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# NEGOTIATING AND SPANNING BOUNDARIES IN OFFSHORE OUTSOURCING:

# INDIAN AND DANISH PERCEPTIONS OF INTERCULTURAL COLLABORATION.


## ABSTRACT

Much research of geographically distributed teams has taken its point of departure in Western MNCs and addressed headquarter concerns with managing employees at distant locations. In this single case study we look deeper into how vendor staff members in a virtual captive center perceive intercultural collaboration with managers and staff at the outsourcing client´s site. We also raise the question: Who and what motivates them to stay at work in this Indian IT development context where many Western clients have experienced serious challenges with outsourcing due to high attrition rates?

The single case is studied through company documents, semi-structured interviews with managers and employees from both the client and the vendor organizations, and participant observations of intercultural encounters.

Since observations and interview accounts gave the impression that virtual team collaboration went fairly smooth, we further explored the specific conditions and organizational practices that seem to have fostered benefits: information and communication technologies, culture guidelines, and not least managers and staff who acts as boundary spanners and establishes common ground. Finally we highlight the power struggles between client and vendor about HR issues related to the chosen organizational setup of a virtual captive center.



**Keywords:** Cross-cultural management, intercultural collaboration, virtual teams, boundary spanners, India

# INTRODUCTION

Western organizations occupied with IT development and operations are increasingly utilizing workforce globalization as a strategic tool for minimizing costs and getting access to qualifications that are not easily accessible in their own country (Windrum et al., 2008; Jensen, 2012). This inevitably results in multicultural work environments.

Within the literature on outsourcing substantial focus has been put on the strategic aspects of establishing and maintaining sustainable client-vendor relationships (Babar et al., 2006) and a lot of attention has been devoted to the team dynamics of geographically distributed and culturally diverse teams (Earley & Gibson, 2002; Stahl et al., 2010a). It has outlined the difficulties of managing a distributed team (Brake, 2006; Hambley et al., 2007); described the cultural challenges that comes with doing business across borders (Shapiro et al., 2008); and highlighted how difficulties in cross-cultural and cross-location communication occur (Maznevski, 2012: 192) and how they can be managed (Hambley et al., 2007).

**The Research Gap**

When it comes to HR related to offshore staff employed by a vendor company it seems that not much research has been done on how a client company can go about securing a long term commitment from the offshore staff. This is of particular importance in situations where offshore staff is not hired by the company itself, but provided by a vendor company, as a client company in this case does not have an option to regulate salary or to directly affect the career of offshore staff, for instance by promotion. Thus, client companies face a situation, where a (potentially large) group of the people working for them are “out of reach” when it comes to remuneration and career progression – and consequently at risk of leaving virtual teams to further their individual careers elsewhere. In other words there is a significant risk of brain-drain from the client company over time – should the outsourcing strategy prove itself successful, as the client company becomes dependent on offshore staff to perform the work. This creates a challenge for client companies: how can they make the work of the offshore associates attractive enough to retain the talented employees among them and thus keep attrition rates low without having direct influence on salary and career development of these offshore associates?

However, Tymon et al. (2010) found that “by increasing intrinsic rewards, the need to offer higher compensation and benefits so as to enhance employee satisfaction with the organization diminishes” (p. 119), and consequently focus on intrinsic motivation can be regarded as a powerful weapon against high attrition. As opposed to “hard” factors such as remuneration, “intrinsic rewards involve a positive psychological state within individuals generally accompanied by feelings of passion, energy, and enthusiasm” (Tymon et al., 2010: 111) and thus employees, who experience their work as meaningful, and feel “they are making progress in performing meaningful tasks (another element of intrinsic rewards), (....) will see themselves as successful in their careers” (ibid. p. 112).

In reviewing literature on staff retention in India, Bhatnagar (2007) has found that “employee engagement as a key to the retention of talent […] is an area in which the lead has been taken by practitioners” (p. 641) and furthermore concludes that “it is an area where rigorous academic research is required” (op. cit). Our ambition for this conference paper is to take up this challenge as we report from a single case study of an offshoring engagement between a large Danish company and an Indian IT service provider.

Thus, this paper explores the intrinsic motivation of the vendor staff in a *virtual captive center* (Lacity & Rottman, 2008) by listening to their stories about collaboration with the client-side staff and examining their perceptions of the intercultural collaboration processes in a single case study. By this we aim at answering the research question: *how do vendor-side staff and managers in a virtual captive offshore development center perceive social interaction and collaboration with client-side managers and staff, and how does the particular modus operandi contribute to their intrinsic motivation?* Furthermore, we aim at investigating *how organizational boundaries are spanned and negotiated in a virtual captive center.*

**The structure of the paper**

In this paper we will first frame the contemporary phenomenon of offshore outsourcing with regards to the various legal and organizational setups; and we will highlight some of the complexities that are being reported by researchers. Following this we will introduce our case with regards to organizational setup and the form of collaboration. Subsequently we will highlight our research design and methodology.

The remainder of the paper is our analysis, which will focus on three distinct subjects, namely *social interaction*, where we will focus on the daily collaboration and the feeling of collegiality. Then we will take a deeper dive into the roles of the *boundary spanners* that acts as mediators between the vendor staff working in India and the client staff working in Denmark; and finally, before our concluding remarks, we will focus on how the deep interaction and proximity instigates a *power struggle* where the boundaries for the HR processes are negotiated.

