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Wei Wu
University of New South Wales

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Carrying out contract successfully ends up with an IT Outsourcing failure: Relationship Management Cases of IT Outsourcing in a Cross-Cultural Context

Wei Wu
University of New South Wales

School of Information Systems, Technology and Management
University of New South Wales
Sydney, New South Wales
Email: weiw@student.unsw.edu.au

Abstract

IT outsourcing is a serious option available to modern managers today. An emerging trend is the focus on relationship management. In a global economy cross-cultural differences may add to the complexity of fostering a relationship. This study examines cross-cultural relationship management in IT outsourcing. Due to the exploratory nature of this study, the researcher investigates two IT outsourcing cases within one Chinese organization. One vendor has a western cultural background and the other a Chinese cultural background. The result shows that cultural differences influence the fostering of a relationship. Some practical implications could be generated to manage offshore IT outsourcing.

Keywords

IT outsourcing, relationship management, cross-cultural differences, IT outsourcing success

INTRODUCTION

Organizations apply knowledge, assets and resources to create strategic opportunities and respond to competitive threats (Sambamurthy et al., 2003). IT outsourcing can help organization to focus on core business, reduce costs, increase efficiencies and enhance organizational responsiveness (Quinn and Hilmer, 1994). In recent years, IT outsourcing has generated headlines and attracted much attention from practitioners as well as academics (Hsu et al., 2004).

Managing the relationships between vendor and IT outsourcing company is a primary concern. A good relationship with the vendor is the key to mitigate risks which include opportunism of vendors, fast changing technology and uncertainty in the business environment. The area in IT outsourcing that has received the least research attention so far is the relationship issue (Willcocks and Kern, 1998). The outcomes earlier IT outsourcing initiatives were disappointing (Hirschheim and Lacity, 2000; Lacity and Willcocks, 1998). A lack of attention to the on-going relationship with the vendor probably contributed to limited success in IT outsourcing (Lacity, 2000).

The globalization phenomenon has meant that outsourcing contracts have become larger in scope and in fees. Outsourcing now often involves offshore vendors (Robb 2000). Cultural factors can confound efforts to cope with the complexity of relationship management. Different cultures support different sets of management beliefs and practices, particularly when those cultures reflect fundamentally different conceptions of reality (Chen and Partington, 2003). However, very few literature has taken the factor of culture into consideration when examining relationship management in IT outsourcing practice.

This paper reports the findings from a study that explored “what cross-cultural differences will affect relationship management practice in IT outsourcing?” Cases are selected from IT outsourcing arrangement between two partners with two different cultures – Chinese culture and western culture. It is expected that different values and beliefs will reflect fundamentally different conceptions of relationship management practice. Hence, it offers an opportunity to investigate cross-cultural interaction and generate theoretical explanations of the emerging factors.

THEORETICAL FOUNDATIONS

Two areas of literature inform the research problem of cross-culture issues in IT outsourcing: managing IT outsourcing relationships and cross-cultural differences. Each area of the literature will be briefly discussed. The analytical framework is also introduced based on the existing literature.
Managing IT outsourcing relationships

Loh and Venkatraman (1992, p.58) define of IT outsourcing IT outsourcing as, “a decision taken by an organization to contract-out or sell the organization’s IT assets, people and/or activities to a third party vendor, who in return provides the services for a certain time period and monetary fee”.

Research issues on IT outsourcing (e.g. make-or-buy decision, motivation, scope, performance) have shifted over time, reflecting changes in practice (Lee et al., 2003). Currently, the contract specifying the relationship between outsourcing vendors and their customers has been focused as a central issue in outsourcing (Lee et al., 2003). In this paper, relationship management in IT outsourcing is defined as “post contract management of an IT outsourcing venture which requires both sides to look beyond the traditional arm-lengths supplier-buyer type arrangements and to move more toward a partnering operating within the spirit of the contract” (Kern, 1997, p.37). The two elements of relationship management in IT outsourcing are contracts and partnership (Saunders et al., 1997; Willcocks and Kern, 1998). Contracts specify the relationship between outsourcing customer and vendor in the term of rules, agreements, and exceptions in a formal manner, whereas partnership complements the contract and rely on trust, commitment and mutual interest in an informal manner (Lee et al., 2003). The major thrust of the literature includes various aspects of the vendor-customer relationship (Levina and Ross, 2003). In this paper, three key aspects are identified and briefly reviewed: the nature of relationship in IT outsourcing, the impact of relationship on IT outsourcing success, and the skills required for relationship management in IT outsourcing.

