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# A Client-Vendor Relationship Perspective of Cultural Differences on Cross-Border Information Technology Outsourcing

John Kennedy Bosire  
*Walden University*

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# Walden University

College of Management and Technology

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John Kennedy Bosire

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## Review Committee

Dr. Nikunja Swain, Committee Chairperson, Management Faculty  
Dr. Danielle Wright-Babb, Committee Member, Management Faculty  
Dr. David Bouvin, University Reviewer, Management Faculty

Chief Academic Officer  
Eric Riedel, Ph.D.

Walden University  
2015

Abstract

A Client-Vendor Relationship Perspective of Cultural Differences on Cross-Border  
Information Technology Outsourcing

by

John Kennedy Bosire

MBA, Dallas Baptist University, 2005

BS, Prairie View A&M University, 2002

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Information Systems Management

Walden University

October 2015

## Abstract

Cross-border information technology (IT) outsourcing continues to rise due to the demand for business process outsourcing. Issues such as miscommunication and management problems have emerged because of cross-cultural disparities between clients and vendors across national borders. The theoretical framework of this study was based on the organizational culture model studies of Meek, Spradley, Smith, and Draft for examining and understanding complex organizational practices. The purpose of this mixed-methods explanatory sequential case study was to qualitatively identify and quantitatively determine the management approaches that are effective in managing cross-cultural differences and the constitution of the elements of global adjustment, motivation, mindset, and communication patterns involving outsourcing business leaders in the United States. Ten IT leaders participated in-depth face-to-face interviews, while 120 IT outsourced service providers from the United Kingdom, Canada, Singapore, and India completed the survey. Pearson's correlation analysis was performed on quantitative survey data. Qualitative data from interviews were organized, coded, and the results generated 6 themes. The themes included no management issues in the current processes, a lack of formal management approaches to resolve cross-cultural issues, an intent to provide a strong management partnership platform, and a positive relationship between approaches. Quantitative results showed that formal management approaches positively correlated with global adjustment, motivation, mindset, and communication pattern. Results could be socially significant to IT business leaders, as these results will equip them with knowledge of effective practices and management approaches to address cultural diversity issues, programs, and policies in the industry.

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## Dedication

I would like to dedicate this research project to my family and friends. A special feeling of gratitude goes to my late loving parents in the Republic of Kenya, Mr. Stanislaus Bosire, and Ms. Brigitta Bitutu, who were pioneers of excellence in education. Their words of encouragement to me to work hard to succeed in doing anything have been fundamental to my personal growth, responsibility, and professional success. My wife Irene, my son Vinicent, and my daughter Eunice never left my side and are very special to me.

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## Chapter 1: Introduction to the Study

Outsourcing of information technology (IT) functions has become an emerging trend among global companies that seek services from offshore vendors in India, Pakistan, and China, among others. These countries are home to technology talent pools whose members are outsourced purposely to maximize assets at a cheaper cost. Organizational behavior studies (Cobb, 2009; Eaton, 2011) have shown that no two organizations have similar people, culture, composition, or attitudes. In particular, culture plays an important role in establishing practices, behaviors, and attitudes towards work and performance.

Chapter 1 begins with the introduction to the study and a brief explanation of the background of the problem, statement of the problem, the purpose of the study, theoretical framework, and the nature of the study, definitions of the terms, assumptions, scope, and limitations of the study, delimitations, and the summary of the study. Chapter 1 also includes six research questions and their hypotheses generated from the theoretical framework of this study. Furthermore, Chapter 1 includes an overview of the theoretical framework of the study, a rational explanation of the selected theory, and a brief discussion about the study limitations and delimitations. Finally, the summary of major points developed in this chapter and the transition to the next chapter.

### **Background of the Study**

Culture is a set of beliefs shared and practiced by a group of individuals, where one understands knowledge by learning the social environment in which this group of individuals lives (Cleveland, Erdoğan, Arıkan, & Poyraz, 2011). The global business environment includes different social environments in which people must

interact to realize common goals, despite differences of culture, norms, and beliefs (Cleveland et al., 2011; Ford, Connelly, & Meister, 2009). In the case of this study, organizational stakeholders with cultural differences may compromise organizational effectiveness, management practices, and individual or team performance (Leidner, 2010).

Organizational culture influences employees' behaviors, actions, beliefs, and attitudes towards organizational goals, values, and perceptions. Ultimately, organizational culture affects outsourcing success and the client-vendor relationship (Bo, Yuan, & Liu, 2013). Cultural diversity of the industry encourages innovativeness and imagination. The contribution of IT outsourcing to the concept of cultural diversity is the emergence of organizational diversity, which places a value on culture, norms, and behaviors from outsourced companies and personnel (Bo et al., 2013).

Although the global business environment implies the existence of culture diversity, management of cultural differences poses decision-making issues, particularly in the implementation, work design, and development of trust-filled work settings (Pirkkalainen, Manathunga, Pawlowski, & Valtonen, 2009). Cultural diversity may be a barrier to the success of processes and endeavors of the organization. Cultural diversity includes language differences, preferred working habits, organizational procedures, and religions among other constitutes. For IT outsourcing managers, cultural diversity poses a major challenge in the formation of outsourcing teams. Culture affects individuals' personalities, their working relationship with coworkers, and communication of corporate messages.

There are critical dimensions of cultural differences (Spencer-Rodgers, Williams, & Peng, 2010). These critical dimensions include the individual's power, individualism, collectivism, avoidance of uncertainties, and differences of gender and perceptions. The challenges for leaders of modern-day organizations that outsource IT to offshore locations is to understand and capitalize on cultural differences and develop a risk-proof management strategy to lead both parties—client and vendor—toward a successful work relationship. With empirical attempts to understand cultural differences as a basis for the development of workplace strategy, little research exists that consolidates the dimensions and factors pertinent to organizational culture and behavior, particularly in organizations that outsource IT services. Therefore, problems that arise from cross-cultural differences are lacking adequate management approaches.

As operations of organizations extend increasingly to global activities, outsourcing becomes a viable and economically efficient option in maintaining a business advantage (Spencer-Rodgers et al., 2010). The digitization of business processes has resulted in IT outsourcing management approaches that reduce operational cost (Pirkkalainen et al., 2009). However, several issues emerging from the outsourcing of IT functions has brought new relevance to the process in the field of business administration and organizational leadership (Tomita, Stuparu, Stanciu, & Daniasa, 2010; Tuan & Venkatesh, 2010). In particular, the dynamic nature of the global business environment requires identification of the factors that contribute to successful outsourced IT functions, specifically with the dynamic cross-border cultural differences of different organizational environments.

## **Problem Statement**

In this mixed-method explanatory sequential case study, I examined the implication of formal management approaches concerning cross-border cultural differences to the global adjustment, motivation, mindset, and communication pattern of the workforce. Cultural differences have become a concern to leaders of organizations. Culture is not only limited to national dissimilarity but also penetrates to the level of interorganizational relationships in work exercises, dispositions, ethics, and achievements (Contractor, Kumar, Kundu, & Pedersen, 2010). Culture fosters risks in different thought processes, experiences, upbringing, social context, behaviors, expressions of thoughts, and perception of work and play (Dekhuijzen, Delen, Hooegeveen, Jonker, & van der Meulen, 2009). In the organizational setting of the 21st century, IT companies venture into offshore partnership with the objectives of cost reduction, improved performance, and expansion of labor markets (Gregory, Prifling, & Beck, 2009).

This type of cross-border outsourcing relationships has generated organizational management problems such as scope creep, missed project deadlines, increased coordination costs, poor work quality, workflow miscommunications, and employees' global adjustment, motivation, mindset, and communication patterns, which have been either ignored or minimized, rather than being resolved (Gregory et al., 2009; Schein, 2010). The outsourcing relationship causes challenges to employees' global adjustment, motivation, mindset, and communication patterns, which demand strategies appropriate for a specific cross-cultural environment (Schein, 2010). The general problem is that research conducted to date has been

unable to provide typologies of management approaches that are relevant and specific to a particular organization with a diverse cultural workforce.

Several researchers have focused on the concepts of management approaches, yet few of these researchers analyzed the problems that arise from cross-border cultural differences (Contractor et al., 2010; Dekhuijzen et al., 2009; Schomer, 2009). However, none of these studies provided a typology of management approaches that address the specific issue of cultural differences between cross-border IT organizations and their client companies. While it is important to consider hard components such as profitability, strategic partnership, performance metrics, legal compliance, and the technical infrastructure of partner vendor, acknowledging the soft components should also receive attention. Being aware of and mastering the soft components of global adjustment, motivation, mindset, communication, and cultural differences can eliminate or at least mitigate the challenge of IT outsourcing (Schomer, 2009). However, none of the literature established the relationship of formal management approaches concerning cross-border cultural differences to the global adjustment, motivation, mindset, communication, and cultural differences in work behaviors of employees.

### **Purpose of the Study**

The purpose of this mixed-method explanatory sequential case study was to determine the management approaches that are effective in managing cross-cultural differences and the constitution of the elements of global adjustment, motivation, mindset, and communication patterns involving outsourcing business leaders in the United States. As a mixed-method explanatory sequential study, the study was begun by examining the management approaches that are effective in managing cross-

cultural differences and the constitution of the elements of global adjustment, motivation, mindset, and communication patterns involving outsourcing among 10 IT business leaders in the United States who are actively engaged in an outsourcing relationship. Next, the mixed-methods investigative process involved quantifying the statistical association between global adjustment, motivation, mindset, communication patterns, and cross-cultural management approaches among 120 IT vendors actively engaged in an outsourcing scheme.

Until this study was conducted, cross-border studies involving IT research adopted a simplistic approach and provided few, if any, solutions inherent in cross-border outsourcing (Contractor et al., 2010; Dekhuijzen et al., 2009; Schomer, 2009). Therefore, in the present study, I aimed to determine the extent to which cultural differences and management approaches affected global adjustment, motivation, mindset, and communication patterns of vendors in the IT outsourcing client-vendor relationships. Studies have shown that outsourced business managers in global firms may have different cultures, norms, and behaviors that can affect the performance of the business. In the context of the IT industry, the role of management is crucial to the success of the business, particularly in ensuring the credibility and safety of all information management systems of the organization and the services that rely on those systems. This study will contribute to the understanding of associated issues on cross-border cultural differences, which are a crucial component in the design and implementation of policies that can maximize intercultural business engagement.

