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Conflict as Manifestation of Culture in Global IS Outsourcing Relationships

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Abstract

The objective of this paper is to propose a new way of analyzing culture in global IS outsourcing relationships. Previous research in IS has focused on the analysis of values, beliefs, customs, and other elements of culture whereas other inherent characteristics of culture, such as its dynamic and subjective nature, have been widely ignored. Hence, we suggest analyzing culture and identity in relation to action thereby accounting in more detail for the above mentioned characteristics. In particular, we develop a conceptual model describing the relationship between social identity and conflict in global IS outsourcing relationships. Propositions are derived from social identity and interpersonal conflict theory. The concept of cognitive flexibility (derived from cultural intelligence theory) is introduced as a moderator variable, influencing the relationship between social identity and interpersonal conflict. The conceptual model developed in this paper makes a theoretical contribution to the global IS outsourcing domain and serves as a basis for future empirical research.

Keywords: Global IS Outsourcing Relationships, Nearshore, Cultural Differences, Conflict.

1 INTRODUCTION

The increasing amount of information systems offshoring is an apparent trend that is expected to continue in the foreseeable future (King & Torkzadeh 2008). Established offshore outsourcing markets such as India have accumulated a wealth of professional know-how, including both technical and industry-specific functional knowledge. However, despite the continued growth of such offshore locations, nearshore locations that are closer to the client's home country are becoming also increasingly popular destinations for outsourcing IT-based services (Carmel & Abbott 2007). According to several researchers, the reason for this development is that nearshoring not only brings along the obvious advantages of geographic proximity and similar time zones, but is also mentioned to involve fewer cultural differences (Krishna & Sahay & Walsham 2004; Rao 2004; Carmel et al. 2007; Ang & Inkpen 2008). While previous research in IS has already deepened our understanding of the multifaceted relationship between culture and IT (Straub & Loch & Evaristo & Karahanna & Srite 2002; Leidner & Kayworth 2006), we still lack empirical evidence that supports the assumption of less cultural distance in nearshore as opposed to offshore arrangements (Dibbern & Winkler & Heinzl 2008).

Research on cultural issues in IS practice has focused primarily on cultural dimensions or variables at the national and organizational level of analysis (Couger 1986; Jarvenpaa & Leidner 1998; Tan & Wei & Watson & Walczuch 1998; Keil & Tan & Wei & Saarinen & Tuunainen & Wassenaar 2000). There have also been attempts to take these cultural dimensions as a basis but measure them at the individual level of analysis (Srite & Karahanna 2006). However, these and other studies build upon the research conducted by Hofstede (1980) and extended by House et al. (2004). But despite their popularity and widespread use in empirical IS research, these classifications and generalizations have also been criticized in many cases (Myers & Tan 2002; Ford & Connelly & Meister 2003; Jack & Calás & Nkomo & Peltonen 2008). Accordingly, these conceptualizations of culture are rated to be useful for capturing central tendencies and cultural differences at an abstract level but ignore within-culture variations (Hong & Chiu 2001), do not acknowledge the dynamic nature of culture (Molinsky 2007), and lose sight of the individual and inter-personal level of analysis (Weisinger & Trauth 2002). Therefore, in order to reach a better understanding of culture in IS practice and prepare for future empirical research in this area, we need to rethink prior analysis approaches and consider alternative conceptualizations and methods. In this paper we focus on the relationship between culture and ups which reveals that the interaction of the culturally diverse project teams led to a convergence of the cultural values among the team members over time ADDIN EN.CITE

Building upon prior cross-cultural research in IS, a social identity perspective offers a viable alternative to studying cultural differences (Straub et al. 2002; Gefen & Ridings 2003). Social Identity Theory (SIT) originates from social psychology and postulates that the attitude and behaviour of individuals is significantly determined by their identification with certain social groups and categories (Tajfel & Turner 1985). While SIT provides an interesting theoretical lens for studying cross-cultural issues in IS (Straub et al. 2002; Gefen et al. 2003), the relationship between social identity and conflict in IS has – to the best of our knowledge – not been explored. Furthermore, we integrate the concept of cognitive flexibility, being defined as the awareness, the willingness and the competence to be flexible and to adapt to situations (Martin & Rubin 1995), into our model. We propose that cognitive flexibility moderates the relationship between identity and conflict.