The nature of relationship in IT outsourcing

Research has identified relationship as consisting of two components: the formal outsourcing contract and the informal relationship (Sabherwal, 1999; Kern and Willcocks, 2000; Willcocks and Kern, 1998; Willcocks and Lacity, 1998). Willcocks and Kern (1998) used the UK Inland Revenue Service to illustrate that an effective IT outsourcing arrangement incorporated both contractual and non-contractual elements. Non-contractual relationship grew out of contractual relationship, and came to adapt the contractual relationship. Sabherwal (1999) demonstrated using 18 case studies that trust-related mechanisms as well as contractual (be labelled as structural) mechanisms needed to be in place to control activities. Barthelemy (2003) used survey data drawn from 50 IT outsourcing efforts to support that both aspects are key to success. The greater the contractual hazards are, the more likely the partnership will be preferred over the contract. While operations managed through the contract essentially perform well on the cost dimension and partnership on performance dimension.

Some previous research also endeavours to classify the relationship between organizations into different types. For instance, using the transaction cost theory, the inter-organizational relationship is classified as transactional and partnership based (Henderson, 1990; Fitzgerald and Willcocks, 1994). A transactional style relationship develops through the formal contract in which rules of the game are well specified and the failure to deliver on commitments by either party should be resolved through litigation or penalty clauses in the contract. In contrast, the requirements of a partnership style relationship include risk and benefit sharing, the need to view the relationship as a series of exchanges without a definite endpoint, and the need to establish a range of mechanisms to monitor and execute its operations (Henderson, 1990). Based on a strategy theory, four types of outsourcing relationships are proposed in order to categorize the diverse patterns of outsourcing: support, reliance, alignment, and alliance (Nam et al., 1996).

The impact of relationship on IT outsourcing success

Lacity and Hirschheim (1993) conclude that the outsourcing relationship involves conflicts of interests between vendors and customers, and is by no means ‘partnership’ promoted in the trade press and by vendors; this is why IT outsourcing success is often hard to achieve. In contrast, McFarlan and Nolan (1995) report a number of cases where partnership was achieved, they suggest organizations should be careful in the selection of vendor, pay attention to the structuring of the legal relationship, ensure mechanisms for contract flexibility and establish standards and mechanisms for control. They conclude that best results would occur when customer and vendor operated “less as a contract and more as a strategic alliance” (McFarlan and Nolan, 1995, p.20). It is often more profitable, from the customer perspective, to outsource projects that are more complex and strategic in nature. Thus, there is a need to develop a long-term partnership between the customer and the vendor/service provider (Klepper, 1994). However, managing the IT outsourcing relationship is not addressed in the literature.

Grover et al. (1996) established the measures of “partnership” (trust, communication, satisfaction and cooperation) were weakly correlated with the measures of outsourcing success. However, when examining further in different services, their analysis only true for systems operations that were low in asset specificity. Using the same instrument, Lee and Kim (1999) examined 36 vendor-customer pairs in exploring the relationship between
vendor judgments about the relationship-quality and customer perceptions of outsourcing success: the results indicate that partnership quality may serve as a key predictor of outsourcing success, which support the argument of Grover et al. (1996). Lee (2001) emphasized the importance of knowledge sharing through the outsourcing partnership. Relationship quality and IT outsourcing success are among the key research issues in this paper. (See Figure 1)