### **Research Questions and Hypotheses**

This mixed method explanatory sequential case study sought to determine the implication of the lack of formal management approaches relative to global

adjustment, motivation, mindset, and communication patterns of the workforce. The following research questions guided this study:

RQ1: What are the implications of the lack of formality of management approaches that arise from cross-border cultural differences to the business outsourcing relationship between vendor and client in the IT industry?

RQ2: What are the specific practices of lack of formality that result in issues in the IT outsourcing relationship?

RQ3: What are IT professionals' management issues concerning outsourcing engagement and management of cross-cultural differences?

RQ4: What formal management approaches in IT outsourcing engagements are perceived as effective in managing cross-cultural differences?

RQ5: What constitutes positive global adjustment, motivation, mindset, and communication patterns of the IT workforce with cultural differences, as perceived by IT professionals?

RQ6: What is the relationship between formal management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce?

The following hypothesis guided RQ6:

$H_{1A}$ : Formal management approaches significantly influence global adjustment, motivation, mindset, and communication patterns of the workforce.

$H_{10}$ : Formal management approaches do not significantly influence global adjustment, motivation, mindset, and communication patterns of the workforce.

## **Theoretical Foundation**

There are two theoretical perspectives on outsourcing culture, namely the culturalist perspective and the culture-free perspective (Lungescu, Pampa, & Salanta, 2011). Through the culturalist perspective, it is possible to realize the underlying dimensions of culture and ways of measuring those dimensions. According to Lungescu et al. (2011), the most commonly used set of cultural dimensions are the ones proposed by Pirkkalainen et al. (2009). Pirkkalainen et al. used data collected from participants of 53 countries and regions to identify individualism, uncertainty avoidance, power distance, and masculinity as the four dimensions of culture. Individualism is the opposite of collectivism, and an individualistic society is one that emphasizes individual achievement and personal rights.

Uncertainty avoidance refers to methods of a society to handle anxiety by minimizing uncertainty. Changes in cultures whose members have a high uncertainty avoidance index tend to place great emphasis on the implementation of rules, laws, and regulations. The concept of power distance helps determine whether an organization is autocratic or democratic. Power distance refers to the perception of differences in power or the extent to which less powerful members (i.e., regular employees, as opposed to leaders) accept unequal distributions of power. Although low-power distance organizations are democratic, organizations with higher power distance indices are more autocratic. Lastly, masculinity refers to the definition of differences between gender roles (Pirkkalainen et al., 2009).

A need for understanding these perspectives exists to identify the particular environmental and organizational components of successful outsourcing contracts. The engagement of two or more organizational cultures can lead to failure and

canceled contracts attributed to differences in values, perceptions of the products offered by vendors, or differences in expectations of the vendor and the client. A competitive advantage and business success is built upon efficiency in processing and costs; the challenge that global organizations are facing is that of leveraging differences in vendor and client cultures to make outsourcing a viable solution (Lungescu et al., 2011; Morgan, 2009). According to Mosher and Mainquist (2011), cultural differences are a key factor in offshoring arrangements in which it is important to meet regulatory requirements. Specifically, local cultural practices may take precedence over formal procedures mandated in legal agreements; this bias in favor of culture over formality can easily undermine compliance efforts.

Based on previously published IT outsourcing research reports (Mosher & Mainquist, 2011), internal auditors recognize and understand the notion that employees tend not to follow corporate policies. As Mosher and Mainquist (2011) explained, cultural differences affect the implementation of organizational policies, particularly when vendors bend legal agreements that do not conform to the practices of the client. Mosher and Mainquist (2011) asserted the need to consider language and cultural differences in an outsourcing decision if the desired effect is success in the outsourcing process. Companies may employ offshoring to help address support problems, such as maintaining customer support activities, around the clock. However, choosing to operate in certain time zones can introduce language difficulties that cause resentment or frustration among clients and vendors. Alternatively, vendors sometimes offer near shoring to enable a combination of desired time zone coverage and appropriate cultural fit (Mosher & Mainquist, 2011).

Cross-cultural studies can provide an understanding from the structural perspective, while culturist theory provides only practical solutions for IT organizations, particularly in the areas of conflict management, detailed work patterns, cultural heterogeneity, and organizational structure (Spencer-Rodgers et al., 2010). In the present study, I explored the structural perspective using the elements of global adjustment, motivation, mindset, and communication patterns as perceived and experienced by 10 U.S. IT leaders engaged in outsourcing. I validated these perspectives across a 120-person sample population of IT vendors actively engaged in outsourcing arrangements. These theoretical concepts guided me in the achievement of the study objectives.

### **Nature of the Study**

Cultural differences in organizations are difficult to eliminate because they are the essence of the work relationship and the identity of the organization and its employees. Devising plans to minimize cultural differences are ineffective in the context of the global demand for workforce cultural diversity. Cultural differences, if managed tactfully, can alleviate internal struggles between clients and vendors. The conditions under which diversity may increase organizational performance are becoming increasingly important as managers promote the potential benefits of workplace diversity. Social psychologists have sought to identify moderator variables that might explain the instances in which workplace diversity can lead to lower or higher group performance, with a focus on those variables that relate to social-categorization processes. Prati (2012) pointed out that researchers conducted laboratory experiments to test a number of moderating factors and examine whether

these factors either inhibit or facilitate the effectiveness of contact to reduce in-group and out-group biases and promote positive attitudes toward out-group members.

The focus of this mixed method explanatory sequential case study was to examine the effect of formal management approaches to the global adjustment, motivation, mindset, and communication patterns of the workforce engaged in the vendor-client relationship. I used qualitative and quantitative research methods to qualitatively identify the constitution of formal management approaches, global adjustment, motivation, mindset, and communication patterns in an IT industry and quantitatively determine formal management approaches of cross-border cultural differences to global adjustment, motivation, mindset, and communication patterns of the workforce.

In the qualitative stage of the research process, I prepared a qualitative case study, which involved conducting in-depth, face-to-face interviews with 10 IT business leaders engaged in outsourcing relationships. I recorded, transcribed, and consistently analyzed the interviews following the data collection and procedures discussed in Chapter 3. I analyzed transcriptions of the interviews for content with the aid of QSR International NVivo software, Version 9, a qualitative software package that has the capacity to sort, identify, and categorize codes relevant in qualitative studies.

In the quantitative stage of the research process, I used the results of the qualitative stage by identifying and selecting themes associated with the categories of formal management approaches, global adjustment, motivation, mindset, and communication patterns. I used these themes in the design of a survey instrument to which IT vendors responded. With an anticipated 90% response rate, I expected to

generate a minimum participation of 120 participants. The quantitative stage was descriptive versus experimental; in other words, the interest of the study was to describe the perceptions of the 120 participants concerning the elements of global adjustment, motivation, mindset, and communication patterns in the population of IT vendors. I examined the variables of (a) formal management approaches, (b) global adjustment, (c) motivation, (d) mindset, and (e) communication patterns in vendor-client relationships using Pearson's correlation analysis. I applied these statistical techniques to the collected data to identify quantitative relationships among variables. Specifically, the results of the Pearson's correlation analyses provided insights into the relationship among variables.

### **Definitions**

The following terms and acronyms were central to the research study:

*Client:* The organization that engages a service provider (in the case of the present study, from another country) to provide or perform one or all of its necessary IT functions.

*Contracting relationships:* A range or continuum along which one extreme is market-like relationships in which the client organization has a choice of many vendors capable of performing the work. Contracting relationships can have options such as short contract durations and the ability to switch vendors at the end of a contract for additional future work of the same type without additional cost (Petsoulas, Allen, Hughes, Vincent-Jones, & Roberts, 2011). At the other extreme are long-term partnerships or arrangements in which the client organization repeatedly engages with the same vendor and develops a mutually beneficial and enduring relationship. At the middle of the continuum is relationships that must remain

reasonably harmonious until a major piece of work is completed; these contracting relationships are termed intermediate relationships (Petsoulas et al., 2011).

*Corporate culture:* The shared norms, values, and practices associated with a nation, organization, or profession (Pirkkalainen et al., 2009). Corporate culture is the sum of the values, virtues, accepted behaviors, and political environment of an organization (Vondey, 2010). The culture of an organization is composed of values, behaviors, and attitudes (Hatch & Schultz, 2009). Corporate culture provides continuity, structure, common meaning, and order, giving rise to stable patterns of interaction within the organization.

*Culture:* The collective programming of the mind, which distinguishes the members of one group or category of people from another (Leidner, 2010).

*International outsourcing:* The process of a customer turning over responsibility for a function performed in more than one country. For example, a customer might turn over work done in the United States, the United Kingdom, and France to a service provider, who would then perform the work in the United States, the United Kingdom, and France using its related companies in those countries (Lahiri & Kedia, 2009).

*IT infrastructure:* The technology, design, development, installation, and implementation of information systems and applications, and hence the complex set of IT resources that provide the technological foundation for the present and future business applications of an organization (Mkhomazi & Iyamu, 2011). The technology usually includes platform hardware and software, network and telecommunications technology, core organizational data, and data processing applications fundamental to the business (Mkhomazi & Iyamu, 2011). IT is complex in both technological

characteristics and in its history of evolution. Characteristics of the infrastructure determine the feasibility of changes and innovations in business applications (Lahiri & Kedia, 2009).

*IT outsourcing*: The process of turning over part or all of the IT functions of an organization to external service providers. This process may involve purchasing information systems equipment or services from a vendor external to the firm. The aim is to achieve economic, technological, and strategic benefits. For both the vendor and the client to achieve improved effectiveness in IT outsourcing, both parties may need to adopt mutual strategies for the delivery of IT functions (Gewald, 2010). The term may also apply to the use of outside resources to perform noncore functions (Lacity & Hirschheim, 1993).

*Offshoring*: Offshoring is business practices of sourcing out job functions outside the company to minimize long-term human capital cost (Entrepreneur Business Encyclopedia, 2011).

