are interlinked, often complementary and together could have strong impacts on organizational performance. In our study we draw upon these concepts to explore and analyse the organizational learning processes of one particular BG outsourcing firm and how they may have impacted their internationalization performance and innovative capability.

4 Methodology

The case study of VanceInfo Technologies was exploratory in one sense and illustrative in another (Thomas, 2011). The case was exploratory since it was used to examine the interrelated processes of capability building and exploitation and knowledge creation and innovation, engendered within the distributed collaborative contexts of VanceInfo's client engagements. It was illustrative since it represented an indigenous Chinese born-global SSO company and could therefore provide useful insights into the operations of such organizations. The data were compiled from visits made from 2008 to 2012. In total we paid 5 visits to this company in a four-year time span. Over this period of time, we conducted interviews with senior and mid-level management (see Table 1 for details of the interviews) on three interrelated areas of concern: management of cross-cultural collaborative practices; knowledge processes, e.g. knowledge acquisition, creation, sharing and exchange; and capability building, including individual and organizational learning processes. In order to obtain information about these areas, the interview protocols covered topics related to cross-cultural collaborative practices, managing relationships with clients, innovation strategy and marketing strategy, which were substantiated with evidence from examples of projects that were deemed to be symbolic of the company's growth and development. Data gathering was mostly done through semi-structured interviews, up to about one hour's duration each with senior managers and about 30 minutes each with more junior staff; these were conducted mostly in English. All interviews were transcribed, with Chinese language transcriptions being further translated into English.

Year	Interviewees	Analytical Level	No. of Interviews (recorded hours)
2008	1 (CEO)	Organization	1 (1.2h)
2010	5 (Senior Management [2], Marketing Representatives [2], Project Manager [1])	Organization	1 (1.25 h)
2011	3 (Snr. Executive, Marketing Manager, Marketing Rep)	Organization	1 (1 h)
2012	11 (Programme Delivery Manager, Senior Technical Leads [2], Project Managers [2], Developers [2], Testers [4])	Project Team	10 (7 h)
2012	1 (Marketing Manager)	Organization	1 (1 h)

Table 1. Details of case study interviews.

The analysis techniques we used were qualitative, iterative and theoretically informed. The process started with thorough readings of the transcribed interviews and identification of significant themes from those transcripts, followed by reading relevant literature with a view to identifying theoretical concepts congruent to the identified themes. A second reading of the transcripts informed by theory from the literature led to further refinement of the themes and coding in the qualitative data analysis package Atlas.ti. This process continued with further refinement of our analysis through corroboration with the literature sources. In this way, conceptual positions were identified. This iterative, theoretically-informed, analytical approach can be said to lie somewhere between theory testing (deductive) and theory construction (inductive) approaches (Layder, 1993). According to Layder (1993, p.3) “... not all pieces of research are clearly of either the theory-testing type or the theory-building type. For example, they may simply be investigating a social problem or describing some sociologically interesting area. In this sense, the research may be undertaken in the context of a theoretical framework, but is not strictly in the business of ‘testing’ theory”. Hence, since our research was exploratory, this analytical approach seemed most feasible.

5 Case Study and Analysis

5.1 Introduction

The selected case study company, VanceInfo Technologies, was founded in 1995 and headquartered in Beijing, China. It became the first Chinese Software and Services Outsourcing (SSO) provider for Western clients to become listed on the New York Stock Exchange in 2007. VanceInfo’s worldwide headcount at the beginning of 2012 was in the region of 15,000 and their revenue approximately £54 million. Table 2 categorises their main market segments.

Market Categories	Market Segments	% share
Verticals	Telecoms	36.2
	High Tech	34.9
	BFSI (Banking, Financial Services and Insurance’)	16.1
	Other (Manufacturing, Retail, Distribution, Travel and Transportation and Public Services)	12.8
Horizontals	Research & Development (R&D)	50.6
	Consulting and Solutions	11.3
	Application Management	34.2
	Other (BPO and Systems Integration)	3.9
Market Share Distribution (2012)	Greater China	46.7%
	North America	35.2%
	Europe	12.4%
	Japan	3.9%

Table 2. VanceInfo’s main market segments.

Historically, VanceInfo has mainly serviced the High Tech market, particularly, large blue-chip US companies such as IBM and Microsoft, where some of its first projects were initiated. Telecoms has also become a major revenue earner more recently, with several major Chinese Telecoms companies comprising the client base. The new BFSI sector allows VanceInfo to diversify its offerings to locally-owned Chinese banking institutions and multinationals operating in China. Its domestic-foreign market split is thus almost 50:50. This is part of VanceInfo’s strategy to grow the Chinese local market and become a major player in the Asia-Pacific (APAC) Region. New initiatives such as VanceInfo Hong Kong and VanceInfo Australia are also part of this strategic move. As yet, VanceInfo’s expansion into Europe is mostly confined to business in the UK, although there are efforts to raise its profile in other major European countries.