Relationship management process in IT outsourcing

Several articles have articulated the skills and competencies organizations would need to manage the post-contract relationship in IT outsourcing (Feeny and Willcocks, 1998a, 1998b). Theoretical concepts from organization theory (Faulkner, 1995; Musgrave and Anniss, 1996), inter-organizational relationship theory (White and Levine, 1961; Oliver, 1990), marketing theory (Cunningham, 1980; Ford, 1980; Anderson and Narus, 1990) and IS literature (Henderson, 1990; Konsynski and McFarlan, 1990; Bensaou and Venkatraman, 1996) are used to develop a conceptual model to understand the post-contract management process (Kern and Willcocks, 2000). Analysis of these literatures elicits a list of recurring key properties in an outsourcing relationship: contract, communications, mutual goals/objectives, social/personal bonds, investment resources. Their findings suggest active management efforts have to be geared towards operationalising the contract. Better communication might lead to greater trust which helps to avoid conflicts, facilitate solutions to problems, and reduce uncertainty levels (Aiken and Hage, 1968; Easton, 1992). Mutual goals and objectives help to improve cooperation by sharing the risks and rewards of the venture equally. Both the customer and vendor show their level of commitment through their investments of resources, knowledge and time (Johanson, 1994). Social personal bonds established between individuals in the organizations further increase familiarity and trustworthiness, thus determining the raison d’être for the flourishing of the relationship. These perspectives (contract, communications, mutual goals/objectives, social/personal bonds, investment resources) will be examined in the analytical framework of this paper. (See Figure 1)

Cross-cultural Differences

In the social anthropology, “culture” is a catchword for more fundamental human processes which implies shared values that underpin the shared manner of working. Hofstede (1991, p.5) defined culture as “the collective programming of the mind which distinguishes the member of one group or category of people from another”. He further described national culture difference in terms of scores on five dimensions: Individualism vs. Collectivism (ID), Masculinity vs. Femininity (MA), Power distance (PD), Uncertainty avoidance (UA) and Long-term vs. short-term orientation (LT). Data from Hofstede (1991) show that China is distinctly different from the western country on dimensions ID, PD and LT.

Most of work concerned with cultural and cross-cultural issues in the IS literature is based on Hofstede’s work, for example, Schwartz’s (1994) model is based partly upon the work by Hofstede (1991) and Kluckhohn and Strodtbeck (1961). Schwartz (1994) suggests that there are two broad cultural archetypes of societies with different assumptions about life and work: contractual cultures and relationship cultures. The work of Hofstede(1991) and Schwartz’s (1994) have alerted us the importance of cultural differences, but have also been criticized as somewhat simplistic (Whasham, 2002). For instance, Myers and Tan (2002) suggest that the heterogeneity of national culture makes it difficult to relate national cultural values to work-related actions and attitudes. Spencer-Oatey (2000, p.4) defines culture “is a fuzzy set of attitudes, beliefs, behavioural norms, and basic assumptions and values that are shared by a group of people, and that influence each member’s behaviour and his/her interpretations of the meaning of other people’s behaviour ”. Spencer-Oatey (2000) explains not only what culture is, but also the function how culture performs in the working place. The interpretive role of culture is important when considering cross-cultural interaction or reaction towards products created in a different cultural context (Spencer-Oatey, 2000).

Whasham (2002) and Trauth(1999,2000) have used Spencer-Oatey’s (2000) proposition to analyse work patterns and attitudes; describe cross-cultural working on software outsourcing from U.S. to Indian companies; examine detailed work patterns in areas such as forms of partnership and coordination mechanisms.