## PRESENTATION OF THE OFFSHORING CONTEXT AND THE CASE STUDY

### Modus Operandi and Complexities in Contemporary Service Offshoring

When a company decides to engage in service outsourcing – such as IT-development, IT-operations, Business Process Outsourcing (BPO), Research & Development (R&D), engineering and so forth – to another country than their home country, they are faced with a multitude of options with regards to the legal and organizational aspects of the engagement. In this section we will first establish a basic understanding of these various options for *service offshoring* and subsequently highlight some of the complexities that typically accompany a decision to engage in *offshoring*. We do this, as our analysis, is dependent on the understanding of the various ways offshoring can be legally and organizationally established.

The concept of offshoring essentially falls in two distinct categories: organizations can build a captive offshoring center or they can engage with an outsourcing vendor (Jahns et al., 2006). Captive offshoring is characterized by full control as it is a subsidiary of the organization itself. Consequently, it requires a legal entity in the offshore country; employees are hired by the organization itself; and all responsibilities remain within the organization. Opposite this, we find setups where the organization has engaged in a partnership with an outsourcing vendor. In these cases the client organization is not required to establish a legal entity in the country of the offshore site; employees are employed by the outsourcing vendor; and the client organization draws on the vendor in terms of both technical and non-technical infrastructure; as well as for recruitment processes. The advantages of engaging in a captive setup are from the client's perspective, among others; long-term cost efficiency and full control of the setup. On the other hand, engaging with a vendor has the advantages of being more flexible and scalable; it enables the client organization to tap into the vendor's resource pool and draw on its presence in the market to attract talented staff; and utilize infrastructure provided by the vendor company (Jahns et al., 2006).

The strategic choice to engage in a vendor partnership, that is, *an outsourcing model where the client organization utilizes offshore consultants who are employees of a vendor company* is customarily referred to as *offshore outsourcing* (see Pfannenstein & Tsai, 2004; Winkler et al., 2008). When such offshore employees are allocated full-time to the client as consultants and physically located in a *dedicated offshore development center* (ODC), this organisation is referred to as a *virtual captive center* (Lacity & Rottman, 2008), which signifies that it is an organizational setup that resembles a subsidiary with dedicated office space; a dedicated IT-infrastructure or utilization of the client organization's existing infrastructure; separate access control et cetera. According to Lacity & Rottman (2008) a virtual captive center presumably "offers the best of both worlds – the client investor still maintains strategic control but the vendor is better equipped to attract, develop, and retain local IT talent" (op.cit. p. 17).

The contemporary phenomenon of *offshore outsourcing* is something that many companies have engaged in recently for various strategic reasons such as reducing operating costs through labour arbitrage (Windrum et al., 2008; Jensen, 2012). Thus, from a broader international perspective, offshore outsourcing of IT work is part of a large-scale macroeconomic development.

The fast growth of global sourcing has directed attention to the challenges of managing intercultural collaboration in virtual teams (Marrewijk, 2010; Søderberg, 2012). The case study presented in this paper offers insight into aspects of intercultural collaboration in the context of offshore outsourcing.

Technological development and internationalisation of organizations are changing the way work is carried out, and as a consequence interpersonal work relationships are changing as well. In offshore outsourcing, the intercultural collaboration not only happens across national borders and geographical distances, it also happens across organisations and business functions. The diverse group of stakeholders on the client and vendor sides, respectively, is likely to have diverging interests and motivations in the setup and different perceptions of what constitutes a successful one (Lacity & Rottman, 2008). Intercultural collaboration in an offshore outsourcing context is ample with issues of ambiguity, power asymmetries and multiple cultures which arguably make the intercultural collaboration between client and vendor extremely complex and challenging. In the qualitative analysis of the case study presented below, we will offer illustrations of these issues. But first we will introduce the specific case and the context in which the offshore outsourcing takes place.

## Organization and Collaboration

The case we are examining is an offshoring engagement between the IT-organization in a large Danish company (from here: ‘The Client’) with presence in several north-European countries and an Indian service provider (from here: ‘The Vendor’). The engagement was started up in 2006 and has since then grown to be one of the largest offshoring endeavours taken on by a Danish company.

The engagement is a *time-and-material* engagement (Levina & Ross, 2003), where The Vendor is responsible for providing consultants and for the physical setup – buildings, furniture, physical computers, phones et cetera – of the offshore development center (ODC) in India. With regards to the technical infrastructure the consultants work on physical machines provided by The Vendor, which are connected to virtual machines belonging to The Client, and this way the consultants all work within the technical infrastructure of The Client and no data is allowed to be carried outside this infrastructure due to their sensitive nature. Using the terminology of Lacity & Rottman (2008) the ODC is thus a *virtual captive center.*

The ODC is a mirrored organization, meaning that the various departments in The Client’s organization are replicated in the outsourced organization. This structure cascades down from nine areas directly under the responsibility of The Client's CIO to the various system management areas and development projects. Thus, the vendor staff members are allocated to departments and projects where they participate as if they were employees of The Client. That is, the utilization of the vendor staff resides under the line and project managers (from here: client manager) In most cases, however, an Indian task manager (from here: vendor manager) has been appointed, and he acts as mediator between the client manager and the vendor staff occupied with development, analysis, testing and other related activities.