The goal of this research is twofold: first, we review the extant literature and depict how cultural differences have been analyzed in past IS research. Thereby, we give an overview over the main conceptualizations of cultural differences as found in the current literature. In a second step, we propose a new way of analyzing culture in global IS outsourcing relationships, namely by directing our scholarly attention to the relationship between cultural differences and inter-personal conflict. In particular, we build upon prior IS research and offer a social identity perspective on cultural differences (Straub et al. 2002; Gefen et al. 2003).

The remainder of this research paper is structured as follows: The following section provides the reader with a literature review on prior conceptualizations of cultural differences in IS as well as more recent alternative approaches to studying culture-related phenomenon in this context. Section three presents the propositions and the resulting model, depicting the relationship between identity and conflict in global IS outsourcing relationships. The paper ends with section four where the contributions for theory and practice as well as future research opportunities are discussed.

2 THEORETICAL FOUNDATIONS

2.1 Literature Review on Prior Conceptualizations of Culture and Cultural Differences in IS

In the following, a review of prior conceptualizations of culture and cultural differences in the IS literature is presented. As we will see, the studies reviewed for this section have been dominated by a positivist research tradition that conceptualizes culture as a stable – rather than dynamic – object of analysis. Furthermore, the subjective nature and within-culture variations are not accounted for. The theoretical perspectives discussed here that fall into this category are psychic distance, cultural distance, and the cultural dimensions developed by Hofstede (1980).

Building upon the notion that global outsourcing can be classified as a form of international trade (Bhagwati & Panagariya & Srinivasan 2004), we begin our literature review with an overview of the psychic distance concept from international trade research. The roots of psychic distance date back to Beckerman (1956) who argued that international trade is not only influenced by economic distance, but is also exposed to a “special problem [...] by the existence of ‘psychic’ distance” (Beckerman 1956). The concept of psychic distance assumes a perceived psychological gap between two countries arising from multifaceted dimensions such as language, culture, religion, education, political systems, business practices, level of development, time zone, laws, and others (Child & Ng & Wong 2002; Sousa & Bradley 2005; Dow & Karunaratna 2006; Brewer 2007). While the psychic distance lens was one of the first attempts within mainstream positivist management research to classify differences between countries into a set of comprehensible variables, other conceptualizations soon followed, including Hofstede’s cultural dimensions, as well as the concept of cultural distance.

Hofstede first published his landmark publication ‘Culture’s Consequences’ in 1980 and the cultural dimensions developed from a global study in his work have been used extensively in empirical IS research. More recently, these cultural dimensions have been further developed, confirming their continued popularity (House & Hanges & Javidan & Dorfman & Gupta 2004). In the course of the GLOBE research program the cultural practices and values of 61 nations were examined based on nine pre-defined dimensions: Performance Orientation, Future Orientation, Gender Egalitarianism, Assertiveness, Institutional Collectivism, In-group Collectivism, Power Distance, Human Orientation, and Uncertainty Avoidance. Due to the increasing popularity of the cultural dimensions resulting from the GLOBE study (e.g., Cuellar & Keil & Johnson & Beck & Liu & Pretorius 2007), it seems appropriate to evaluate whether the use thereof would yield any interesting findings for the analysis of nearshore versus offshore outsourcing relationships. However, a comparison of the country means of the GLOBE societal culture dimensions for Germany as reference point, Russia (as a representative of a nearshore location), and India (as a representative of an offshore location) exhibits that for only one third of the culture dimensions the spread between Germany and Russia is less than between Germany and India. This does not allow for the inference on the respective cultural distance between Germany, India and Russia, but it provides an indication arguing against the general assumption of a larger cultural proximity in nearshore arrangements (Krishna et al. 2004; Rao 2004; Carmel et al. 2007).

Besides the above mentioned GLOBE study, the conceptualization of cultural distance also builds upon the cultural dimensions offered by Hofstede (Kogut & Singh 1988). In the context of IS research, cultural distance has been defined “as the degree of difference in organizational and national cultures between an offshore outsourcing vendor company and the client company” (Abbott 2007). Accordingly, predominant research has focused on the analysis of cultural differences at the national

and organizational level (Carmel & Agarwal 2001; Nicholson & Sahay 2001; Carmel & Agarwal 2002; Krishna et al. 2004; Rao 2004; Dibbern et al. 2008).