*Outsourcing*: Generally defined as contracting with outside vendors to conduct various IT functions such as data entry, data center operations, application maintenance and development, disaster recovery, and network management and operations. Vendors may be individual IS/IT professionals, consulting firms, employee leasing companies, or full-service providers (Broedner, Kinkel, & Lay, 2009). In comparison, Chen and Wang (2009) defined outsourcing as the process in which an organization delegates part (or all) of its tasks to an external service vendor or vendors for the supply of products or services required for effective internal operations to achieve objectives.

*Service provider/service vendor:* The organization that delivers the outsourced service. Synonymous terms are outsourcer and supplier (Varajao, Trigo, Figueiredo, & Barroso, 2009).

### **Assumptions**

I made a few assumptions for the present study. The first assumption was that IT leaders who participated in the study were true representatives of the population that I aimed to examine. Other than satisfying the inclusion criteria of the study, I assumed that the participants were mentally and physically fit to respond to the survey and interview employed in this study. The second assumption was that the themes culled from the qualitative phase were reliable and valid themes that could serve as indicators of the variables of management approaches, global adjustment, motivation, mindset, and communication patterns. Third, I assumed the survey and interview guide used in the study were valid and suitable for this study.

### **Scope and Delimitations**

From a preliminary examination of the literature, I inferred that cross-cultural issues in IT outsourcing engagements influenced organizations and needed to be resolved. The present study involved a qualitative and quantitative examination of management approaches, global adjustment, motivation, mindset, and communication patterns in IT organizations that engage in outsourcing relationships.

Through this study, I determined the perceptions of a minimum of 10 IT business leaders at the qualitative stage of the study to understand the indicators relevant for inclusion in the quantitative stage of the study. In the quantitative stage of the study, I administered a survey containing these indicators identified in the qualitative stage to a minimum of 120 IT vendors. These IT vendors were, at the time

of the study, actively engaged in outsourcing relationships at the quantitative stage of the study.

Despite the depth and scope of cross-border cultural impact on IT offshore industries, I limited the scope to IT-related offshore companies, which have different organizational structures, work patterns, practices, and behaviors. This study did not include customer service or marketing or legal offshore functions that are also common offshoring businesses. I conducted this mixed-methods explanatory sequential case study to determine the extent to which different cultures across different countries influence IT outsourcing client-vendor relationships. The selected sample for participation in the survey component of the study was representative of the target population. I drew conclusions and made recommendations based on analyses of data yielded by the completed survey.

### **Limitations**

The range of information and data available from books, documents, reports, journal articles, and various database searches limited the conclusions. As Randolph (2009) noted, where any study is concerned, a possibility exists for unknown research and documentation not taken into consideration; hence, its absence can influence results. In addition, the volume of data collected from administration of the survey may have limited the conclusions. This limitation is important to the survey participants because the greater the number of people involved in the study, the more compelling the findings, as is true of any study or research project, irrespective of the design (Ellis & Levy, 2009). Randolph stated that limitations are inevitable in most study statistical analyses. Therefore, in keeping with Randolph's views, I

acknowledge that uncontrolled variables limit the applicability and generalizability of this study.

Another potential limitation of the study was possible researcher bias because of my personal knowledge of and among the population of the study (Adams, Jones, Lefmann, & Sheppard, 2014). Because of this personal knowledge, I may have had predictive or hopeful outcomes for the study, which could have influenced the interpretation of the findings. However, I mitigated potential negative effects posed by this limitation by using valid and reliable quantitative data collection and analysis techniques, and ensuring that I did not interact with the study population in any way that could have affected the participants' responses to the survey.

### **Significance of the Study**

#### **Significance to Theory**

I used two theories in this study: the culturalist perspective and the culture-free perspective (Lungescu et al., 2011). Critical in the analysis of the data was the four dimensions of culture, which are individualism, uncertainty avoidance, power distance, and masculinity. From these dimensions, the present study intends to contribute understanding of these cultural dimensions in the context of the IT business outsourcing contracts.

Previous studies on cultural differences only examine the extent of the effects of culture among similar organization working at different locations. These studies have shown that culture influences working relationship and the productivity of the organization. In this present study, I intended to determine whether these attributed outcomes of cultural differences still apply with the IT outsourcing engagement.

### **Significance to Practice**

An empirical examination of IT outsourcing business engagement can potentially illustrate the need for IT business leaders to develop a better understanding of the adjustment process and management approaches in terms of cultural differences in the organization they supervise. It is possible that differences in culture between the client and vendor can hinder the successful outsourcing relationship. An examination of this type of business relationship provides basis in addressing issues of cultural differences. In particular, both client and vendor in IT organizations could determine the management approaches, global adjustment, motivation, mindset, and communication patterns that are relevant in resolving issues of outsourcing engagement.

A number of studies have been conducted on organizational differences in offshoring (Hirschheim & Dibbern, 2009; Spencer-Rodgers et al., 2010; Winkler, Dibbern, & Heinzl, 2009), but there is a dearth of literature on the soft aspects of outsourcing. Although it is difficult to change the inherent culture of employees in certain countries, it is possible to influence their work attitudes, values, and mindsets towards work performance and organizational culture, if leaders could establish a structure of cultural harmonization in vendor client organizations. IT outsourcing managers need to be informed about consequences they will encounter in their offshoring business engagements.

Outsourcing results will differ depending on the culture of the vending team. It is important for future outsourcing managers to know and understand that cultural differences yield different perspectives. Lack of congruency among the team

members undermines the development of a truly shared vision among providers, clients, and sourcing managers.

Rapid globalization has blurred business boundaries. Large organizations often have offices spread out in different parts of the globe or outsource their needs to business providers located outside their home country, which results in situations in which culture can get in the way of successful business relationships. My intention for the results of the present study are to serve as the first step in the drafting and implementation of policies designed to maximize intercultural business engagements and minimize the complications resulting from the lack of adequate management approaches to problems that arise from cross-border cultural differences.

### **Significance to Social Change**

The effective management of outsourcing engagement provides two-way benefits for the outsourced vendor and the client. First, outsourced vendors try to source out employment from companies that intend to seek cheaper cost for IT business functions. Second, the client company could financially gain from the savings of not hiring additional IT human capital. Therefore, ensuring the effective means of managing the vendor-client relationship could induce productive business engagement. A productive business organization that are actively engaging outsourced vendors in their business functions contribute to the global economic growth due to the provision of work contracts to experts in the less developed countries. In this case, the productivity of the developed country organization shared with the less developed nations in the form of job contracts.

I anticipated that the results of this study provide information that is useful in supervising organizations that deal with outsourcing. In particular, this study helps

business leaders in managing cultural diversity to influence productivity. A tangible outcome of this study was programs and policies guiding both leaders from the client organization and the IT vendor.

### **Summary and Transition**

Problems of culture in cross-border IT outsourcing arrangements continue to rise and have an impact on organizations, in particular the organizations engaged in vendor-client relationships. Culture is one of the biggest barriers to successful offshore outsourcing. While most people know and agree that truism is the case, there is a lack of understanding in how to deal with the barriers from different cultural aspects in offshore projects. The hope is that this study will bring social change by helping organizational management to examine approaches and engagement procedures that address cultural differences in the IT outsourcing projects. Organizations and management can alleviate the problem by developing an understanding of the nature of cultural differences. Understanding theoretical and practical implications could lead to establishing a working structure for harmonious work relationships between clients and vendors without disruptions such as failed or cancelled contracts, miscommunication, mismanagement, and poor performance.

In Chapter 2, I present an in-depth review of the literature as it relates to problems of culture on IT outsourcing by discussing recent literature that has recognized the problem under consideration in the present study. I also provide the theoretical framework guiding the study. In Chapter 3, I provide the methodology of the study as well as explain the sample, sampling procedures, survey tool, data collection, and data analysis. Furthermore, I describe limitations, ethical concerns,

and protection of study participants. In Chapter 4, I present data analysis and results.

In Chapter 5, I present the derived conclusions and discussions.

## Chapter 2: Literature Review

The purpose of this mixed method explanatory sequential case study was to determine the implications of the lack of formality of management approaches in the IT industry that arise from the cross-border cultural differences associated with the business outsourcing relationship between the vendor and the client. In this chapter, I will provide a review of related literature. The objective of this literature review was to examine the relationship between IT outsourcing and cross-border culture and IT outsourcing. Existing and relevant literature were gathered and analyzed to identify factors that can explain the relationship between the two variables. I conducted a literature review to demonstrate the lack of empirical studies concerning the culture on IT outsourcing engagements from a client-vendor perspective.

### **Literature Search Strategy**

I conducted the literature review using phrases and keywords relevant to the study. These keywords and phrases included *IT outsourcing*, *outsourcing*, *information systems*, *information technology*, *client vendor relationship*, *outsourcing culture*, *outsourcing behavior*, *supply chain*, *supply chain management*, *organizational behavior*, *organizational culture*, *project management*, *change management*, *contracts*, *globalization*, and *IT offshoring*. I used academic databases such as the Business Source Complete, Science Direct, EBSCOhost, Academic Search Complete, and Emerald Insight, among others. I sourced, identified, and reduced to citations the relevant material with all pertinent information to meet APA requirements for proper referencing.

I have organized the chapter into two main sections. The first section includes the relevant literature on organizational behavior. The discussion of literature on

organizational behavior focuses on understanding the various factors that influence organizational behavior. Specifically, I developed a subsection on culture to identify the role of culture on the behavior and performance of organizations. The second section focuses on a review of existing literature on outsourcing with the objective of understanding the challenges and opportunities that outsourcing contributes to organizations. There is also a section on IT outsourcing intended to reveal issues that directly relate to IT outsourcing. I also provide a summary of the key insights and implications relevant to the study as well as the synthesis of all the concepts and ideas gathered from the related literature at the conclusion of the chapter.

### **Theoretical Foundation**

Spradley (1980) stated that culture describes the characteristics of people in a group, particularly their behavior, beliefs, norms, and attitude towards the environment. On the other hand, various aspects of culture may include examinations of organizational rites and rituals (Trice & Beyer, 1984), heroes and villains (Smith, 1990), the dress code, the symbols, and artifacts (Daft, 2002).