However, on a daily basis the vendor staff and the client staff interact directly with each other. Thus the vendor managers are not as such *buffers* in the daily tasks, but rather constitute an administrative and managerial layer, who – in addition to coordinating with the relevant client manager – has the HR responsibility for the vendor staff. Thus, the mirrored organization and the daily work practices make up a matrix organization, in which the vendor staff has two entities of authority to take into consideration: the vendor manager with HR responsibility and the client manager charged with the accountability for task progression and quality of the deliveries. Furthermore, the Client Organization has a group of five expatriate *Liaison Officers* working at the ODC for a contract period of two to three years. The role of the Liaison Officers is, in the words of one of them "to communicate and coordinate between Denmark and India on a management level, not an operational level" as well as administration and problem solving. Furthermore, they are involved in the recruitment process of vendor staff and are taking part in all job interviews.

As the tasks being performed in The Client Organization vary significantly with regards to type, complexity, size, duration and business importance, the mirrored ODC organization also experiences a significant variance. This, combined with a Danish tradition of self-organization and empowerment (Gertsen & Zølner, 2012) within the various departments residing under the CIO's office, results in a non-standardized collaboration between The Client Organization and the ODC. However, recently the majority of global teams are switching to agile development (Martin, 2003), characterized by close collaboration and daily inter-team meetings including all team members from both The Client Organization and the ODC.

### Attrition Rates

High staff turnover in the Indian IT-industry is often considered a problem (Tymon et al., 2010) and attrition rates of between 30 and 45 per cent within the IT and BPO industries is being reported (Tymon et al., 2010: 109) though the largest service providers experience substantially lower attrition rates. Reviewing the annual reports from 2011-2012 of the three largest Indian-owned service providers within IT and ITeS (*IT enabled services*; such as administrative work and BPO), namely Tata Consulting Services (TCS), Infosys and Wipro reveals an average attrition rate of 14.8 per cent (TCS Annual Report 2012; Infosys Annual Report 2012; Wipro Annual Report 2012). In the offshore development center that constitutes the empirical foundation for this research paper the attrition rate is 12 per cent in 2011/2012. That is significantly lower than the average rates for the industry reported by Tymon et al. (2010), but also lower than the average of the three biggest, in terms of both staff and revenue, players on the market. Thus, it seems that the virtual captive center, we are investigating, is doing significantly better than the industry in average and slightly better than the top three performers when it comes to retaining staff.

Bhatnagar (2010) found that it is imperative "to determine the disengagement levels and address them immediately. This would provide a decrease in the attrition rate, if not remove it altogether" (p. 656). In our case study we have come to know an organization, where attrition rates are fairly low and consequently it is not meaningful to concentrate on identifying disengagement levels, as Bhatnagar (2010) suggests. Rather it is interesting to *focus on what works*; on how the daily cooperation across borders affects and contributes to the intrinsic motivation of the vendor staff. In the analysis we will do so by applying a lens of Positive Organizational Scholarship (Cameron et al., 2003).

## RESEARCH DESIGN AND METHODOLOGY

### Positive Organizational Scholarship

Using a lens of Positive Organizational Scholarship (POS) (Cameron et al., 2003), Stahl et al. (2010b) draw attention to the notion that cultural diversity and differences can also be an asset and they encourage scholars to explore the positive aspects of cross-cultural dynamics and identify some of the conditions underlying trust-building, team effectiveness, employee motivation and job satisfaction.

Stahl et al. (2010a) found that research of multicultural, geographically dispersed teams *has largely focused on barriers to cooperation* and thus, previous research may have been biased towards studying the negative effects of team diversity and thus overemphasized the problems and barriers in virtual team collaboration, focusing on ‘cultural frictions’, ‘culture clashes’ and ‘communication breakdowns’. For instance, Hinds & Mortensen (2005) found that distributed teams are more fragile than collocated teams; Gibson & Gibbs (2006) found that to make culturally diverse teams function considerable effort into building relationships is pivotal; Cramton & Hinds (2005) found that multicultural teams experience substantial challenges when communicating and collaborating across time zones, cultures and national borders and that some teams construct strong ‘us versus them' dichotomies that hinder information sharing, collaboration and joint generation of ideas; and Glinow et al. (2004) found that virtual teams often encounter difficulties in managing conflicts.

In this paper we will follow the notion of Stahl et al. (2010b) and apply a POS perspective. As described, the offshore development center that constitutes our empirical foundation for this research paper is characterized by lower attrition rates than the average among the top three Indian IT service providers and the industry in general. Thus, as highlighted in our research question, we aim at understanding how the social interaction and intercultural collaboration contribute to the intrinsic motivation of the vendor staff, and by this, we speculate, their willingness to “stay onboard” for a longer period of time, and thus not seek employment outside this particular virtual captive center.

**A Single Case Study**

The findings reported in this paper are a subset of a larger empirical investigation (Sonne, 2012) broadly looking at both challenges and motivations for a wide range of stakeholders, including several managerial levels as well as employees from both The Client Organization and the ODC. Thus, the original inquiries are significantly broader than what is being presented here.

The advantage of case study research is generally to gain a deeper understanding of a phenomenon by investigating it within a real life context (Cassell & Symon, 2004; Piekkari & Welch, 2011). Multiple qualitative research methods have been used to study the case from various angles using several sources of information: company documents, interviews and observations.

Company-internal documents established a basic understanding of the organizational environment in which the case study has been done and qualitative interviews were conducted to grasp the “complex pattern of organizational, work-group, professional and interpersonal loyalties” (Cassell & Symon, 2004: 21). The semi-structured form allowed the interviewees to elaborate and steer the discussion into areas they perceived as relevant (Saunders et al., 2007; Gertsen & Søderberg, 2011). All interviewed people were informed that their contribution would remain anonymous and their identity not revealed under any circumstances, to ensure a high level of confidentiality and pave the way for open and honest accounts. Throughout the interviews the interviewer has attempted to act friendly, but remain neutral in relation to interviewees from the two organizations.