Cultural distance and psychic distance both use the metaphor 'distance' which is why a comparison of the two concepts seems appropriate. While several researchers see psychic and cultural distance as comparable concepts (Shoham & Albaum 1995; Ojala & Tyrvaainen 2007), others emphasize the significant conceptual differences between the two. First of all, cultural distance has a more limited focus on culture-related issues, whereas psychic distance also includes issues such as language, political systems, and others into the analysis. However, the main difference is that psychic distance and cultural distance operate at different levels of analysis (Sousa & Bradley 2006): cultural distance reflects dissimilarities in cultural values among countries and therefore needs to be applied at the country level of analysis, whereas psychic distance is based on the individual sensitivity to dissimilarities between countries and therefore focuses on the individual level of analysis. It must be recognized, however, that both concepts – psychic distance and cultural distance – categorize cultural values, beliefs, and customs into stable and measurable dimensions or variables.

In summary, the above described conceptualizations of cultural differences focus on a value-based analysis of culture at the national and organizational level. Thereby, they discount other interesting facets of the phenomenon, such as the individual level of analysis, within-culture variations as well as the dynamic nature of culture. Moreover, there are calls to discontinue with empirically derived definitions in favor of theory-based conceptualizations of culture (Myers et al. 2002; Straub et al. 2002; Earley 2006). Recently, IS scholars have started to acknowledge the inherent characteristics of culture and have come up with innovative conceptualizations which will be reviewed in the following section.

2.2 Alternative Conceptualizations of Cultural Differences in IS Offshoring Relationships

Levina and Vaast (2008) use the term 'social differences' to characterize the social boundaries that arise in client-vendor relationships due to different cultural or societal resources (usually named 'cultural differences' by other authors). Thereby, they draw upon a practice-theory perspective (Bourdieu 1977) to explain how status differences arise as client and vendor personnel with different access rights to capital (i.e. resources) get together and start working together. These boundaries are enforced through differences in national and organizational contexts.

The resources that are responsible for the emerging status differences can be categorized into four groups: economic capital (e.g., access to time and money), intellectual capital (i.e. competencies including for example business domain knowledge), social capital (i.e. access to social networks consisting of inter-personal connections), and symbolic capital (i.e. cultural or societal resources). Differences between client and vendor personnel regarding their access to symbolic capital are named 'social differences' in the analysis section of the author's paper. In particular, their analysis yields two findings concerning social differences between Western client and Asian vendor personnel: differences in attitudes to authority and differences in attitudes to judge results. The in-depth case study shows that a practice-theory perspective on culture can be a viable alternative for culturalist theorizing (Levina & Vaast 2008)

Another alternative that has been suggested recently is to conceptualize cultural differences as 'friction', instead of 'distance' (Shenkar 2001). The underlying assumption is that inter-personal interaction is needed as a prerequisite for the emergence and existence of cultural differences. Shenkar (2001) argues that cultural differences only become salient when members of different cultures get together for joint interaction. As a consequence, it is proposed to substitute 'distance' by 'friction' in order to set the basis for an improved conceptualization and measurement of cultural differences (Shenkar 2001; Shenkar & Luo & Yeheskel 2008). The metaphor of friction is defined as "scale and essence of the interface between interacting cultures, and the 'drag' produced by this interface for the operation of those systems" (Shenkar 2001).

To further motivate the replacement of conceptual metaphors, Shenkar (2001) argues that the current concept of cultural distance implies assumptions which are not supported by research findings. His points of criticism relate to both, the conceptualization of cultural distance, as well as its measurement. For example, the symmetry of cultural distance is challenged as the perception of cultural differences is not necessarily balanced in nature. Applied to the context of global IS offshoring relationships, this means that an Indian IT vendor with extensive prior experience working together with German companies will perceive less cultural differences in comparison with an inexperienced vendor. These results are consistent with further findings of a study examining the dynamics of Canadian and Indian software outsourcing groups which reveals that the interaction of the culturally diverse project teams led to a convergence of the cultural values among the team members over time (Sahay & Nicholson & Krishna 2003). The described subjective and dynamic nature of culture is not fully appreciated in prior conceptualizations and measurements in IS research.