In this study, I agreed to earlier postulation of Meek (1988) that culture is an abstract concept used to interpret organizational behaviors. The organizational culture model is a useful analytical tool for examining and understanding complex organizational practices. However, the concept of culture is very broad. That is, organizational cultural studies should focus on one or only a few cultural derivatives. For this study, my primary focus was to understand organizational culture in the context of determining the implications of the lack of formality of management approaches in the IT industry. These effects arise from the cross-border cultural

differences associated with outsourcing relationship business engagement between the vendor and the client.

Meek (1988) suggested that culture should not be considered as an independent variable or something that an organization possess but rather something that made the organization an organization. Culture is a state and not a thing, in and of itself. Organizational culture is not destroyable or created by management. However, management or the members of the organization can establish, or stimulate, the climate in the organization. Schneider and Reichers (1983) added that climate constructs measure by definition and set of reference.

Organizational culture studies indicate that every organizational stakeholder involved has some degree of responsibility for forging a working relationship that overcomes robust cross-cultural differences. The stakeholders could be the business executive, the expatriate employee, or the multinational corporation in its entirety. While virtual consensus exists to support the notion that cross-cultural differences have enormous influence on the effectiveness of leadership in a multinational organization environment, not everyone is like-minded. Therefore, it is hard to agree on how best to measure these differences and what factors and metrics to use for this purpose. For example, one of the notorious pioneers for cross-cultural research issues is Hofstede (1980, 1984, 1991, 1994, 2009). He analyzed relevant cultural dimensional data from more than 70 countries between 1967 and 1973. Based on this original analysis, Hofstede subsequently applied his research to the 40 largest countries and extended his studies to 50 countries and three international regions. Hofstede (as cited by Friedman, 2007) used the five cross-cultural dimensions to explain the different behaviors and attitudes of cultures around the world. Hofstede's

(1980) five cultural dimensions are (a) uncertainty avoidance, (b) masculinity-femininity, (c) individualism-collectivism, (d) power distance, and (e) short/long term orientation. Hofstede's five cultural dimensions explained a male-dominated society such as Latin America, Asia, and the Middle East, where the hierarchy strictly and culturally rules the society.

Over the past decade or so, Hofstede developed cultural dimensional scores for 74 countries and regions based in part on replications and extensions of his original study concerning the cultures of different international populations. Research conducted by others since Hofstede's original work has largely validated his findings (Hofstede, 2009). Based on his initial results, Hofstede developed a cross-cultural model that identified four primary dimensions to assist in differentiating cultures. In addition, these are power distance, individualism, masculinity, and uncertainty avoidance. Over time, Hofstede subsequently incorporated another cultural dimension based on his analysis of other countries, especially China, based on a questionnaire created on a collaborative basis with Chinese employees and managers. The fifth cultural dimension developed by Hofstede focuses on Confucian dynamism and is designated, long-term orientation. A cultural dimension subsequently applied to other 23 countries (Hofstede, 2009). A number of studies have confirmed that these five cultural dimensions highly correlated with the respective country's cultural and religious views (Hofstede, 2009).

According to Hofstede (2009)'s perspective, the U.S.A and the United Kingdom are virtual mirror images of each other. However, there are stark differences between the USA and China in terms of the power-distance index, individuality

versus collectivism, and long-term orientation. According to Newman and Nollen (1996),

Power distance is the extent to which people believe that power and status distributed unequally and accept an unequal distribution of power as the proper way for social systems to be organized. In organizations, power distance influences the amount of formal hierarchy, the degree of centralization, and the amount of participation in decision-making. (p. 753)

Likewise, comparable differences exist between the cultural dimensions of the United States, India, and Brazil. These similarities and differences can guide as points of departure for understanding what cultural gaps exist between a host country and impetrate employees recruited by multinational corporations.

While a number of studies have validated Hofstede's original and subsequent findings concerning cultural dimensions, some researchers have maintained that it is impossible to capture the vagaries of an entire nation's culture using this approach. Hofstede (2009) surveyed relatively small numbers of the population to develop his findings. For instance, McSweeney (2002) suggested that it is erroneous and even misguided to make such broad assertions concerning an entire country, based solely on the analysis conducted by Hofstede. In this regard, McSweeney emphasized that using a small number of random sample responses could not support a generalize conclusions concerning culture.

McSweeney (2002) continued to point out that the questionnaires that Hofstede used to develop his findings concerning the cultures of other countries may not have been sufficiently robust to capture the level of cultural dimensions that the sociologist maintained and achieved. As McSweeney (2002) noted,

Hofstede depicts his dimensions of national culture as bi-polar in the sense that each composed of contrasting positions, for instance 'individualism' versus "collectivism". Problems may arise as the two can coexist and emphasized, more or less depending on the situation. (p. 38)

This observation is particularly appropriate for countries that do not have a homogeneous population. The large segments of the population live in geographically disparate regions where values, customs, and morals may have developed differently over time. Despite these constraints, Hofstede's cultural dimensions provide a useful point of departure for developing a better understanding of how cross-cultural differences can affect individual perceptions of different people from different countries with different worldviews. These differences could play significant roles in creating obstacles to communication and mutual respect. In this regard, Smith (2006) emphasized,

The pioneering work of Hofstede has served as a marker post for subsequent investigators for more than two decades. Hofstede's pioneering study provided the impetus for our endeavors in understanding psychological aspects of national cultures. The methodological problems that he faced remain salient to all cross-cultural researchers. There are no simple solutions. (p. 915)

Hofstede's theoretical postulations on the effects of cultures to organizations (1980, 1984, 1991, 1994, and 2009) received several reviews from organizational scholars. A culturalist perspective and the culture-free perspective was used in these studies to explain the effects of outsourcing culture (Lungescu et al., 2011). Through the culturalist perspective, it is possible to realize the underlying dimensions of culture and ways of measuring those dimensions.

According to Lungescu et al. (2011), the most reviewed work of Hofstede (1980, 1984, 1991, 1994, 2009) was the research of Pirkkalainen et al. (2009).

Pirkkalainen et al. used data collected from participants in 53 countries and regions to identify individualism, uncertainty avoidance, power distance, and masculinity as the four dimensions of culture. Individualism is the opposite of collectivism, and an individualistic society is one that emphasizes individual achievement and personal rights.

Uncertainty avoidance refers to methods of a society to handle anxiety by minimizing uncertainty. Changes in cultures whose members have a high uncertainty avoidance index tend to place great emphasis on the implementation of rules, laws, and regulations. The concept of power distance helps determine whether an organization is autocratic or democratic. Power distance refers to the perception of differences in power, or the extent to which less powerful members (i.e., regular employees, as opposed to leaders) accept unequal distributions of power. Although low-power distance organizations are democratic, organizations with higher power distance indices are more autocratic. Lastly, masculinity refers to the definition of differences between gender roles (Pirkkalainen et al., 2009).

While there are several studies on the effects of culture on an organization, there have been limited studies that explore the relevance of the current understanding of culture and organizational studies to business outsourcing. The majority of the studies have examined the effects of culture based on formal management structure. Therefore, applicability of the analysis considered (a) uncertainty avoidance, (b) masculinity-femininity, (c) individualism-collectivism, (d) power distance, and (e) short and long-term orientation dimensions of organizational culture limited to the

organizations with common objectives and goals. Based on these limitations, there is a need for understanding these perspectives exist to identify the particular environmental and organizational components of successful outsourcing contracts. The engagement of two or more organizational cultures can lead to failure and cancelled contracts attributed to differences in values, perceptions of the products offered by vendors, or differences in expectations of the vendor and the client. A competitive advantage and business success is built upon efficiency in processing and costs; the challenge that global organizations are facing is that of leveraging differences in vendor and client cultures to make outsourcing a viable solution (Lungescu et al., 2011; Morgan, 2009). According to Mosher and Mainquist (2011), cultural differences are a key factor in offshoring arrangements in which it is important to meet regulatory requirements. Specifically, local cultural practices may take precedence over formal procedures mandated in legal agreements; this bias in favor of culture over formality can easily undermine compliance efforts.

Based on previously published IT outsourcing research reports (Mosher & Mainquist, 2011), internal auditors recognize and understand the notion that employees tend not to follow corporate policies. As Mosher and Mainquist (2011) explained, cultural differences affect the implementation of organizational policies, particularly when vendors bend legal agreements that do not conform to the practices of the client. Mosher and Mainquist asserted the need to consider language and cultural differences in an outsourcing decision if the desired effect is success in the outsourcing process. Companies may employ offshoring to help address support problems, such as maintaining customer support activities around the clock. However, choosing to operate in certain time zones can introduce language

difficulties that cause resentment or frustration among clients and vendors.

Alternatively, vendors sometimes offer near shoring to enable a combination of desired time zone coverage and appropriate cultural fit (Mosher & Mainquist, 2011).

Cross-cultural studies can provide an understanding from the structural perspective, while culturist theory provides only practical solutions for IT organizations, particularly in the areas of conflict management, detailed work patterns, cultural heterogeneity, and organizational structure (Spencer-Rodgers et al., 2010). In the present study, I explored the structural perspective using the elements of global adjustment, motivation, mindset, and communication patterns, as perceived and experienced by 10 U.S. IT leaders engaged in outsourcing. I validated these perspectives across a 120-person sample population of IT vendors actively engaged in outsourcing arrangements. These theoretical concepts guided me in the achievement of the study objectives.

## **Literature Review**

### **Organizational Behavior**

Organizational behavior (OB) refers to the field of study that assesses how individuals, groups, and organizations affect the behavior and performance within the organization. According to Robbins and Langton (2004), observational behavior is a branch of science that explores the behavior of individual and group of individual and how these behaviors affect the organization. For the present research, I understand OB to be the concept that describes how individuals and groups interact with one another, particularly the behavior and attitudes that affect the performance of each of these individuals and the whole of the organization.

Chaneta (2010) described OB as comprising four different dimensions: (a) individual behavior and performance at work, (b) the nature of these people in groups, (c) the nature of the social structures and organizational designs in place, and (d) the processes at work when people adapt to changing circumstances in the organization. These dimensions are helpful in characterizing the interactive relationship between individuals and the group and between the organization and the environment that can shape the behavior present in the organization.