Furthermore, participant observation was applied to explore intercultural encounters and interpersonal and intergroup dynamics. As a consequence of participant observation a substantial number of informal talks with employees as well as managers have contributed to the empirical foundation of this paper.

**Empirical material**

According to Alasuutari (1995), qualitative research requires that one can “explain all reliable pieces of information known to belong to the figure or mystery being solved in such a way that they are not in contradiction with the interpretation presented” (op.cit., p. 12). In line with this notion we will briefly present how the qualitative data have been collected.

The field was conducted over a six months period in 2012. During this time two global teams were observed and interviewed. Two managers and seven employees in The Client Organization were interviewed and observed in their daily work. Following this, observations and interviews were conducted at the ODC in India. During the visit to India six vendor managers and seven vendor staff members were interviewed as well as four Danish liaison officers.

During the observation studies client staff as well as the vendor staff were approached randomly, which resulted in another 13 informal interviews. In the case of the informal interviews, field notes were drafted immediately and subsequently processed into a cohesive text. Informal talks and observations were also noted in a field diary.

## ANALYSIS

### Social Interaction: The Notion of 'Being Colleagues'

An offshore outsourcing setup is likely to spur *in-group favouritism* (Kanter & Corn, 1994; Marrewijk, 2010) and a 'them and us' discourse between the two entities, i.e. client staff and vendor staff.

Kanter & Corn (1994) found that the distinction between in-group and out-group members tend to influence what behaviour people expect from others, where in-group members are expected to display more desirable behaviours than out-group members. Furthermore they point out that "cultural differences do not automatically cause tensions. But when tensions do arise – often due to situational factors such as lack of communication or poor performance – people blame many of the organizational difficulties they encounter on cultural heterogeneity – on the presence of others who seem different – rather than to the context within which these problems arise" (Kanter & Corn, 1994 :19). In short, people tend to attribute negative behaviour to nationality, rather than to situational or contextual factors. This is supported by Gleitman et al. (2007) who emphasize *the fundamental attribution error*, which is defined as the tendency to "routinely ascribe others' behaviour to dispositions and not to situations – even when there is ample reason to believe situations are, in fact, playing a crucial role" (p.  440).

Interestingly, a 'them and us' dichotomy is not a dominating discourse in the particular offshoring engagement we have researched. On the contrary, we have found that the cooperation is characterized by a working culture where client staff and vendor staff are considered equal – a partnership where they see each other as colleagues, rather than as representatives of The Vendor and The Client. This notion of ‘being colleagues’ is generally perceived as a positive thing that helps ensure a fun and motivating working environment for the vendor staff; but also described as both atypical for offshore outsourcing relations and as a positive surprise:

> *"One of the things which I did not believe will happen is what [The Client Organization] said that we will treat you as partner - everybody always says that. But you can actually see that it comes from the heart because they treat our people in the same level as their own employees and this is one of the reasons why people like working here because they are not seen as an outsource vendor” (Interview with Vendor Manager)*

Adding to this notion of ‘being colleagues’ the vendor staff members are also encouraged to speak their mind and to share ideas, and this adds to their motivation. On the topic of how the collaboration affects the motivation, another vendor manager says that:

> *“I really think this model is a wonderful way to work, because I have worked with other customers inside [The Vendor Organization] and outside [The Vendor Organization] where you are seen as a vendor. […] When you are looking at [The Vendor] as a partner - in our case that is how it is – then the whole ball game changes. The relationship is different. Then I think you are more open to receiving ideas […] I feel [The Client Organization] is open […] I feel I am much more engaged with [The Client Organization] because they have given me this space where I get an open hearing, where I feel my ideas are respected and welcomed and I will get a fair chance to argue my case. […] just the fact that I have this space where I can talk about it, gives me so much more motivation” (Interview with Vendor Manager)*

One vendor staff member explains that being accommodating in terms of learning a few words of each other’s language furthermore contribute to the collegial feeling as he explains that the client staff often greets the vendor staff ‘good morning’ in either Hindi or the local language of the vendor staff member and that the vendor staff does the same by greeting the client-side staff in Danish. He furthermore explains that *“this gives a good feeling, so it's not like you're interacting with someone who is from thousands of miles away, you're just talking to someone else, like someone else sitting right next to you" (Interview with vendor staff member).*

So far, we have established that there is a feeling of partnership, of being colleagues, among the vendor staff. While this is indeed a result of the attitudes of both vendor staff and client staff, we also found that the organization of the teams plays a significant role: As we have mentioned in the presentation of the organization and collaboration, the engagement is a *time-and-material* engagement, where The Vendor provides staff to a mirrored ODC and takes part in the work as if they were employees of The Client. On a daily basis vendor staff and client staff thus interact directly with each other and the work load is not strictly divided between them. This way of organizing work is quite unusual in offshore outsourcing. One vendor staff member explains:

> *"[I]t is the first time I've seen such an environment where the client sits right next to you and he sits along with you in the development as well. We normally get a business request from there and even main developers will be from Denmark, so we will not be doing a 100 per cent developing offshore thing. Mainly we will get some 'specs' [specifications] […] and based on that our Business Analyst will sit with those guys and they will prepare some basic functionality and documentations, based on which we will start some programming [...] it's more like a mutual work, it's not like we will do a 100% here. Whatever we do, they will be equally aware of, and they will be also taking a major chunk of that part."(Interview with vendor staff member)*

Several vendor staff members expresses that they believe that the direct contact with client staff is very positive. One vendor staff member elaborates: *"this is the first time I've seen the client doing some technical stuff, normally [...] the client is only concerned with the business [...] - we used to get technical architects from [The Client] here, so we will get to know more about the business part through interaction with such people*". Thus, the 'us versus them' dichotomies that Cramton & Hinds (2005) found to hinder information sharing, collaboration and joint generation of ideas has to a large extent been eliminated by the strategic decision to organize the work in a way where the vendor staff and the client staff performs as 'One Team'.