The possibility to negotiate culture over time through intense interaction and collaboration is also an interesting finding (Walsham 2002). To analyze culture and cross-cultural conflict in global IT offshoring relationships, Walsham draws on structuration theory (Giddens 1984). At the heart of structuration theory lies the assumption that structure – defined as memory traces in the human mind – not only influences and restrains human action (e.g., by availability of resources and existence of rules), but that also the reverse relationship holds. This is called the ‘duality of structure’ (Giddens 1984) and is consistent with practice-theory perspectives, that also state that structure is produced and reproduced by human action (Bourdieu 1977). In particular, Walsham defines culture as ‘shared symbols, norms, and values in a social collectivity such as a country’ (Walsham 2002, p. 361). The emphasis of his analysis, however, lies on the relationship between culture and action, i.e. cross-cultural contradiction and conflict. In particular, conflict – defined as actual struggle between actors and groups – arises as a result of divergent viewpoints causing contradiction within and between social groupings. According to its definition, contradiction comprises ‘divergent modes of life’ (Walsham 2002, p. 361) which can be understood to include cultural differences. A structurational analysis of culture as well as cross-cultural collaboration allows for an appreciation of the within-culture, or “in-situ” variations of culture, as well as the dynamic and changing nature of culture (Walsham 2002).

In summary, the above presented conceptualizations of cultural differences show certain similarities and trends. Particularly, they are in line with recent calls for alternative approaches to analyze culture no longer based on sets of values but rather in relation to action (Earley 2006). Accordingly, the conceptualizations emphasize reciprocal action as their key respective underlying concept, also for reflecting the dynamic and situational nature of culture. This is also consistent with recent suggestions from anthropologists to search for a new way of understanding culture by analyzing its relationship to action, or human practice (Ortner 1984; Kuper 1999). Beside these arguments, several researchers call for the examination of culture not only at the country and organizational level of analysis, but at the individual level due to significant in-culture variations (Hong and Chiu 2001; Straub, Loch et al. 2002; Ford, Connelly et al. 2003). Thus, more recently, attempts have also been made to study culture at the individual level of analysis (Weisinger et al. 2002; Srite et al. 2006; Gregory & Prifling & Beck 2008). For example, culture has been analyzed at the individual level using the concept of espoused national cultural values. This approach acknowledges the fact that national culture is only observable at the individual level in terms of the degree to which an individual’s behaviour incorporates the national culture values (Srite et al. 2006).

3 MODEL DEVELOPMENT

The above literature review has revealed that the analysis of culture in relation to action is seen as a highly promising research approach by several IS researchers. In line with this view Leidner et al. (2006) provide an interesting perspective on the relationship between culture and action in their review of culture in IS research: “culture goes mostly unnoticed by groups until there is some cultural conflict. In other words, people are mostly unaware of their culture until they encounter a

counterculture. [...] little has been done to elucidate the forms of conflict that bring culture itself to the surface, or to consider the causes or implications of these conflicts” (Leidner et al. 2006, p. 373). That is to say, conflict is being understood as a form of (inter-)action leading to the manifestation of culture. In the IS literature, consensus has been reached that business relationships are inherently conflict-laden and that the various forms of conflict have implications on the overall business collaboration in the future (Mohr & Spekman 1994). With regards to global IT outsourcing arrangements, near- and offshore outsourcing relationships have been shown to be highly receptive to conflict (Holmström Olsson & O Conchhúir & Agerfalk & Fitzgerald 2008). Thus we consider a conflict-related perspective as highly appropriate and therefore aim at developing a model depicting the relationship between culture and inter-personal conflict in global IS outsourcing relationships.

With respect to the core of our proposed model, we suggest that differences in individuals’ social identities give rise to inter-personal conflict, whose occurrence in turn is mitigated through the ability of situational adaption based on cognitive flexibility. The following paragraphs elaborate upon the key constructs as well as the cause-effect-relationships of the model, as depicted in Figure 1.