Organizations develop initiatives based on their OB. Organizational performance problems invariably result from failure to consider the functions, performance, and attitudes of the individuals and groups in the organization. In the next section, I will provide a discussion of organizational citizenship behavior.

### **Organizational Citizenship Behavior**

Within the field of OB, organizational citizenship behavior (OCB) has emerged as an important concept. The concept of OCB refers to discretionary behavior, not directly or explicitly recognized by the formal reward system, and which, in aggregate, promotes effective functioning of the organization (Babcock-Roberson & Strickland, 2010). Various studies have evaluated how OCB shapes overall performance of organizations. For example, Sharma, Bajpai, and Holani (2011) claimed that OCB could shape the job satisfaction of employees working for either public or private sectors. However, those who work for the public sector reported higher OCB, as compared to those working in the private sector. An OCB study by Al-Zu'bi (2011), who assessed the effects of OCB through the influence of knowledge sharing on organizations performance, revealed that specific dimensions of OCB, which are sportsmanship, altruism, and conscientiousness, can significantly

affect knowledge sharing in an organization. Al-Zu'bi suggested that giving proper consideration of and focus on these dimensions could lead to success and higher performance of an organization.

Lathalavanya and Thenmozhi (2011), who used structural equation modeling, noted similar findings to those reported by Al-Zu'bi (2011) and Sharma et al. (2011). Their research confirmed the relationship between OCB and knowledge sharing. Specifically, they found a positive relationship between employees' attitudes and knowledge sharing. Moreover, Lathalavanya and Thenmozhi found that OCB could lead to higher job satisfaction and organizational commitment in IT companies.

Javadi and Yavarian (2011) performed a study to assess the factors that can affect OCB and found that the two factors of identity and commitment can influence OCB. Identity is the sense of psychological attachment on the organization, while commitment refers to the continuous process of participation and loyalty of individuals when making organizational decisions. Javadi and Yavarian found that these factors could explain 56% of the variability in OCB, which makes these factors significant predictors of OCB.

In another study, researchers found the stable and permanent traits of an individual to be associated with the culture of an organization (Chaneta, 2010). People develop their traits based on their environment. Similarly, the environment establishes the culture that guides the actions of the individual and groups of individuals. According to Chaneta (2010), the culture of an organization influences the traits of employees of that organization. Chaneta claimed that organizations operate through a system of shared meaning or culture that establishes individual and group actions. Based on observations of the behaviors of organizations, the author

proposed seven dimensions that describe the essence of an organizational culture, as presented in Table 1.

Table 1

*Dimensions of Organizational Culture*

Dimension	Description
Innovation and risk taking	The degree to which employees are encouraged to be innovative and to take risks.
Attention to detail	The degree to which employees are expected to exhibit precision, analysis, and attention.
Outcome orientation	The degree to which management focuses on the results or outcomes rather than on the techniques and the processes used to achieve those outcomes.
People orientation	The degrees to which management decisions take into consider the effect of outcomes on people in the organization.
Team orientation	The degree to which work activities are organized around teams rather than individuals.
Aggressiveness	The degree to which people are aggressive and competitive rather than easy-going.
Stability	The degree to which organizational activities emphasize maintenance of the status quo.

*Note.* Adapted from "Organizational Behavior," by I. Chaneta, 2010, *Journal of Comprehensive Research*, 8, p. 97. Copyright 2010 by *Journal of Comprehensive Research*. Reprinted with permission.

The seven dimensions of culture represent the shared behaviors of the organization and its employees. With the established association of an individual's traits and personality as being consistent with his or her working environment, studies have confirmed that culture is an important element for understanding OB in general and OCB in particular. Based on these theoretical assumptions, several studies underscored the impact of organizational culture on the performance and behavior of the organization. In the next section, I review the available studies on organizational culture and the relationship of this concept to the behavior and performance of organizations.

## **Organizational Culture**

According to Bushardt, Glascoff, and Doty (2011), organizational culture refers to the set of ideologies, norms, and beliefs held by individuals and groups in a particular organization. These ideologies, norms, and beliefs can all have an effect on the actions, behavior, and attitudes of people (Bushardt et al., 2011). Organizational culture is an important component of the OB field because it has the ability to determine norms and practices and define the attitude and behaviors critical for good work performance. According to Robbins and Langton (2004), organizational culture is unique to an organization, and as such, two organizations may be similar but no two organizations are exactly alike. To engage in any type of organizational undertaking, one must consider the varying factors that can affect organizational culture.

Scheffknecht (2011) evaluated both the national and organizational culture of multinational companies (MNCs). Scheffknecht claimed that although MNCs strive to have only one organizational culture, this objective is impossible because different cultures from different employees across the world affect MNCs. Employees of MNCs are located in different geographical locations and possess their own regional culture. According to Scheffknecht (2011), transferring of values could be more effective when organizational managers will take the lead role. This statement illustrates how national culture could provide MNCs with opportunities to diversify and widen their business outlook.

Mohanty and Rath (2012) assessed the effects of organizational culture on organizational behavior. They studied three organizations prominent in their respective fields of banking, manufacturing, and IT. Their research identified belief and norms, individual autonomy, individual responsibility, conflict tolerance,

structure, risk tolerance, and support as the factors of organizational culture. Mohanty and Rath found a positive relation between organizational culture and OCB through a correlation analysis. Organizational culture could also affect organizations through its effects on supply chain integration. Braunscheidel, Suresh, and Boisnier (2010) put forward that supply chain integration is important for any supply chain management initiative. Braunscheidel et al. found that cultural characteristics relate positively to supply chain integration. Cultural characteristics refer to adhocracy, clan culture, hierarchies, and market. The last characteristic refers to accomplishments, market superiority, competitive advantage, and competitiveness, making it a culture that pursues integration practices connected with linking to key customers and suppliers. Roh, Hong, and Park (2008) investigated the relationship between organizational culture and supply chain strategy. Roh and Park conducted a literature review analysis and generated a matrix that shows the relationship between organizational culture patterns and possible supply chain strategy (see Table 2).

Table 2

*Organizational Culture and Supply Chain Strategy*

Supply uncertainty	Demand uncertainty	
	Low	High
Low	Efficient supply chains (hierarchical culture)	Responsive supply chains (rational culture)
High	Risk-hedging supply chains (group culture)	Agile supply chains (developmental culture)

*Note.* Adapted from “Organizational Culture and Supply Chain Strategy: A Framework for Effective Information Flows,” by J. J. Roh, P. Hong, & Y. Park, 2008, *Journal of Enterprise Information Management*, 21, p. 365. Copyright 2008 by Emerald Publishing Group.

Table 2 shows demand and supply uncertainty. The first quadrant of the matrix illustrates the conditions when demand uncertainty and supply uncertainty are both low. When both demand uncertainty and supply uncertainty are both low,

organizational culture must be hierarchical. In this case, the company should be more focused and mindful of standardization, efficiencies, and routines. This type of culture can assist benefit an efficient supply chain strategy. Conversely, when supply uncertainty is high and demand uncertainty is low, a group culture is more appropriate. Group culture highlights the need for interpersonal trust and rich internal mechanisms. These mechanisms are especially beneficial for risk-hedging supply chains.

The third quadrant refers to conditions in which there is high demand uncertainty and low supply uncertainty (Roh et al., 2008). A rational culture is appropriate in such circumstances. Organizations with rational culture focus on results and decision-making. Lastly, the fourth quadrant refers to organizations with agile supply chains to which a developmental culture is linked (Roh et al., 2008). In such organizations, the developmental culture stimulates creativity and passion for innovative problem-solving techniques on which these supply chains thrive. Roh et al. (2008) claimed that managers could make use of this matrix as an integrative framework to manage informational infrastructures. Roh et al. (2008) called for further research to provide empirical evidence of the usefulness of this matrix.

Shub and Stonebraker (2009) created a theoretical framework that relates the human resource variables of staffing, training, evaluation, and compensation to the organizational variables of structure, culture, and empowerment strategies. They found that organizational culture could improve supply chains. Among these organizational variables, structure has the most significant impact. As Roh et al. (2008) did, Shub and Stonebraker called for empirical research because the research

conducted by Shub and Stonebraker focused only on the theoretical side of the phenomenon.

This section of literature review highlighted the importance of organizational culture in shaping OB and OCB. To cope with the effects of organizational culture, organizations should consider different factors. According to Dowty and Wallace (2010), the culture of a firm culture can affect supply chain success. Supply chain management is impossible without the ability to manage organizational culture. Dowty and Wallace emphasized that the horizontal and vertical cultures of the supply chain must align with each other. This necessary alignment of culture is essential when an organization opts to venture in outsourcing to minimize human capital cost.

In the study of Nuwangi, Sedera, Srivastava, and Murphy (2014), the authors examined the outsourcing working relationship of principal or client organization and vendor. The authors examine the effect of outsourcing business communication function particularly in minimizing the cost and achieve efficient work output. Using the agency theory to analyze the partnership, the authors found that a significant difference exists in organizational knowledge, standards of work requirement, and effectiveness of communication. Nuwangi et al. found that the unbalanced relationship and differences in culture between client and vendor contributed to work efficiency. The authors found that principal organization had difficulty imposing the work specifications to the vendor or outsourced party. Nuwangi et al. was among the recent researchers who recommended the need for appropriate outsourcing model that could moderate the effects of culture to the working relationship between the participating outsourcing parties.

According to Gartner (2011), current global business climates strongly suggest desperate need for organizational business executives to prepare for new avenues in solving cultural differences to achieve, and maintain competitive advantage globally. On the other hand, strategic planning at the operational level must lead the enterprises direction to work in new regions of the world with new clients, vendors and employees with whom they have never worked with before. Gartner examined the trends, the reasons why cultural differences inevitably arise from these new business-to-business arrangements, and how the unprecedented levels of interpersonal differences identified and overcome. It is only by anticipation, detection and resolving geographic and corporate cultural differences that clients avoid harmful disruptions in an enterprise's overall pursuit of achieving and maintaining competitive advantage (Gartner, 2011).