The notion of 'being colleagues' extends to The Client Organization. During interviews and observations at the Danish premises the term 'our Indian colleagues' has been heard numerous times. Although the notion of 'being colleagues' is found repeatedly, it is, however, worth noticing that the introduction of an ODC has also affected The Client Organization: During interviews some client staff members have emphasized that they believe they have competences and knowledge that cannot be substituted and that the strategic decision to outsource heavily is wrong. Thus, it seems that they regret the development towards more and more outsourcing. This attitude among the client staff has also been noticed among the vendor staff. One vendor staff member explains that the situation was worst in

2008 and attributes this to the general recession and explains that the vendor staff "*were afraid of losing their jobs and therefore unwilling to cooperate. At the same time [the ODC] continued to grow during the recession, while there were massive layoffs in Denmark. Some people though [ODC] people should be fired, not the Danes*". The same is being reported by one of the Liaison Officers who express that *"there is some resistance in Denmark, you know. Some people are afraid of losing their jobs by cooperating with Indians"*.

However, our observations also clearly show that this does not affect their relationship with the vendor staff in terms of some sort of "blame game" where vendor staff becomes the villains (Marrewijk, 2010). Thus, we do not see any signs of the *fundamental attribution error* (Gleitman et al., 2007) or in-group favouritism (Kanter & Corn, 1994). There are indeed challenges to the virtual cooperation but no "blame game" as such. On the contrary our case study suggests the challenges that our interviewees face are thought of as highly contextual and situational and attributed to communication problems; language proficiency; and the inherent challenge of understanding and learning about highly complex IT-systems at a distance.

The most significant challenges of the inclusive nature of the cooperation – where vendor staff and client staff mutually regard each other as 'being colleagues' – are that a) the close relationship in a primarily virtual collaboration requires significant cultural resources in the form of boundary spanners to minimalize friction and pave the way for smooth social interaction and knowledge exchange and b) that the form of integration between client staff and vendor staff results in a power struggle, where the control of the HR processes are heavily debated and contested. These two themes will be unfolded in each their section in the remainder of the analysis.

**Boundary Spanners: Bridging 7500 Kilometers of Distance**

> *"The complex stakeholder landscape suggests that the success of offshore outsourcing will largely depend on managing the relationships among a diverse group of stakeholders" (Lacity & Rottman, 2008: 8)*

Although the client staff regards the vendor staff as colleagues; and that the vendor staff also express that they perceive themselves as being treated equally and as colleagues, this does not mean that the relationship is frictionless. Indeed, the stakeholders are, as the quote above also suggests, a diverse group, and success in managing this relationship is repeatedly attributed to a group of boundary spanners (Aldrich & Herker, 1977) consisting of vendor managers; onsite-experienced vendor staff; and the Danish Liaison Officers stationed at the ODC in India.

As we have mentioned earlier, lack of fluency in English as a working language among some Danish employees in The Client Organization causes communicative challenges and such challenges are again further increased by the lack of face to face interaction. On top of this, cultural differences in relation to hierarchy, authority and direct versus indirect communication are repeatedly brought up during interviews and observations as a significant challenge – and it is in dealing with these challenges that the boundary spanners are playing an important role.

In line with Yagi & Kleinberg (2011) our observations indicate “that the boundary-spanning role in global organizations is performed by numerous organizational actors in a variety of positions and status” (p. 648) and furthermore that these boundary spanners are relying on their “knowledge of multiple cultures, and their ability to flexibly utilize that knowledge” (p. 648). In our case study we have found these boundary spanners to be important to both the client side and the vendor side. Below we shall first present the most prevailing perspectives on the need for boundary spanning.

Indeed, the client managers all perceive cultural differences as challenging to some extent, and they claim that Indians tend to speak more indirectly about issues than they do themselves, and find it hard to interpret their messages. The Indians are also perceived as less team oriented, more hierarchically organised and unfamiliar with the concept of empowerment, which is a prevailing concept in The Client Organization. The recognition and understanding of cultural differences – such as the ones mentioned here, but not limited to them – has been addressed in a set of ‘Cultural Guidelines’ for the client side. Also, a set of cultural guidelines aimed at the vendor staff has been drafted. The content of both set of cultural guidelines has been drafted based on input from primarily the Liaison Officers, and furthermore with input from vendor managers. It consists primarily of information about how to address differences in hierarchies and communication styles; practical advice on how to make the best of distributed collaboration with regards to meetings, follow-up and coordination; and advice on how to make sure that everybody performs and acts as ‘One Team’.