Analytical framework

The research objective is to explore cross-cultural differences which may affect relationship management practice in IT outsourcing. This problem is addressed from the perspective of the organization that has outsourced its IT functions. The management issues in the IT outsourcing organization are the focus of this research. An analytical framework was developed using existing literature to focus and bound the empirical data in an anticipated way and help form a legible interview instrument. The relationship properties were refined and
synthesized from the framework by Willcocks and Kern’s (1998, p.31) and finally identified based on the recurring frequency in prior literature. The path from relationship properties to outsourcing success was derived from the partnership quality model developed by Lee and Kim (1999, p.35). (See Figure 1)

**INTERPRETIVE CASE STUDY**

In the light of fundamental distinctions among the three paradigms (positivist, interpretivist, and critical theory) (Orlikowski and Baroudi, 1991), interpretivism is recognized as the most appropriate approach for this research. From the interpretivist point of view, what distinguishes human action from the movement of physical objects is that the former is inherently meaningful (Schwandt, 2000). To say that human action is meaningful is to claim either that it has a certain intentional content that indicates the kind of action it is and/or that what an action means can be grasped only in terms of the system of meanings to which it belongs (Fay, 1996). The relationship management practice or behaviour we could observe in IT outsourcing cannot be separated from its social context and the intentions of the actors. The aim of this research is to grasp the subjective consciousness or intent of the IT outsourcer’s action from the “inside” when they managing the IT outsourcing relationships.

**Interpretivist Case Design**

This study is exploratory in nature, so case studies using interpretivism are adopted in this research. In this paper, the researcher analyses, interprets and theorises about the phenomenon against the backdrop of a theoretical framework. Although the research process in qualitative research is inductive, Merriam (1998, p.49) notes that most interpretive case studies inherently mould or change existing theory in that, firstly, data are analysed and interpreted in light of the concepts of a particular theoretical orientation; and, secondly, findings are usually discussed in relation to existing knowledge with the aim of demonstrating how the present study has contributed to expanding the knowledge base. The case studies can also be regarded as ideographic research, which is concerned with understanding the particular situation or process being researched in depth, and intensive research, whose aim is to generate understanding of the particular meaning systems at play by studying in depth of a small number of cases (Tsoukas, 1989; Minger 2003).

Empirical cases were selected in China. This research investigated two IT outsourcing cases in one Chinese manufacturing organization. The customer outsources two areas of its IT functionality. Two different vendors supply the functionality: a Product Data Management system (PDM system) and a Human Resource information system (HR system). One vendor has a western cultural background and the other is Chinese.

Each IT outsourcing project was identified as a case. These instances of outsourcing can usually be clearly identified by the existence of a legal contract between customer and vendor. By comparing the management of those different projects with different vendors, insights on relationship management were obtained.

As is known to all, different organizations may hold a variety of different definitions and different perceptions of success on IT outsourcing. Both cases linking to one customer organization of IT outsourcing reduce the problem of incomparability in a range of case organizations. Furthermore, it is efficient in terms of data gathering.
Data collection and data analysis

Data were collected through interviews and historical reconstruction from archival documents. Interviews were carried out with key project members who were directly involved in IT outsourcing relationship management practice in one or several projects in the case organization. The essence of the interviews was real time conversations between the researcher and interviewees to discover their personal views (Minger, 2003). The interviews explore relationship management, the nature of a working relationship and the evolution of a relationship, with a strong emphasis on how cultural differences influence the relationship management practice. Seven interviews were conducted: one with the CIO of the organisation who introduced the whole IT development history of the organisation, the other six with project members (three for each project). Three interviews were tape recorded, the other four interviewees declined to use the tape recording. The interviews presented first-hand exploratory empirical insights into relationship practice. In addition to formal interviews, other data sources used included archival data in the form of published reports, and internal documents including minutes of meetings and internal reports.

The process of data analysis in this study was divided into three steps. The first step was coding. Transcripts of the interviews or archival documents were organised into meaningful categories. Categories were then eliminated, combined, or subdivided after repeating ideas and larger themes that connected codes had been reviewed. The second step is data display. Matrices, concept maps, flow charts, or diagrams were applied to illustrate relationships or themes, which could aid critical thinking, confirmation of themes, or consideration of new relationships or explanations. The third step was consulting. The interview transcripts were shared with other experienced researchers (e.g. supervisors) to check whether there were other interpretations available and whether the analysis made sense.