Why cultural harmony is a business imperative in today's globally diverse business climates? Culture can have a significant impact on a firm's long-term economic performance and growth. There is abundant research on cultural differences that agree to the idea that organizations that identify and emphasize cultural issues with managerial constituencies (clients, vendors, stockholders and employees) perform better than those without. Gartner (2011) found that, as companies increasingly pursued global trade, Foreign Domestic Investments (FDI), mergers, acquisitions and divestitures become critical methods for achieving growth. The number of cultural frictions from new foreign and domestic customers, clients, vendors, and their employees increase over time. In line with Gartner's research results; it is evident that acquiring skills that effectively diagnose and surmount cultural differences becomes an organization's competitive advantage in this decade.

Gartner's research findings and conclusions about the impact of cultural differences are in line with Nicholson's (1987) statement about organizational culture and leadership. For Nicholson (1987), culture has to do with realistic assumptions held by organizational members. There is a need for a deeper understanding of not only why various groups of people or organizations demonstrate different features, but also why it is hard to change them (Nicholson, 1987).

### **Workplace Diversity**

The diversity in workplaces has become an essential management platform to meet competitive business environments (McMahon, 2010). Additionally, studies do indicate that a positive relationship exist between diversity and business performance in workplaces (Gwele, 2009; Stahl, Maznevski, Voigt, & Jonsen, 2010). For instance, Richard (2000) explored the relationship of racial diversity with the U.S. banking industry firms' performance. Richard utilized the Blau's index of heterogeneity to assess the presence of racial diversity in 63 sample banks. Richard found that while ethnic diversity did not positively influence the performance of the firm, diversity, however, affects the strategic growth productivity of the firm. Meaning that, the heterogeneity of employees in the workplace contributes innovative ideas that could lead to positive company's performance (Richard, 2000).

Consecutive years of research on workplace diversity show that, there is desperate need for organizational leaders to consider revolutionizing their traditional hiring process (Wambui, Wangombe, Muthura, Kamau, & Jackson, 2013).

Organizations with employees who have a similar mindset, beliefs, personality, attitudes among others impede business growth and development (Joshi & Hyuntak, 2009). Studies show that diversity in the workplace increases innovation and

creativity, which are necessary to achieve business competitive advantage (Díaz-García, González-Moreno, & Sáez-Martínez, 2013; Miller & Triana, 2009). Diversity in the workplace has been a critical element in remaining competitive in an increasingly global marketplace and diverse employee labor markets (Gwele, 2009).

Studies on workplace diversity and company performance have ranged in scope from identifying the necessary success factors for diversity initiatives that affect organizational effectiveness to linking diversity with the financial performances of the organization. Cummings, MacGregor, Davey, Wong, Lo, Muise, and Stafford (2010) studied work teams in 182 Fortune 500 companies demonstrated that knowledge sharing increases if work groups are structurally diverse, and group members have different roles and positions in the organization. Other research that examined diversity in top management teams found that teams made up of individuals with diverse backgrounds experienced positive financial returns (Singh, 2013). Another study examining diversity in top management teams identified a positive relationship between varied educational training among members of the top management group and the return on investment and sales growth (Werder & Talaulicar, 2011). There is also evidence of a positive relationship between varied educational training and organizational adaptability (Nadkarni & Herrmann, 2010).

Discussions in human resources publications claim that diversity is intrinsically good for organizations (Mudor & Tooksoon, 2011). Research (Nielsen, 2010) found a positive relation between group diversity and decision-making, with a higher potential for increased production and creativity. Two studies provided evidence of a positive relationship between workforce diversity and organizational performances. In one study (Dalton & Dalton, 2011), the relationship between

diversity and performance was mediated by the organizational strategy. The return on equity regressions revealed that firms with racial diversity and growth strategy experience higher returns on investment than those without (Dalton & Dalton, 2011). Findings in another study supported a relationship between increased company performance and workforce diversity (Yusuf & Saffu, 2009).

The importance of diversity in the workplace led companies to incorporate diversity training in their employees' orientation and development programs in the United States (Gwele, 2009). Diversity training evolved from equal opportunity themes to acquisition of diversity competencies that are essentials for conceptualizing effective business strategy and for achieving positive business outcomes (Wambui et al., 2013). Recent studies have focused more on aligning the diversity within the context of two or more organizations working to perform business operation functions (Nuwangi et al., 2014). The evolution of the concept and importance of diversity only show the advantages diversity could contribute to the success of the business organization.

### **Perceptions of Diversity**

The changing demographics of the United States confronted political leaders to address diversity by pushing the implementation of the earlier legislations to protect disadvantaged groups. For example, women and minority groups against discriminations to participate in the labor workforce (Lattimer, 2012; Yongbeom, Strickland, & Stefanovic, 2010). Studies show that when demographics of a community change, the transactional services of government extend to accommodate various racial issues. In which case, diversification of the workforce is favored at the political level (Lattimer, 2012; Stahl, Maznevski, Voigt, & Jonsen, 2010). The

federal government in the United States positioned the diversity initiatives as an advocacy to leverage the lapses in the implementation of the legislations that mandate for diversity (Obama, 2011a, 2011b).

However, another stream of research has attempted to reconcile the seemingly contradictory camps of those who believe that diversity leads to better performance because diverse perspectives add a creative edge and those who believe that diversity impedes performance because diverse teams are less cohesive (Aygün & Sönmez, 2013). Aygün and Sönmez (2013) suggested that diversity might not be the issue as much as perceptions in the organization. Other researchers concurred or disagreed. For example, according to van Knippenberg, Dawson, West, and Homan (2011), the diversity perspective that prevails in an organization has a crucial influence on the realization of the advantages of diversity within the firm. Van Knippenberg et al. (2011) addressed three dominant perspectives on diversity in organizations: discrimination and fairness, access and legitimacy, and integration and learning.

Diversity presents organizations with both potential problems and opportunities. Studies have revealed that heterogeneity in race and gender has negative effects on performance (Mello, 2013; Singh, 2010). Workplace diversity may cause employees to expend more energy in working with others and could contribute to adverse consequences such as coordination problems, role conflict, role ambiguity, and work-related friction.

The first of these perspectives on diversity, discrimination and fairness, is a moral imperative to ensure justice to all members of society (van Knippenberg et al., 2011). Diversity—especially racial and gender diversity—is seen as evidence that a certain level of fairness in employment decisions has been achieved. This perspective

focuses on equal employment and affirmative action laws and policies, and emphasizes representation of traditionally underrepresented groups in the workforce. It is important to note that this perspective does not link diversity to organizational or unit performance. The focus of diversity is exclusively on justice and fairness, and the emphasis is on diversity as a measure or symbol of the fairness achieved.

The second perspective on diversity, access and legitimacy, centers on the recognition that diversity in the organization can improve the ability of the organization to access diversified markets (van Knippenberg et al., 2011). This perspective is openly instrumental, in that it directly links diversity to good business. Van Knippenberg et al. (2011) found that this perspective provided the rationale for increasing racial diversity among firms whose leaders wanted to expand their markets, for example, to include predominantly African American urban areas. By increasing their proportion of African American employees, firms could improve their linkages with and perceived legitimacy in these markets.

The third perspective, integration and learning, focuses on the insights, skills, and experiences that diverse employees bring to the organization (van Knippenberg et al., 2011). These attributes are assets and valuable resources for enhancing organizational adaptation and change. In this perspective, diversity is a resource that the organization can use to redefine its markets, products, strategies, and business practices. In comparison with the access-legitimacy perspective, which views diversity mainly as a means for reaching new markets, the integration-and-learning perspective treats diversity as a more integrative component of organizational functioning. From this perspective, diversity can be useful in challenging, and when appropriate, changing, current ways of operating the firm.

In the small sample of firms investigated by van Knippenberg et al. (2011), only the learning-and-integration perspective enabled the realization of diversity advantages. The other perspectives were associated with mixed results, partially realizing the potential advantages of diversity. These mixed results suggested that it is important to understand the perspective on diversity that prevails in the organization. More generally, these results suggest that the perception of diversity held by the members of an organization is a key to its effectiveness.

### **Promoting Diversity**

Aygün and Sönmez (2013) argued that diversity linked only indirectly to productivity. The authors explained that the two components of diversity, network density—how much team members communicate with each other—and network heterogeneity—how much of the communication is between people of differing backgrounds—may be the critical pieces of the puzzle. In other words, a very diverse group that does not develop strong working relationships will not be productive. Aygün and Sönmez added that while diversity can drive network heterogeneity, a limited implementation of diversity would achieve only a limited result. The social interaction among and between diverse employees in the organization creates a working environment with (a) common goals and values, (b) high interpersonal trust and collaboration, (c) close identification and commitment to the group, and (d) open communication (Aygün & Sönmez, 2013). Further effects of diversity are enhanced creativity and improved problem-solving competency of the organization (Aygün & Sönmez, 2013). In sum, the organizational goal of diversity is to bring together the diverse perspectives of employees concerning the resolution of issues rather than bringing together dissimilar people without any purpose.

Stahl, Maznevski, Voigt, and Jonsen (2010) summarized research showing the effects of different types of diversity on outcomes and processes such as decisions and decision-making, creativity, and accuracy of judgment. Stahl et al. described the way an individual understand himself or herself in relation to one another. The researchers discussed the ways in which people think in groups and how people's collective wisdom exceeds the sum of the parts of individuals' thinking. Stahl et al. revealed that progress and innovation might depend less on lone thinkers with enormous intelligent quotients than on diverse people working together and capitalizing on their individuality. The researchers revealed how groups that display a range of perspectives outperform groups of like-minded experts. Stahl et al. also explained why difference wins against homogeneity, whether the competition involves citizens in a democracy or scientists in the laboratory. Stahl et al. examined practical ways to apply diversity's logic to a host of problems.

The study by Starritt and Klein (2004) concerning diversity and what drives engagement showed equity is a key component of an inclusive environment. Successful diversity is more than compliance; it is a matter of the inclusion of diverse ideas and viewpoints, diverse talents and experience in service of improved decision making and problem solving (Starritt & Klein, 2004). Findings reported by Starritt and Klein encouraged employers to monitor how employees react to leadership and management practices and suggested that inclusive management practices are superior. Leaders of companies who wish to benefit from an inclusive environment must actively manage those aspects of the workplace that have a direct impact on key employee needs.