The client managers find these guidelines important, but only useful and relevant to some extent, as the challenges they meet in their daily work require much more specific and concrete advice as to what works and how the given cultural dimensions influence the daily collaboration. One client manager explains:

> *“[U]p front we of course heard about the Hofstede and the other cultural differences and so on but that’s more generic knowledge. Transforming that into how you go about it in your daily work, that’s a tough one” (Interview with Client Manager)*

The notion that situated cultural understanding must be developed based on the experiences found inside the organisation is supported by the vendor managers, who, through previous cultural clashes, have been made aware of the need to try to create a minimum of cultural self-awareness among the vendor staff. For example, one vendor manager explains that the junior employees who have had less exposure to other cultures or no experiences from business trips abroad need to be made aware of what behaviours may be interpreted as offensive by the Danish counterpart. This manager sees it as a central part of his role to be a cultural mediator between the Danish and Indian context, when the client managers do not understand or know how to interpret a specific behaviour among the vendor staff or are unable to understand their particular Indian English accent.

The vendor managers exemplify a range of their boundary spanning activities: One example is that client managers may interpret the vendor staff’s silence as incompetence, whereas it in an Indian context is perceived as a way to show respect for authority. In this case the vendor managers are trying to establish an understanding on both sides by providing information to the client managers and client staff – and furthermore explain to the vendor staff how their silence is perceived and encourage and support them in being more proactive and ask critical questions and in this way adapt to “the Danish way” of communicating. Another, and somewhat contrasting, example is the frequency of email and instant messenger (i.e. chat) correspondences, which the Danes allegedly perceive as very intrusive, interrupting and somewhat rude, whereas it is customary in India to communicate extensively via these channels simply to signal competence.

Our case study also suggests that a significant part of the habitual work culture of The Client Organization has been adopted in the ODC. For the vendor managers, balancing the affiliation to The Vendor Organization, with regards to internal communication and hierarchies, and adapting to the work culture in The Client Organization is not perceived as a source of conflict but rather as an obvious consequence of working in an offshore outsourcing setup.

In line with Yagi & Kleinberg (2011), we have found that "boundary spanners at strategic junctures are especially important for holding together today's geographically dispersed, internally differentiated, and culturally diverse organizations" (p. 630). Below we shall explicate the role of the three types of boundary spanners, that is, the vendor managers; the vendor staff with on-site experience; and the expatriated Liaison Officers.

*The vendor managers.* In both teams we have observed, it is clear that the vendor managers play an important boundary spanning role. In addition to being the HR-managers of the vendor staff, and thus, assuming the *direct* responsibility for their performance and well-being, the vendor managers play a significant role in the daily collaboration. One client manager explains that *"the reason for our good collaboration is both that the [Vendor Manager] is a very skilled manager […] because he has a very people-oriented approach to both the team but also to me and my counterparts"*, and he elaborates on the nature of the relationship: *"Its honesty and its trust - which of course comes over time. An open approach from both my side and [the Vendor Manager's] side".* Thus, one aspect of the vendor managers' boundary spanning roles is related to engaging in the management alongside the client manager. Another part of the mediator role relates to team communication. A vendor manager, with substantial experience from previous offshore outsourcing engagements, explains that *"there will be scenarios where […] we need more details because there is a distance between Denmark and India, and sometimes it needs more elaboration for people to understand it".* He furthermore elaborates, that by the virtue of years of experience he himself *"had a good exposure to how to* *communicate over the phone, how to communicate in emails, how to be more precise, how to collaborate and understand each other"* and hereby the ability to resolve potential conflicts early and quickly. Another vendor manager explains that by the means of a long-term stay onsite he is able to translate from Danish and interpret the meaning of messages coming from Denmark in case there are some language barriers on either side.

> *"When we first started, it used to be Danish everything. And even for all the team members [in Denmark] it was difficult for them to speak with me. […] The manager tries to present in English - for some part at least when it comes to me. But when there are some discussions going around, they try to take it in English [and] then, they look at me if they are not able to communicate it. Sometimes they look around and look at me and then I say: You can take it in Danish. And they feel so happy."*

Consequently, there seems to be an additional boundary spanning activity that relates to translation and interpretation in cases where client staff does not have adequate vocabulary to communicate complicated technical information in English. In addition there seems to be an additional aspect, namely that of *familiarity*, which we shall turn our focus to in the next paragraphs about the boundary spanning roles of vendor staff with onsite experience.

*The onsite-experienced vendor staff.* The vendor staff and managers find that they can to a certain extent effectively *"utilize technology to bridge the boundaries; bridge the gap which we have between Denmark and India in terms of distance"* but also assesses that physical proximity is beneficial to *building relationships; sharing knowledge and learning; and collaborating efficiently* as the interviewee below clearly explains.

> *"Being here helps building relationships. Unless you have met face-to-face it is not so comfortable to communicate. […] We had an incident of a misunderstanding recently, and because I was here [in Denmark] as mediator, we solved the issue much faster than we otherwise would have. I was approached by my Indian colleagues […] because, they did not understand why they had been told to roll back something, they had been working on. I then went to the Danish manager who had said this, to hear why they had to roll back. It turned out that both sides had misunderstood each other, and because I could just go there and ask, the misunderstanding could be solved more quickly. Afterwards, I helped to communicate why it had to be rolled back in a way that made sense to the people in [the ODC]" (Interview with vendor staff member with onsite experience)*

As mentioned, the vendor staff and managers perceive a significant challenge related to knowledge sharing as the client staff possesses important domain knowledge which the vendor staff members need to perform their work. Through our interviews we learned that this is partly because system portfolio is chiefly made up of old legacy systems (i.e. systems developed in-house as opposed to standard systems being tailored to the organization's needs) and partly because of lack of system documentation in English. Consequently, to be able to work on the systems, elicitation of the client staff members' tacit knowledge (Polanyi, 1966) is pivotal. To illustrate these challenges a vendor staff member exhibited a task that he was working on, where the programming code contained significant amounts of Danish words. To deal with this the vendor staff member told that he was picking up a little Danish vocabulary every day and used Google Translate for the rest.