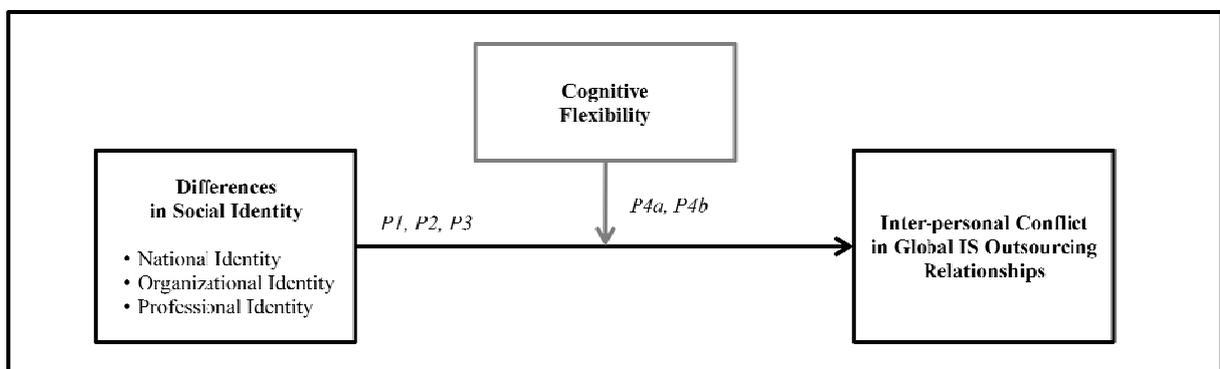


Figure 1: The relationship between Differences in Social Identity and Inter-personal Conflict in Global IS Outsourcing Relationships

The conceptualization of culture is based on social identity theory tying up to prior research in the IS field (Straub et al. 2002; Gallivan & Srite 2005; Karahanna & Evaristo & Srite 2005). Along the line of argumentation that culture manifests itself at the individual level, social identity theory (SIT) has been applied to develop a theory-based conceptualization and measurement of culture in the context of global information management (Straub et al. 2002; Gallivan et al. 2005). Originating from social psychology, social identity theory deals with the fundamental processes of group identification (Straub et al. 2002). It is based on the assumption that an individual’s social identity is significantly shaped through the identification with certain social groups (Hogg & Terry & White 1995). Hence, membership of client and vendor personnel in global IS outsourcing relationships in different social groupings, operating on multiple levels (e.g., organizational, professional, group, or individual), can cause serious obstacles and boundaries to cross-cultural collaboration which may be a source of inter-personal conflict. The identity-building influence of these social groups has been conceptualized using the metaphor of a ‘virtual onion’ (Straub et al. 2002; Gallivan et al. 2005). Each layer of the onion represents a part of the individual’s social identity whereas the virtuality reflects the situational importance of the various layers (concept of salience), thus reflecting the dynamic nature of culture. The construct of ‘differences in individuals social identity’ itself is defined as „amalgamation of cultures across boundaries [...], which fuse together to create one’s overall culture” (Straub et al. 2002, p. 4). That is to say that – according to the metaphor of the virtual onion (Straub et al. 2002) – an individual’s social identity is being composed of several subcultures including but not limited to its national culture, its organizational culture, and its professional culture. In the context of global IS outsourcing the parties experience differences on the national level through the involvement of a foreign country, i.e. the host country versus the client’s home country, on the organizational level through the involvement of two organizations, i.e. the client and the vendor organization, and if applicable also on the professional level, i.e. different professional backgrounds.

With regards to global IS outsourcing arrangements it is striking that only sporadic recognition has been given to conflict and its management in previous research. However, cultural differences have been shown to account for conflict in offshore software development projects when not properly handled. Another study examining a two-stage IT offshore relationship identifies conflict management to be a central process constituting this type of a client-vendor-relationship (Holmström Olsson et al. 2008). This is in line with research results on IT outsourcing which emphasize the importance of conflict management as a significant success factor for relationship quality (Lee & Kim 1999; Goles & Chin 2005). With regards to outsourcing contracts complementing the relationship perspective discussed above, researchers stress the necessity of formalized conflict resolution routines (Goo & Kishore & Nam & Rao & Song 2007) Hence, the construct of ‘inter-personal conflict in global IS outsourcing relationships’ has been adopted from Barki et al. (2001): interpersonal conflict is defined as “a phenomenon that occurs between interdependent parties as they experience negative emotional reactions to perceived disagreements and interference with the attainment of their goals” (Barki et al. 2001, p. 198). While conflict can basically occur on several distinct levels such as intra-personal, inter-personal, intra-group, inter-group, inter-organizational, and international (Thomas 1992), the notion of the manifestation of culture on an individual level (Straub et al. 2002) is reflected best by inter-personal conflict relating to conflict between individuals. In addition, the perspective of Barki et al. (2001) also adheres to the above mentioned concept of salience through the coverage of situational (interdependence), cognitive (disagreement), behavioral (interference), and affective (negative emotion) elements of a conflict situation (Barki & Hartwick 2001).