One manageable aspect of the workplace is organizational climate, which refers to the beliefs, values, norms, and attitudes held in common by members of groups or work units (Bulutlar & Öz, 2009). Climate consists of a set of dimensions (for example, work standard, recognition, and support) that predict key behaviors and attitudes related to employee job performance and commitment to the organization. Although researchers have yet to investigate all climate dimensions with respect to diversity effects, the dimension pertaining to recognition and support enables conditions for the manifestation of the positive effects of diversity (Bulutlar & Öz, 2009).

Shen, Chanda, D'Netto, and Monga's (2009) five-year study about the impact of diversity on business results found that there were no strong positive or negative effects of gender or racial diversity on business performance. Stahl et al. (2010) examined the effects of racial and gender diversity on outcomes and processes in five large companies recognized as leaders because of their diversity programs. Stahl et al. found mixed evidence for the effects of either diversity or diversity management programs on these outcomes. Specifically, Stahl et al. found that racial and gender diversity did not have a positive effect on performance, as perceived by those with a more optimistic view of the role of diversity in organizations. Most of Stahl et al.'s analyses yielded no negative effects on team processes; however, the authors noted racial diversity had a negative effect mitigated by training and development-focused initiatives. Stahl et al. also found that gender diversity had either no effects or positive effects on team processes.

According to Klotz and Lynch (2007), cultural diversity is necessary in the global business to be competitive in the multicultural global markets (p. 25). A

review by Cunningham (2009) highlighted alternatives in which members of a firm may differ from each other. For example; in demographic characteristics such as race or gender, knowledge or abilities, opinions, and personality characteristics). The authors found that although organizational diversity has positive and negative effects, no consistent main effects for diversity existed. They further explored the conditions of diversity that affect performance that may be under the control of managers and team leaders. Mannix and Neale advised that leaders should exploit the advantages and avoid the disadvantages that diverse teams may bring.

Cunningham (2009) provided the following three suggestions:

- Diverse teams are likely to be appropriate for tasks involving innovation and exploration of new opportunities, whereas homogeneous teams are better for exploitation and implementation of what is already known;
- Special efforts must be made to reduce process problems in diverse teams, particularly in developing the team members with superordinate identity; and
- Managers should take steps to ensure minority representation.

In summary, these organizational actions require leaders' positive attitude towards learning and change (Kravitz, 2006, para. 6). As such, leadership commitment to an inclusive culture of diversity is central to recognition and support by the organization. Leadership support for diversity management increases the chances that positive organizational effects will occur. When CEOs or organization leaders engage, support, and lead the diversity strategy, any organizational effort is sustainable (Diversity Best Practices, 2010).

## **Globalization and the Global Learning Organization**

Globalization has created cultural challenges for global business leaders. Many global leaders do not have global experience, but they work in a cross-cultural environment due to the effects of globalization. Leaders might agree that cultural diversity in business is essential. However, they may have no idea of the ways in which they may need to adapt their leadership styles to create proactive management approaches to handling cultural diversity of the workforce.

There can be numerous opportunities for cross-cultural relationships. Among these opportunities is the acceleration of globalization in multinational organizations. These opportunities could be associated with

- Integrated partnerships designed to include a scalable, repeatable, and predictable global demographic;
- Economic strain globally disrupting local markets, requiring best-in-class customer focus and value enhancement;
- The challenges associated with striking a balance between the value proposition of the product and customer awareness of knowing local and global options;
- Competitive strategies to explore how to respond to increased regulations and concerns over drivers of global change;
- Innovative business models that include sustainable solutions to advance global social responsibility while building global brand presence.

These concerns are just a few of the issues involved in the management of cultural diversity to achieve business performance (Harris, Moran, & Moran, 2004).

Globalization has meant new business requirements for the global worker and new leadership and management paradigms for the leader and manager (Prewitt, Weil, & McClure, 2011). Earning a global market reputation in IT outsourcing services is not easy; therefore, organizational management must identify appropriate management approaches to achieve this objective. In order to sustain transnational organizations in the global business environments, outsourcing is an important step for business organizations aiming to expand (Arregle, Beamish, & Hébert, 2009). However, no research conducted to date has provided a scalable, systematic model to define how leaders or managers can achieve success in the management of the cross-border workplace. Particularly in a cross-border workforce with far different cultures, beliefs, and norms in transacting business.

Though numerous researchers have emphasized the importance of cross-border business management, the focus of the literature has lacked an emphasis on what brings groups together, other than project work. The intention of the present study was to address that empirical gap and answer the question of which standards organizations, such as those in the IT industry, can follow to ensure superior conduct in the workplace and achieve optimal business performance. This emphasizes that differences have become an approach to intercultural work dynamics. However, the majority of research conducted to date has been more about what not to do or say rather than on what to achieve.

In another study, differences among cultures were emphasized (Lewis, Carrera, Cullis, & Jones, 2009) instead of a balanced approach to honoring both differences and the commonalities that can bring different people together. In this study, I examined the existing IT outsourcing management approaches to global

adjustment, motivation, mindset, and communication patterns from a cross-border cultural difference perspective. I planned to share my results with the IT outsourcing community of practice and leaders. The shared knowledge will help educate future IT outsourcing managers understand how to deal with cultural differences in this industry engagements. Because of globalism, leaders of organizations consider the entire world their market, a perception that increases competition and makes businesses more complex and not necessarily profitable (Lewis et al., 2009). Goh, Brown, and Spickett (2010) described an organization dedicated to learning and development as a learning organization. The challenge of a global learning organization is establishing learning goals to which everyone can relate (Goh et al., 2010). Goh et al. described global learning as the process of integrating cultural norms into real-time or realistic workplace challenges.

Global learning requires cultural competence. Achieving competence in global culture also requires knowledge of technology, which is an essential element in bringing together great minds to promote learning in a global context. Senge (2006) described the changes that cultural competence as:

The coming years will see dramatic advances in both the availability and capabilities of micro worlds for managers. Beyond just advances in technology, future micro worlds will be more sophisticated in fostering multiple learning disciplines. . . Future micro worlds for teams will allow managers to play out their real-world roles and understand more deeply how those roles interact. This will help management teams hone their systems thinking and team learning skills simultaneously, while also analyzing how

individual decisions interact to create important problems (Senge, 2006, p. 237)

Senge (2006) argued that technology and the digital interactions associated to globalization demand higher global cultural competence, particularly among those leaders engaged in IT outsourcing.

In a global context, defining a systematic learning program to achieve cultural competence can promote a shared language for how people treat one another (Viesca, Torres, Barnatt, & Piazza, 2013). Expertise takes effort and involves learning from mistakes. In other words, when there is a lack of openness to new ways of relating, competence is less likely to be achievable. Individuals require a focus on attuning to how one's behavior may affect another to become culturally competent.

Organizational learning can be a useful tool that creates informal communication networks to advance organizational learning goals and produce learning programs that seek common ground and generate successful global collaboration (Yeo & Marquardt, 2010). Ünal (2010) underscored that, in the process of building learning communities, leaders must examine how to create efficient communication systems conducive to mutual global partnership (Lui Abel & Li, 2012). Coaching is a form of organizational learning that occurs on an interpersonal level, whether that coaching is provided virtually, enabled by technology, on the phone or in person.

### **Outsourcing**

Ahearne and Kothandaraman (2009) illustrated that business organizations consider outsourcing for two primary reasons: to reduce costs and to increase the level of experience in the outsourced functions of the firm. Gupta, Smith, and Shalley

(2006) found that, for companies in a competitive environment, offshore outsourcing seems to be increasing. This growing trend toward offshore outsourcing is due in part to companies attempting to reduce overall costs (Carroll, 2012).

Among the outsourcing decisions that Lacity, Khan, and Willcocks (2009) analyzed, 50% of the managers responded that they expected cost savings. However, only 25% of the managers polled stated that their expectations fell short. On the other hand, another 25% did not answer the question. Not one participant reported that costs of outsourcing had exceeded expectations, although this issue is the most usual result when managers make decisions following distribution of IT system operations.

In an increasingly competitive globalized economy, leaders of almost every company are searching ways to remain competitive and capture additional market share. While every business setting is different, almost every company—particularly smaller firms and start-ups—can benefit from the expertise provided by IT specialists. According to Goldman (2002), outsourcing has become an important human capital contracting strategy that affects global business functions. While the term *outsourcing* is new to the business, the practice of outsourcing is certainly not new. Historically, leaders from many companies have sought external expertise to help solve internal complex tasks that were too difficult to solve internally. In this regard, legal and financial experts, as well as and other specialists, have assisted businesses in areas outside the core competencies of those businesses (Lin & Lin, 2009).

### **IT Outsourcing**

According to Bryan (2011), company leaders recognize the importance of IT in the efficient delivery of business services. However, maintaining an in-house IT resource is a major obstacle for many of these organizations. Rusu and El Mekawy

(2011) cautioned managers to recognize that the decision to outsource IT functions is virtually irreversible. Before the decision to outsource IT functions, managers should consider the vendor selection process and a request for proposal. The review must consider requisite scope and the impact of an outsourcing arrangement on IT processes, infrastructure, staff, and the likely size of the outsourcing contract (Rusu & El Mekawy, 2011).

In this regard, fashioning a request for proposal for outsourcing IT services becomes more critical than a request for proposal for other vendor arrangements. Rusu and El Mekawy identified it as an effect due to staff transition issues, and the number of employees potentially affected by the outsourcing arrangement (Rusu & El Mekawy, 2011). Finally, it has become apparent that, at least for the near future, the IT environment will face significant shortages of skilled staff to handle security needs. The vast majority of IT departments will need to turn to outside experts (Rusu & Mekawy, 2011). Therefore, it is important for managers to consider the time, strategies, IT components appropriate for outsourcing, and the cost of hiring outside vendors for IT assistance.

While outsourcing has existed for centuries, the body of knowledge concerning the outsourcing of IT remains relatively scant (Hormozi et al., 2003). Although companies have been outsourcing payroll and accounting functions for years, only recently have company leaders determined that there are a number of benefits associated with outsourcing specific components. According to Hormozi et al. (2003),

To keep pace with the information technology advances of the last decade, many large organizations have chosen to outsource the departments that

handle their information systems and network services. Companies embracing IT outsourcing benefit from the expertise and technological capabilities of their vendors, however, they have had to deal with decreased control as well (Hormozi et al., 2003, p. 190).