TWO IT OUTSOURCING PROJECTS IN CHINESE DIESEL ENGINE COMPANY

The two case studies were conducted in early 2005. A brief description of both cases is drawn from interviews and internal documents.

Background of Diesel Engine (DE) Company

Diesel engine manufacturer (DE) [not the real name] was originally founded in late 1940s. In early 1990s, the Chinese government restructured the company and listed it on the stock market. Today the Chinese government still has the majority ownership of the company. The company employed approximately 4000 people and has a turnover of ¥3.9 billion (about 0.5 billion US$) in sales revenue. DE is regarded as a typical state-owned corporation in China.

Beneficial from the high domestic demand, in 2004 its sales grew and its profits increased sharply compared with previous financial year. However, due to the tough competition within the industry, its leadership in some market units such as mechanical engineering and marine engineering has been severely threatened or even taken over by its competitors. After China’s entry to World Trade Organisation (WTO), DE faces much greater competitions from overseas. However, DE has some competitive advantages in the development of the new products because of lower operational costs. Senior managers of DE claimed that it was necessary for DE to change their work practices and improve performance with the aid of IT.

DE first started to use computers in the 1980s. After 1995, there was a rapid IS development within DE. From 1995 to 2001, DE introduced Computer Integrating Manufacturing System (CIMS) with the approach of self development and joint development. After 2002, the senior executives became more skilful in managing the IT resources. While retaining in-house IT capabilities to avoid the risks of losing control, DE enmeshed IT outsourcing into its strategic plan to meet the requirements of the organization’s rapid growth in revenues and expansion in market. Two main IT outsourcing projects (PDM and HR) were conducted during this period.

Two IT Outsourcing Cases

PDM project

In 2002, DE began to develop a Product Data Management (PDM) system, which aims to integrate all the ongoing applications and extract their potential value. PDM system was regarded as the first challenging but influential IS project DE experienced by most of the interviewees. DE realised that the major tasks is to specify the source data in a uniform format. DE decided to outsource this function rather than developed in-house, because the organisation hoped to improve management focus and access technical talent not available in-house. The directions of PDM were to coordinate the use of the information throughout each step of the product
The HR project

In 2002, DE considered to develop a Human Resource information system (HR system). The new HR system was expected to be capable of providing a more efficient personnel administration and better quality, more accessible information for management advisory. The HR project became top priority when senior management realised that the HR system would be able to deliver immediate value to every employee in the organisation. The senior management of DE had high expectations of this project because they believed the successful implementation of the project might help get rid of the hostile attitude towards rapidly developed IS. The CIO of DE expressed these expectations on the HR system in the interview:

“...We had endless resistance from our employees when we introduced new information systems and made it work in day-to-day workplace during the past few years. We needed a good project to establish our confidence in IT and to win the trust from our employees. After careful analysis of our current infrastructure and architecture, we selected an HR information system. It was expected to impact on every DE employee and to positively influence their acceptance of IT...”

DE cooperated with an acquainted local provider, SQ Company, and signed a contract to outsource its HR development project in September 2002. SQ Company was established and owned by a machinery company in the same industry as DE. The key people in SQ Company came from the IT department. SQ together with
another machinery company jointly developed ERP system named E-power. E-power was specifically designed for machinery markets where the company had accumulated rich experience. HR function is one of the core components of E-power.