5.2 Findings: Organizational Learning and Resource Configuration

Opportunities for combinative capability are made possible by the fact that project teams from VanceInfo have the opportunity to work closely with their clients’ technical and business experts, thereby actively acquiring advanced technological knowledge, domain expertise, process, methodology and solution provision, and so forth. Working for one organisation and learning a specific skill set, builds that capability through knowledge acquisition but also allows the resource to be redeployed with the acquired skill set on different projects needing this skill, but which in turn affords the opportunity for acquisition of knowledge of a different kind: for example, domain specialism. Thus, while the existing skill set is being re-used, new skills sets are being acquired and recombined with those existing skill sets to produce a cross-fertilization of abilities.

We present evidence from the case study of these processes using the analytical themes given in Table 3, that were iteratively derived from the literature review. When presenting the findings, we find it difficult to separate the processes of knowledge exploration and exploitation as they often take place simultaneously, as indicated in many of the quotes below. Moreover, it is important to note that the linkage and synergies between internal, external and the reconfiguration processes.

	Combinative Capability	
Ambidexterity	External Knowledge Exploration	Internal Knowledge Exploration
	External Knowledge Exploitation	Internal Knowledge Exploitation
Dynamic Capability	Resource and capability reconfiguration Positioning in the global value network	

Table 3. Organizational learning processes as analytical devices.

5.2.1 External Knowledge exploration and exploitation

Like most other software outsourcing vendors in China, VanceInfo started with owner-valued added work such as coding, testing or customization, exploiting existing low cost technical capacity or local knowledge. This is typically the case with Japanese clients. VanceInfo takes advantage of existing skill sets in the work force, mobilizes them to maximize utility, while actively building them up.

“I would use that to really [tap] into ... the talent pool we have at VanceInfo and a lot of the technology that’s required by different clients ... the solutions are simply different combinations of the same technologies. So say a computer programmer is very strong in Java, maybe also C++, they can use those skills from research development, they also use it in testing, and since you have a testing project for a financial services company then you are transferred to research and development for a virtualization company and then also you take that skill set to work for our travel and transportation sector and so we have, people tend to

move around a lot within the company and that is something VanceInfo often lets employees [do] to ... build up their skill sets."

One example of this type of activity is given concerning the training of staff on a new financial system relevant for a particular client. Different sets and levels of training were done both offsite at VanceInfo, through specially hired consultants, through overseas experts sent by their client, and through exposure gained onsite at the client's site or the client's customer's site. Knowledge thus gained was also incorporated into electronic knowledge bases and shared, especially where that knowledge was deemed to be of benefit to several teams and where there were no IP issues. Thus an internal expertise in that particular system was created.

Building capabilities from multiple client engagements also allows for recombining them for exploitation in different industry sectors, a strategy that VanceInfo proactively follows. Interviewees spoke, for example, of the organizational learning achieved through providing a total solution package for a Western-based virtualization company, which they were then seeking to exploit in other key areas:

"So that's an example of the full scope of the service whereas up to ten years ago we would have just been doing testing for a small part of the product but now we are developing, implementing and even coming up with sales strategies and business development strategies for the entire product and so we hope to expand that capability throughout our different verticals."

VanceInfo subscribes to a philosophy of engaging in, and encouraging, long-term relationships or partnerships with their clients. It is a philosophy enshrined in their mission statement and referred to often by interviewees. They emphasize building these relationships by first acquiring small tasks, building trust with the client through meeting deliverable and quality targets and then increasingly offering expertise in other areas key to their clients' goals, thus "diversifying the client portfolio" and "up-selling" to their clients to further embed their relationships. They thus build up capabilities over time through experience with multiple client projects, enabling them to recombine the knowledge gained from multiple engagements and exploit that knowledge with new offerings:

"Something that is unique to VanceInfo amongst Chinese providers is we establish long-term relationships with our clients. ... our clients are engagement deals that only become bigger; the clients learn to trust our delivery capabilities and we tend to grow with our clients; ...and so now we say to our clients, look now we have this relationship, you know who we are, we are all on a first name basis, we know each other, we have been working together for years, now we have this new capability and our clients say ok we know we have worked with VanceInfo in the past so let's bring it in, let's expand our existing China delivery centre."