Consequently, to perform their work the vendor staff members are dependent on assistance from client staff which sometimes is made difficult by long response times from the client staff. However, in addition to gaining substantially more knowledge from working onsite, the vendor staff members also experience a a significant decrease in the time it takes to get help when they are working onsite, as this employee describes:

> *"The daily work is the same here [in Denmark] as in India. But it is easier to find solutions here - where it takes 2-3 days in India it only takes half an hour here. For example, when you send an email from India, the reply is very slow. If I send an email from here, they [the client staff] are quick to reply. Maybe [it's] because they can see me? They don't mind me disturbing them here, but sometimes the emails from India are perceived as disturbing or rude. This shows that you cannot eliminate the communication barrier through technology only. You need relationships also. Maybe they forget us when they can't see us. Out of sight out of mind, you know. I guess that is a human tendency." (Interview with vendor staff member with onsite experience)*

This point of view is further substantiated by a vendor manager with onsite experience, who found that he *"cannot actually compare my onsite experience with the offshore experience. That is completely different"* as the client staff's willingness to cooperate and time to respond is different depending whether the request for help comes from a person sitting onsite or offshore.

> *"If you have a problem [and] if you are in Denmark, sometimes it can be resolved like this [snaps his fingers]. You can go to somebody and you can get help on how to resolve some things very easy, very fast. But if I'm here and I have some problem […] they will*

> *not be able to spare some time if I ask [...] even though it's a very small problem, we have to wait a lot of time for somebody to look into that particular thing."*

Thus, the onsite-experienced vendor staff members play an important role as *mediators* between client staff and offshore vendor staff in terms of their closer relationships with the client as well as closer physical proximity that seems to ease daily communication.

*The Liaison Officers*. Just as the vendor staff members working onsite are mediators there, the liaison officers are acting as mediators in the ODC. One vendor manger expresses that *"it is very good that we have people from [The Client Organization] who are here as Liaison Officers"* as it provides for a closer interaction between the parties and *"helps in understanding each other and makes it easier for people to work on a day to day basis"*.

One liaison officer explains that *"people in Denmark need to be aware of the environment and context here, as well as the people here in India need to know what is going on in Denmark"* and that the liaison officers have *"accomplished to implement [The Client] culture so that for example you can make an appointment with an Indian person and be sure that the appointment is kept without making further follow-up"*. This way, the liaison officers are bringing a Danish habitual work culture to India and securing that the vendor staff adheres to these values. He furthermore highlights hierarchy as one of the major differences and explains that in India *"there's a lot of hierarchy […] the manager is always right; seniors trump juniors, who have no right to question anything"*.

*Summing up on boundary spanners*. In line with Yagi & Kleinberg (2011) we have found that international assignees and expatriate managers are the primary boundary spanners. In addition to this are the vendor managers who have an important role in people management as well as being the local anchor point and thus spanning the boundaries between the client manager and staff on one side and the offshore vendor staff on the other.

Even though many of the interviewees indicate that the differences in work culture is perceived less challenging today than they were some years back, there are strong indications that the boundary spanners are still needed as they possess "the necessary explicit and tacit knowledge of how to do things, what to do, who to build and maintain a network with, and why something is important" (Yagi & Kleinberg, 2011; 631; Beechler et al., 2004). Indeed, the onsite vendor staff build relations; the onsite vendor staff and the vendor manager smoothens the daily cooperation; and the liaison officers bridges organizational and cultural gaps, by introducing *the Danish Way* to the ODC. In the last part of our analysis we will examine the latter, namely how the boundaries between the vendor's way of operating and the client's ditto clashes and turns into a power struggle aimed at gaining control of The Vendor's HR processes.

**The Power Struggle: Gaining Control of the Vendor´s HR Processes**

We have studied a virtual captive center, in which consultants hired by The Vendor are allocated full-time to The Client Organization. Consequently, on a day-to-day basis the responsibility for the performance of the vendor staff is shared between The Vendor and The Client in the sense that The Client bears the responsibility that the consultants are busy and that each individual staff member delivers, and The Vendor is responsible for HR, and hereby for career development, remuneration and retention. In other words, the vendor staff works *with* The Client, but *for* The Vendor.

One client manager describes how it can take up to five years to build up an adequate knowledge level, regardless of whether it is in Denmark or India. Thus, in order to achieve the IT department goals it is vital for The Client that the vendor staff stays on board for a longer time than what is customary in India. This has led to a situation where The Client increasingly wants to have more and more influence and responsibility for the ODC staff.

> *"Somehow now, we – as a customer – are making their HR policy. And that's not part of the contract. […]When we hired [The Vendor] it was arms and legs because we needed 200 people and we could get them in [The Vendor Company]. Now we are just saying 'no, the ODC is a part of [The Client Organization]'. […] We want to decide how their people have to be developed and we want to do a lot of other things. And [The Vendor] should just send us the bill, nothing else. We will have decision rights for the rest." (Interview with Client Manager)*

This perception, that the boundaries are eroding, are shared by the vendor staff. One staff member explains that he spends most of the time in the ODC without much contact to the rest of the Vendor company and *"with respect for [The Vendor] I can just think of myself as an ODC employee"*. This perception is also shared by the vendor managers who express concern that the vendor staff members tend to forget their affiliation to their primary employer.