While national culture diversity and its related challenges is a largely discussed phenomenon in global IS outsourcing relationships (Heeks & Krishna & Nicholson & Sundeep 2001; Nicholson et al. 2001; Krishna et al. 2004; Rao 2004; Carmel et al. 2007), the impact and the potential of conflict based on organizational or professional or individual differences has rarely been discussed. Based on the lack of prior shared work experience the clash of two organizations reveals differences in the organizational cultures and working styles as the team consisting of client and vendor personnel team has not had the chance to establish joint work routines (Vlaar et al. 2008). Professional boundaries may arise from different educational backgrounds (e.g., business versus information technology), diverging differing job-related self-understandings, i.e. client and vendor personnel associate different roles and responsibilities with their profession and also from different experience levels. For example, in a nearshore outsourcing relationship differences on the professional level may arise because the vendor personnel often lacks appropriate professional experience as they are just evolving to become a well-developed market for IS outsourcing services (Rao 2004).

Recent research suggests that the relative importance of the different subcultures (identity salience) depends on the kind of behavior that is being analyzed: behavior that particularly requires the employment of social components may predominantly expose characteristics from the national culture, whereas behaviors focusing on tasks, competence or practice might be dominated through the organizational or professional culture of the individual (Karahanna et al. 2005). As IS-related behavior has been evaluated as a mixture of social elements and task component (Karahanna et al. 2005), multiple levels of the individuals’ social identity will be activated in parallel. Furthermore, in the context of global IT outsourcing relationships, client and vendor personnel is being interpreted as belonging to multiple social groups, operating on multiple levels (e.g., national, organizational, group). Thus, their different social identification brings subjective worldviews and values with them resulting in different social identities, i.e. cultural differences. According to prior research results, cultural differences give rise to conflict, if they affect the interacting parties negatively and there is room for reaction (Walsham 2002). This is in line with recent research results where cultural differences have been shown to account for conflict in offshore software development projects when not properly managed (Winkler & Dibbern & Heinzl 2008). Thus, we argue that the social identities of individuals are not always compatible across borders and that conflict arises when individuals with diverse individual cultures get together for joint practice, as is reflected in the following propositions.

Proposition 1, 2, 3: *Different social identities at the national level (P1), the organizational level (P2), or the professional level (P3) of client and vendor personnel give rise to inter-personal conflict in IT offshore outsourcing relationships.*

However, results from prior research indicate that individuals reflect upon their behaviour as well as the consequences of their actions. Therewith they allow for social change not only by the means of re-aligned actions but also in terms of changed attitudes (Walsham 2002). This understanding is captured in the construct of ‘cognitive flexibility’, which is defined as the awareness, the willingness and the competence to be flexible and to adapt to situations (Martin et al. 1995). Applied to the context of this research paper, it concerns the cognitive and identity-related adaptation to new cultural settings, which is in line with the above described framework of cultural intelligence, where the construct has been derived from. Cultural intelligence comprises a cognitive, a motivational and a behavioural dimension and describes ‘a person’s capability to adapt effectively to new cultural contexts’ (Earley 2002, p. 274). According to cultural intelligence theory, an important success factor for individual cross-cultural interaction is the adaptation or even re-invention of one’s self, or identity, according to the new cultural setting. It has also been named cognitive flexibility (Martin 1995). For the purposes of our research, we use the notion of cognitive flexibility to refer to the awareness, the willingness and the competence of individuals for effective self-categorization into different social groupings, hence the ability to adapt to different social or cultural groups. With regard to the cause-effect-relationship between social identity and inter-personal conflict, we suggest that cognitive flexibility reduces inter-personal conflict caused through differences in social identities as it enables the individuals to flexibly accommodate to the situation. Thus, cognitive flexibility is incorporated into the model as a moderation effect. We thereby expect cognitive flexibility to mitigate the emergence of inter-personal conflict caused by different social identities. In summary, we propose