Having developed capabilities in full-value chain activities from Japanese and Western clients, VanceInfo is also able to provide high value-added service, typically total solution packages to the Chinese domestic clients, who are less mature compared to foreign clients in terms of organizational governance, processes and technical capabilities. It provides an opportunity for a Chinese service provider to play a consulting role, exploiting capability derived from other clients, and expanding networking relationships in the domestic market, which are assets attractive to their foreign clients.

5.2.2 Internal knowledge exploration and exploitation

Meanwhile, VanceInfo puts significant emphasis on product/process innovation. For example, VanceInfo actively encourages cross-fertilization of skills and expertise through its Centres of Excellence (COEs), which are internal groupings that are either formal or informal and allow the sharing of knowledge and skills for either horizontal or vertical market segments. COE's are often used to incubate new ideas for new business projects, which, if good enough could become company spin-offs. Thus, the COE is an internal structure that can both allow knowledge exploration and exploitation from external to internal and back to external sources. The knowledge obtained from

various client projects is recombined and reconfigured within these COE's, therefore knowledge-related value is realised through these activities, in terms of enhanced domain knowledge, for example, or new innovations in different market segments. One interviewee gave examples of the types of innovative ideas that emerged from COE activity:

"It could be consulting, it could be prototype solutions it could also be outsourcing capabilities, plus if [it is] for mobile computing it actually applies to all the areas, so we have horizontal COE but we also have vertical-based COE...."

[Examples of innovative ideas are] mobile, cloud computing. Horizontally, I think mobile, cloud computing, business intelligence [too] because now you have tons of data, structured data and unstructured data, to help [companies] to figure out[analytics], especially for the large organizations like the largest bank in China, ...so we have leveraged internal data technologies and also Data Warehousing technologies to help them to figure out their consumer behaviours"

Cloud computing expertise has also been identified as a new growth area and this is being actively pursued through leveraging the skills and expertise of a range of geographically dispersed staff (serving different market segments) to consolidate their ideas and creatively push forward the new offering. Additionally, strategically partnering with industry players active in the APAC region is also being used as another way to promote the cloud computing initiative for different vertical market segments.

5.2.3 Resource and capability reconfiguration

Maximizing knowledge exploitation is not only achieved in routine work, but also through the creative combination of resources and capability. For example, upon request for a rapid BPO service delivery from a Western client, VanceInfo set up the Factory Output Model, turning an empty building into a productive unit within as little as one day, equipped with technology, processes and staff force, drawing upon prior experience and knowledge of Japanese production models. This so-called "factory output model" now forms part of VanceInfo's standard BPO offering and can be rolled out to any BPO customer.

VanceInfo is also acutely aware of the collaborative and competitive synergies that can be generated through their engagements with clients, that is to say, they can leverage their partnerships in the value network and exploit their integrated knowledge base by engaging in activities that can benefit mutual goals. They are able to recognise where these opportunities can arise and to take advantage of them for advancing their market position. For example, with the financial services expertise that they have gained with international projects, they are able to position themselves within the APAC region as strong contenders for international clients wishing to establish their operations in this area:

"If you look at those private banking businesses from Switzerland, they are growing very aggressively in their operations in Hong Kong and Singapore and in Mainland China also. So definitely they need IT support and VanceInfo definitely could be an ideal partner for them in this region because we have a physical presence throughout Asia right now, all the way from Beijing, Shanghai, Hong Kong, Shenzhen to Bangkok to KL to Singapore and all the way to Australia"

Their long-term partnerships with market-leading hi-tech companies also puts them in a position to bundle their clients' branded products with their own bespoke solutions and since they are very credible in the local market especially, they can leverage their local networks to provide access to the Chinese market to their partners, thus reinforcing that synergistic relationship:

"As I told you they are having a hard time to penetrate into the financial services industry in China and for some of the new product development, new software products for financial services, we probably will use our client's development platform. And then help them to gain

some market share from other companies... we are one of the most influential IT services providers for domestic financial services, so we have a very good relationship with all the CIOs in that space.”

These examples demonstrate the strong capability exhibited by the company in leveraging their value network partners, both local and foreign, reconfiguring their knowledge assets and negotiating strategic partnerships at the boundaries of the firm.

Another example of their ability to reconfigure their asset structure and organisational boundaries comes from their mergers and acquisitions activity, which not only provides new opportunities for capability exploitation, but also expands the boundary of the firm. VanceInfo have for some years pursued an active merger and acquisition policy (Rao and Yatsko, 2009) culminating recently in the annexing of another well-known Chinese SSO (VanceInfo, 2012). Mergers and acquisitions provide new expertise beyond engagement with client relationships, but when combined with capabilities already existing and knowledge gained from prior experience, such new capabilities often lead to innovative offerings for the company. An example of this was given in the fairly recent acquisition of a business intelligence expertise through M&A activity which the company is now positioning as one of its main offerings.