From the beginning a strong bond to The Client Organization has, intentionally, been established: The ODC has been branded as a part of The Client Organization, where *“the rest of [The Vendor Company] sees the ODC as an entity by itself”* as a vendor manager puts it. Consequently, the vendor managers feel they have become victims of their own collaboration success, leaving less room to promote the corporate values of and possibilities in the Vendor company:

> *”Within [the ODC] people will possibly not realise the [vendor] and not be able to leverage the work that [the vendor] has to offer them as an organization […] This complete entity, this entire setup is [ODC] plus [the client organization] […] At times we are victims of our own success. We’ve created [the ODC] successfully, but we are also victims of it.” (Interview with Vendor Manager)*

The eroded boundaries are visible at numerous levels but most apparent is the struggle for influence on and control of the performance appraisal processes. The vendor managers find it more challenging to handle people’s career aspirations in this setup than if they had the full responsibility to groom the staff according to the norms of what they term the ‘Indian IT culture’. One vendor manager explains that they take feedback from The Client in connection with the annual appraisals and that The Client this way has an indirect involvement in resource evaluations and appraisals. While the vendor managers see the appraisal input from The Client as a natural part of the cooperation they do also occasionally experience what they perceive as untimely involvement.

The vendor managers sometimes experience that their staff appeals to client managers with regards to topics such as salary, bonus and promotion and that they use the client managers to leverage their power. In some cases the vendor managers furthermore experience that client managers intervene, which they perceive as overstepping boundaries. One vendor manager describes the fine line that defines the organisational boundaries between client and vendor like this:

> *"When you start to think ‘this is* ***my*** *people’, then sometimes you cross borders, you start looking at […] how can this person get more salary, get more promotion etc. Then we are making this line thinner, and that becomes sometimes bothersome. At the end of the day you still have to follow what the organization does on the HR aspects. And there it*

> *surprises quite a lot of times on the HR interventions. That is rather difficult because this [Vendor Organization] has one setup and [The Client] has another setup, and we have to still respect each other." (Interview with Vendor Manager)*

Thus, both client and vendor managers experience that boundaries with regards to the HR processes are being crossed repeatedly: From the perspective of the client managers the boundary negotiation is a consequence of the inclusive nature of the collaborative work, but the vendor managers perceive this boundary negotiation as untimely interference in something that should be entirely within their span of control. As one vendor manager states: *"it is our people and we should be authorised - or we have the right - to reward our people"*.

## CONCLUDING REMARKS

In offshore outsourcing clients have limited options when it comes to affecting remuneration and career development for vendor staff. Thus, retention of such staff is customarily considered to be by and large out of the span of control for client companies. However, Tymon et al. (2010) found that a focus on, and increase in, intrinsic rewards diminishes the need to offer more attractive salary packages. In a virtual captive center the intrinsic rewards for vendor staff is highly dependent on the client's approach to collaboration as the client has the ability to affect the feeling of enthusiasm, energy and meaningfulness of the work for vendor staff in integrated teams.

In this paper we have explored the intrinsic motivation in such a virtual captive center by looking at how the notion of 'being colleagues' is a significant motivational driver for the vendor staff. Furthermore we have identified three types of boundary spanners – the vendor managers, the vendor staff with onsite-experience and the Liaison Officers from the client organization – and examined the importance of these boundary spanners in this particular offshore outsourcing engagement. In line with Yagi & Kleinberg (2011) who state that "it is crucial for global organizations to employ persons who can successfully transfer information, knowledge, practices, and technologies across organizational, national, and cultural boundaries" (p. 651), we found that the boundary spanners are pivotal for smoothening operations and hereby for achieving success and meaningfulness for the vendor staff as well as for the client staff.

Yagi & Kleinberg (2011) furthermore stress that “organizations need to appreciate the importance and pervasiveness of informal boundary activity, performed as often by non-managers as by managers” (op. cit.). It also resonates well with our findings, as we have established that onsite-experienced vendor staff without managerial responsibilities plays important boundary spanning roles. Interestingly, boundary spanning activities has only been conceptually framed in the case of the Liaison Officers, and to a certain extent the vendor managers. The onsite-experienced vendor staff members are so to speak more “informal boundary spanners”. In line with Yagi & Kleinberg (2011) we believe that “a conceptual framework that encompasses the notion of multiple cultural identities, and how cultural identity is implicated in the boundary-spanning process, opens a path to even greater self-awareness that would aid boundary-role performance. Cultural training of this sort can awaken a person’s cognizance of heretofore unrecognized cultural resources, and applies to persons who are monocultural with respect to national culture, as well as to those who are bicultural.” (p. 651); and consequently we believe that recognition of the onsite-experienced vendor staff as “official boundary spanners” and an effort to use all three groups of boundary spanners more strategically would benefit the collaboration between client staff and vendor staff.

Finally, we have shed light on the flip-side of the close integration that characterizes the offshore outsourcing engagement we have studied. We have found that the interwoven daily collaboration affects the vendor staff members, who tend to “forget their organizational affiliation” and often think of themselves as employees of The Client Company. This combined with The Client’s wish to be in control of HR processes results in a power struggle where the boundaries between The Client’s privileges and The Vendor’s rights are repeatedly being negotiated.

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