The contract for HR system appeared to be simple because both sides knew each other and relied on the previously established relationship. They spent time on negotiating the contract price but quickly came to agree on the project’s boundary and service scope. The briefness and simplicity of the resulting contract showed their confidence in each other. The CIO and a project team member of DE described their mutual trust:

“SQ Company is one of a few trustworthy partners we could rely on. We [SQ people and DE people] could communicate with each other pretty well. They [SQ’s project team members] knew our pains clearly because they also came out of a traditional machinery company like us. They showed their generous and active attitude towards our new requirements during the implementation stage of HR system...Sometimes I have to admit it is irrational in a business sense (smile)...However, they [SQ’s project team members] impressed us greatly by their always friendliness and patience…”(CIO of DE)

In January 2003, the vendor (SQ Company) assigned 5 full-time system developers to the HR project including a project manager who was the former IT manager in DE. In the system test and improvement phase, the project team of SQ Company transferred to work on the customer site. On DE side, four IT people and two HR managers composed the project team. The team was responsible for any inquiries about HR system requirement. Two project managers met regularly on a week basis to discuss the progress of the project. Any further interaction was done through telephone, in person visits, and emails.

The project was running for only a few months. The HR system went through testing in August of 2003 and the contract concluded in September of 2003. The new system was welcomed by most of employees and ranked first in an internal evaluation report. The HR system has been widely used in DE now.

CASE ANALYSIS AND DISCUSSION

In an attempt to address the research question, two IT outsourcing cases were approached using the research framework. (See Figure 1) Specific attention was drawn to how cultural differences influence the relationship management practice. After repetitive analysis of the empirical data, four main themes were identified. They are attitude towards contract, work patterns in communication, understanding of social/personal bonds, and perceptions of invested resources. No impact of cross-cultural differences was found to the establishment of mutual goals/objectives.

Attitude towards contract

The staff from PT Company is accustomed to nurture the trust by means of abiding by the contract or agreement. Once the deadline is agreed in the contract, they will try their best to meet the deadline in order to win the other party’s trust. However, employees in DE Company prefer to nurture the trust by exchanging favours. A sound relationship is normally formed when both parties are considerate, helpful but generous. The vice president of DE described the difference in his words:

“The vendor was keen on sticking to the contract signed earlier and they could not give us in time response when we needed it. However, as far as our team all agree that you vendor could be cautious and mean when negotiating a contract, but after it you had better be flexible in response to our changes and new requirements. If the vendor could establish a good relationship with us through this project, our company would have been happy to continue a follow up project with them or return to some reasonable financial benefits to them…”

It is perceived by DE that people from PT tend to rely on the tangible agreement or contract to govern the business activity explicitly, while DE people do not feel comfortable about this and they are inclined to count on intangible relationship to govern the business activity implicitly.

“It is quite common for new requirements to be addressed during the implementation of the contract. But they insisted that they adhere to the contract first in order to complete it on time… They [PT staff] preferred to self evaluate their work against the contract and mentioned the clauses in the contract frequently when we communicated with each other…” (Project team member of DE)

“We [DE and SQ] did not make out a comprehensive contract; instead, we took the contract as the start point of the cooperation for the two companies. The contract was a frame within which we began to compose our own music freely [here it means the following cooperation need not totally abide by the contract, but develop in accordance with the mutual willingness of both sides]. We did not put everything on the paper, we would rather observe our vendor, and then did the appropriate thing to show our response to their action …For example, when we [DE Company] met with any problems
with the system, they [SQ Company] were able to come to our company in half an hour to help us solve the problem even when the contract was over… They never asked for new charges if they undertook extended beyond the work scope specified by the contract…” (Project manager of DE)

Work patterns in communication

Some of the DE interviewees felt that staff from PT were inclined to communicate with DE in a formal, impersonal, or business-like manner to show their professionalism. By behaving like that, PT people expect to gain trust from the business partners. In contrast, employees from DE Company like to communicate with their colleagues in an informal, personal, or friend-like manner even within a business setting. DE workmates believe that enthusiasm would be dampened by communicating in a formal manner.