Proposition 4a: *Cognitive flexibility moderates the relationship between social identity and inter-personal conflict.*

Proposition 4b: *The effect of different social identities on inter-personal conflict decreases with increasing cognitive flexibility.*

The proposed model provides a new perspective on analyzing social or cultural differences in IT offshore outsourcing. In particular, by analyzing interpersonal conflict in IT offshore outsourcing relationships, we understand the differences in the involved individuals’ social identities. Thereby, we build upon prior research revealing that the diagnosis of cultural differences requires at least mutual action if not conflict between the concerned cultures (Walsham 2002; Leidner et al. 2006; Shenkar et al. 2008).

4 DISCUSSION

This paper is a first step towards a development of an alternative theory-based conceptualization of cultural distance in global IS outsourcing relationships. Prior work in the IS domain has mainly focused on a value-based discussion of cultural differences on a national and organizational level. By applying a theoretical lens from social psychology literature, i.e. Social Identity Theory, we are able to offer a theory-based perspective on culture based on an individual level of analysis. Thus, the paper has three main theoretical contributions: first, it provides an overview over prior conceptualizations of cultural distance, thereby enhancing our understanding of cultural differences through including viewpoints from various non-IS research fields such as international management, anthropology, and social psychology. Second, the paper outlines a new approach to conceptualize the relationship between culture (in the sense of social identity) and conflict in IS outsourcing relationships. And third, the prevalent assumption of less cultural distance in IS nearshore outsourcing compared to IS offshore outsourcing can be qualified respectively hardened by applying the proposed model in both contexts in the course of a quantitative study.

Beyond that, the paper also offers practical contributions. First, managers can increase their awareness of the occurrence of cultural differences in an IS offshore outsourcing relationship also beyond intercultural training programs. Refraining from a purely nationality-based perspective they can broaden their view based on the more abstract conceptualizations of culture such as the virtual onion metaphor reflecting the complexity of an individual's culture respectively of cultural differences resulting from interactions between individuals. This knowledge can also be taken into account in the course of the vendor selection process in terms of questioning the widespread argument of cultural proximity in nearshore outsourcing relationships. With regard to the setup of project teams, managers can take the central implication of social identity theory into consideration, i.e. that an individual's identity consists of several social identities based on certain social groups. Thus, managers would probably be well advised to actively manage the categorization process (in-groups versus out-groups) in order to foster the establishment of a joint project culture (in terms of a social group encompassing client as well as vendor personnel) at an early stage.

However, there are several limitations to be taken into account. First, the overview on conceptualizations of cultural distance has been deductively derived from the existing literature and makes no claim to completeness. Rather, it aims at depicting various perspectives from which cultural differences can be analyzed. Furthermore, no empirical data was at our disposal in order to evaluate the depicted conceptualizations regarding their relative suitability for the global IS outsourcing domain. Secondly, it is important to analyze the relationship of 'differences in social identity' with 'interpersonal conflict in global IT outsourcing relationships' at greater depth. A more detailed analysis also needs to address the question whether differences in social identity give rise to interpersonal conflict in global IS outsourcing arrangements simultaneously in all situations or if there is an inherent hierarchy which makes a particular level more salient for a given context. Finally, it should be kept in mind that there might be constructs other than inter-personal conflict also being suitable to reflect cultural differences from other perspectives

In reference to the study's limitations, several opportunities for future research become apparent. First, as our work has been conceptual so far, we consider qualitative interviews to be an interesting research opportunity in order to further explore and develop the depicted concepts. Moreover, as our work addresses cultural differences in the context of global IS outsourcing relationships it would be promising to conduct a quantitative study to evaluate whether there is in fact a culture-related difference between offshore and nearshore outsourcing projects (observable through episodes of interpersonal conflict). Within the study, the essentially dyadic nature of the phenomena needs to be taken into consideration. Such dyadic nature of a client-vendor relationship gives rise to the question whether the model may have subtle differences when applied to vendor personnel or to client personnel and how that could be incorporated into the conceptual model. Implications for future research emerge also from the previous discussion on social identity theory and identity theory. Even though we decided for a social identity based approach, we consider the application of an identity theory perspective focusing on inter-personal behavior based on role identities as an interesting alternative.

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