5.2.4 Value Propositions and Organizational Learning

Following the previous sections, it should be highlighted that the organizational learning processes of VanceInfo are strategically aligned with their differentiated value propositions for various market segments, e.g. providing mainly delivery capability for Japanese clients while offering innovative or full project lifecycle services to North American clients. Lower-value added work is used not just as a source of revenue but also to build up credibility and capability to explore higher-value added areas. For example, low-end BPO contracts may provide opportunities to gain domain knowledge or to access new markets, or to create new service models. The key is that VanceInfo is able to tap into diverse learning opportunities and resources by offering a combination of different value propositions through capability exploitation (as shown in Table 4) in order to fulfil customer requirements, and on this basis proactively capitalise on client-provided values and build capabilities for future exploitation.

	Economic/ Financial Value	Strategic Value	Knowledge-based Value	Innovative Value
Supplier Value Proposition	Lower costs Technical & flexible workforce	Access to supplier networks	Knowledge of the Chinese market	Collaborative innovation
Capability Exploitation	Routine technical tasks	Differentiating services for various market segments	Localization and customization	Research & development Total solutions
Client-provided Value	Mainly revenue	Access to client customer base & networks Long term partnership	Knowledge of foreign markets	Leadership in innovation Freedom to innovate
Capability Building	Building technical skills	Building skills for target markets	Domain knowledge Cultural understanding	Technical expertise Process/method- ology /design

Table 4. Capability exploitation and capability building through different value propositions.

6 Discussion and Conclusion

New combinations of knowledge are related to the emergence of innovation, and thus to the creation of value, which is linked to a firm's strategic positioning in a value network. Normann and Ramirez (1993) suggest the concept of the value chain is outdated and increasingly replaced by "value constellation" driven by global competition, changing markets and new technologies, which give rise to new modes of value creation. *"Their key strategic task is the reconfiguration of roles and relationships among this constellation of actors in order to mobilise the creation of value in new forms and by new players. And their underlying strategic goal is to create an ever-improving fit between competencies and customers (ibid.p.1)."*

This paper identifies the organizational learning processes from the case study of a Chinese born-global firm VanceInfo, one of the top ten global software service suppliers in China, which aims at accelerating the process of building organizational capability and expanding into international markets. It allows born-global firms to depart from the traditional linear trajectory of moving up the value chain by effectively maximizing the benefits of knowledge, capability, resources and social capital in a *value network*. The case study of VanceInfo demonstrates ambidexterity, combinative capability and dynamic capability in their organizational learning processes. Here we venture to propose that the combination of the three as constitutive of *Reconfigurative Strategy*, for want of a better name. A reconfigurative strategy could be key to innovation as generation of new service, products, value and work practices, especially for knowledge-intensive born-global firms faced with multiple international markets and seeking to achieve rapid internationalization.

This case study indicates a dynamic process of resource and capability reconfiguration that is highly interlinked and co-dependent, embedded in the international value networks in which the company strategically positions itself. Such a broader, networked view shows that the service firm undertakes capability building with multiple clients across multiple cultural boundaries, leveraging organizational learning in collaborative relationships across various value positions, tapping into diverse sources of resources and knowledge, and more importantly, actively mobilizes and reconfigures these resources and capabilities along the value network to move towards greater composite capabilities, faster growth, international expansion and innovative output. Thus, capability building and exploitation simultaneously take place in projects carrying out lower-end coding, testing and maintenance work, or localization and application service, as well as those engaging in high value-added service, total solution provision or even collaborative innovation. The nature of knowledge processes is often contingent upon negotiated value propositions with clients from diverse industries and geographical and cultural backgrounds.

These findings therefore contribute better to our understanding of organizational capabilities in the SSO sector in China and the impact this has on value creation, competitive position in the value network and the performance of these born-global outsourcing providers in the industry. The concept of *Reconfigurative Strategy* also moves beyond the dichotomy of capability exploration and exploitation behaviours (Soosay and Hyland, 2008) to demonstrate how a particular type of firm can employ these strategies synergistically to promote their innovative capacity. The paper thus generates implications for the literatures of SSO vendor capabilities, born-global firms and internationalization.

Due to space limitations, the paper is not able to elaborate further on challenges and difficulties in the organisational learning processes. Further research could explore the emergence of these processes over time and under what conditions they complement each other, such as the effect of innovative organizational culture (Knight and Cavusgil 2004), organizational structure (Fang et al. 2010) or cross-cultural management (Abbott et al, forthcoming). We also wish to examine more closely the role played by time, space and culture in the knowledge processes involved in capability reconfiguration.

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