“Theyir stiff style of communication always reminded us that we [DE employees and PT employees] were only in contractual relationship [in Chinese culture, the contractual relationship here has a negative meaning]. They seemed polite when talking with us, but difficult to really approach… Gradually, we [DE employees] are reluctant to express our true feelings to them since they never treat us as friends…” (A project team member of DE)

“We [DE and SQ Company] normally communicate with each other in an informal manner… Sometimes we liked to play jokes when we discussed some sensitive issues in business… We both tried to avoid the serious tone when we communicated with each other for the project…” (A project team member of DE)

Understanding of Social/Personal bonds

To project team members from DE Company, social/personal bonds are extremely important when collaborating with partners. If Guanxi (in English, it means the network of relationships among various people or parties that exchange favours, which are expected to be done regularly and voluntarily) is detected, a trust between two parties could be strengthened. While to employees from PT Company, social/personal bonds existing among two parties do help promote business partnership, but could not substitute a formal business relationship to foster trust.

“The project manager of SQ Company and I were former colleagues in the IT department of DE and close friends as well. We graduated from the same universities. I could fully understand why our vendor assigned him to the HR project and authorised him to take charge of the whole project. We [DE Company] trusted him and the team he led because we had a lot of common experience before through which we had established tight social bonds…”(A project team member of DE)

“We [DE] don’t know any of project team members from the vendor side [PT] before. We could collaborate with each other in a business manner, but I never expect the mutual trust or understanding would happen through merely business relationships. Sincerity or trust easily happens to my familiar friend or my Guanxi network…” (A project team member of DE)

Perceptions of Invested resources

It is pretty common in PT Company to assign a sales representative in a relationship management role during the project. Technicians including system developers or even project managers follow the instructions of sales representative sometimes. While in the mind of PT Company, sales or marketing people are not as authoritative as technicians who could solve the problem with their technical talent. DE’s technicians in the design department or engineering department have been accustomed to gaining respect from other supporting departments such as sales, marketing, human resource or finance department. They are usually assigned to a key project and work as a project team leader. They would feel uncomfortable and degraded when communicating with a sales representative from the vendor and always doubt the qualification of the sales representative.

I could hardly believe that PT Company assigned a sales representative to take the central role in the project. I always doubted whether he could understand the requirements our technicians addressed in the daily workplace… Sometimes we [DE staff] felt the vendor was probably unconcerned with our project. However, the project was very important to us. Our most excellent IT technician and diesel mechanic were assigned to this project… (The project manager of DE)

CONCLUSION

The case study reveals a complicated set of cross-cultural implications to the relationship management practice in an IT outsourcing arrangement. The findings support with Schwartz’s (1994) model, which categorized Chinese society into the relationship culture and Western society into contractual cultures. However, the cases do not
extract any differences in the theme of establishing mutual goals/objectives. Both Chinese and western vendors in the cases targeted the long-term relationship. The problem is that they hold different perceptions on how to foster this long-term relationship. This finding is inconsistent with Hofstede’s (1991) argument that China is distinct from western countries with its long-term oriented whereas western countries short-term oriented. This study also extracts other cultural differences like different work patterns in communication, different understanding of social/personal bonds, and different perceptions of invested resources when managing the IT outsourcing relationships, which was not found in prior literature.

This paper is amongst the few studies which look into offshore IT vendor management. It appears to be an issue of greater interest to practitioners. The study uses a relationship management framework on IT outsourcing to examine the impact of cultural difference and compares findings with previous culture literature. It also links national cultural values to work-related actions and attitudes. Interpretive case studies enable a better understanding of relationship management process in a cross-cultural context. Additionally, the paper contributes knowledge to IT outsourcing relationships and practitioners on a similar setting may gain some practical implications to manage their cross-cultural relationships in IT outsourcing arrangements.

Limitations for this study are acknowledged: This research only focuses on the customer perspective, but the relationship management is also determined to a significant extent by the service provider. Furthermore, this research takes place in a single industry in China and its findings have to be carefully interpreted, especially when identifying cross-cultural implications. Caution should be exercised in generalizing to other industries and other contexts. Future study could involve more cases in different industries and different countries. Vendor’s perspective should be included to examine the impact of cross-cultural differences on relationship management practice so as to truly understand the cross-cultural issues and not be restricted to one side of the issue.

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