In many cases, such external outsourcing alternatives have included part or all of the IT functions of the company (Hormozi et al., 2003). Outsourcing of some or all of IT functions can provide companies with significant cost effective advantages over a wide range of initiatives. They range from small types of problems, such as repair of hardware or network maintenance, to more pressing issues like ongoing management of IT systems with multiple sites and users. According to Hormozi et al. (2003), IT outsourcing is a rapidly growing method of service due to the complexity of and need for IT in an organization.

Notwithstanding the fact that many companies continue to retain some or all of their IT functions in-house, outsourcing remains a popular method of sustaining IT functions among U.S.-based companies. Particularly among the companies with global business operations (Hormozi et al., 2003). On the plus side, outsourcing has resulted in increased cooperation between companies as they collaborate to achieve the same goals. However, the emerging strategic alliances demand trust, integrity, and credibility to succeed, as the partnering organizations must work together at all levels of the organization. On the negative side, current trends reflect a management style wherein two strategic alliances operate as separate entities (Hormozi et al., 2003).

Although the separation of operations may be effective, profound issues can still emerge, particularly ownership of the information and services both organizations

strived to achieve. Management of IT functions, therefore, requires the cooperation and partnership commitment of clients and competitors to ensure the satisfaction of the business consumers (Hormozi et al., 2003). As such, the decision of managers on whether to outsource one or more of the IT functions of an organization is critical to the success of the IT department of that organization (Carroll, 2012).

When compared to the late 19th century, the realities of outsourcing support activities have changed in a fundamental way. For instance, Auguste, Hao, Singer, and Weigand (2002) claimed that IT in general aided in the effective financial performance of the organization by reducing relational cost. From this accomplishment, the third-party vendors of infrastructure management services or *infraservice* provider numbers have increased exponentially. These companies become more accustomed to availing themselves to outsourcing as an option in the management of IT functions. Further, both vendors and clients are learning the best structure to improve outsourcing engagement that benefits both organizations (Auguste et al., 2002). Despite the increase in outsourcing by companies in recent years, in-house management remained at 90 percent (Auguste et al., 2002). Furthermore, despite the relatively large percentages of in-house IT functions, service providers have been delivering IT and or telecom functions to companies in increasing numbers for more than two decades now (Carroll, 2012).

Besides the IT outsourcing contract, an increasingly important component in these types of arrangements is the service level agreement that controls the contracts. Flanagan (2000) noted that the service level agreement should be binding and enforcing. Kaplan and Norton (2001) added that good service level agreements identify the services to provide, the objectives to meet, and the problem resolution

procedures for reporting requirements (p. 40). In this regard, Carroll (2012) pointed out that many managers do not fully understand the technology outsourcing services they are considering and find evaluating competing vendors' proposal reviews and service level agreements difficult. The authors recommended seeking professional guidance from an attorney and a certified public accountant.

Outsourcing selection of specific IT functions can yield some distinct advantages. Although several studies have focused on core organizational competencies in IT outsourcing, other researchers disregarded some of these advantages. For instance, when a company seeks to establish an e-commerce presence, its systems will most likely need to change (Epstein, 2004). Despite these advantages, some authorities suggest that outsourcing services to IT firms simply does not allow some types of companies to realize the maximum benefits of their e-commerce efforts. Nevertheless, in these cases, it may also be in the best interests of the company to seek outside assistance by creating strategic alliances with companies in the same or complementary industries. A good example of these industries is the Amazon, which outsource its operations regardless of the competencies of the outsourcing vendor (Epstein, 2004).

According to Goldman (2002), companies should explore the advantages of outsourcing before finalizing the outsourcing agreement. Outsourcing of specific organizational IT functions like external Web platforms can present many functional problems. Other strategic alliances can provide company specific assistance required to resolve these problems, i.e. e-commerce component deficiencies. However, these external arrangements are not options be used to replace those elements of an e-commerce strategy that represent the core competencies of the company (Epstein,

2004). Because the needs and core competencies of every company are unique, a need exists for careful assessment of the external and internal environment. Once deciding to outsource a particular IT function — or the entire e-commerce initiative — managers should focus on selecting an appropriate vendor. While selecting a vendor that offers state-of-the-art hardware and software remains a vital consideration, the majority of companies do not. Selection is an important goal when compared to the outsourcing resources that do not allow for false starts or significant delays in implementation (Kraft, 2010).

Information technology outsourcing is one of the primary strategies used by IT professionals (Gómez, Crespo, Moreu, Parra, & Díaz, 2009). IT outsourcing has increased to such an extent that almost every Fortune 500 company in the United States outsources its IT services to a third party (Gómez et al., 2009). An increasing number of global companies outsource their IT services as well (Gómez et al., 2009). The increased need for IT outsourcing services is associated with the focus to develop organizational core competencies, and to eliminate the lack of understanding of the value of IT services (Hirschheim & Dibbern, 2009).

Advances in networking technologies in the 1990s turned IT outsourcing into an economically attractive and viable practice (Ansari & Modarress, 2010). However, job loss in the U.S. market and other Western countries considered outsourcing to be a controversial labor issue. According to Di Gregorio, Musteen, and Thomas (2009), the use of network technologies allowed companies to move into the global market by offshore outsourcing. The move into the global market occurs because companies can access talent more efficiently. This expansion in offshore outsourcing has brought pressure on companies to decrease domestic salaries. Despite this issue, the demand

persists, and companies are seeking ways to outsource additional IT functions offshore (Geis, 2010).

In focusing on core competencies, management personnel of organizations place their primary attention on those areas in which their organizations excel while outsourcing the less productive areas (Hirschheim & Dibbern, 2009). Organizational management lack proper understanding about the value of IT in the organization. Therefore, senior leadership continues to perceive IT services as the unnecessary cost to avoid (Hirschheim & Dibbern, 2009). To reduce the cost of IT services in the organization, the IT component of the organization is often outsourced. An increasing number of IT services outsourced poses as a potential threat to the safety of the parent organization.

Han and Mithas (2013) assessed whether IT outsourcing could reduce the costs of non-IT operations and, if so, how. They evaluated whether IT investments could facilitate the relationship between IT outsourcing and non-IT operating costs. They gathered panel data from 300 US companies from 1999 to 2003 and found that IT outsourcing can reduce the non-IT operating costs of a firm. However, they also found that firms could reduce their non-IT operating costs more if they also increased levels of additional investments internally, particularly in terms of IT labor. Han and Mithas did not recommend completely outsourcing the entire IT function. Instead, they recommended for investing in internal IT systems that make organizational processes more amenable to outsourcing. In addition, it would be a great idea to have additional investments in internal IT staff to monitor vendor performance that can improve coordination and cooperation with vendors. Findings of these research

studies are inconclusive about whether IT outsourcing is beneficial. The different issues and risks associated with IT outsourcing are the subject of the next section.

### **IT Outsourcing Issues and Risks**

Historically, the United States has favored a self-regulatory type of privacy protection. Therefore, there is little corporate protection from U.S. privacy laws when it comes to offshore outsourcing (Carmel, Dedrick, & Kraemer, 2009). According to Carmel et al. (2009), advancements in technology in the workforce is changing. For example, the use of robust databases, cookies, cross-matching of data, Internet usage, data sharing, and offshore outsourcing (Carmel et al., 2009). Changes in technologies used by companies have raised the threat to privacy, not only to the companies themselves, but also to the consumers who use the products and services of those companies. For this reason, consumer protection groups as well as governments have expressed their concerns regarding privacy (Carmel et al., 2009). Although privacy legislation exists in several fields, IT outsourcing risks are still present.

Many managers, IT professionals, and researchers in IT outsourcing have voiced warnings about the risks involved in IT outsourcing to a third party. One of the main reasons for these warnings is that there are very little data available on the risk tolerance of an organization when it comes to outsourcing of IT resources (Tho, 2012). Similarly, there is little information about actions that can mitigate risk exposure in IT outsourcing (Tho, 2012). However, due the potential risk, organization leaders must consider the outsourcing of the IT component of the organization. In addition, organizational leaders must be aware of the potential risks involved in outsourcing their IT component before making the decision to do so.

One of the main risks involved in IT outsourcing is information asymmetry (Tho, 2012). Information asymmetry occurs with there is an inability to monitor the actions or operations of the partner performing the IT services. This potential risk implies that quality communication between the buyer and seller can reduce the risk of information asymmetry. According to Hirschheim and Dibbern (2009), managers are overly optimistic about IT and outsourcing when they make decisions about IT outsourcing. Managers often base their decisions to outsource on the best-case scenario, and they often believe that outsourcing is the best way to maximize profits and minimize costs, thinking no risks in such ventures. They also overemphasize or inflate the benefits that they can receive from this type of decision (Moon, Swar, Choe, Chung, & Jung, 2010).

This overemphasis on the positive aspects of the arrangement makes managers' optimism for outsourcing seem just and rational when, in fact, there may be more information to uncover and more risks to take into account. Management confidence and perception to enter new contractual relationships illustrates the great need and the potential downside of the contract than to elaborate on the positive effects of outsourcing (Moon et al., 2010). The need for a comprehensive review of all possible risks in IT outsourcing projects is evident. Lack of outsourcing knowledge and project risk details affects management decision making. Making the decision to enter into an IT outsourcing arrangement is not a simple decision. It has many issues with unpredictable events that could occur (Moon et al., 2010).

A review of current literature on the phenomenon of IT outsourcing revealed that firms worldwide are increasingly engaging in this activity. Simultaneously, various risks associated with this decision are the result of not having formal research

available on the topic for IT managers before making their decisions and their overly optimistic perceptions of the endeavor. Critical success factors exist; however, that can alleviate risks and eliminate failures related to this decision.

According to Gonzales, Gasco, and Llopis (2010), increased reliance of firms on providers explains the main risks in the trend of IT outsourcing in recent years. Proponents of IT outsourcing, Gonzales et al. reviewed literature on the topic and carried out their surveys to determine this position. Gonzales et al. sought study participants from the largest Spanish firms that outsource their IT functions. Aside from pinpointing this main risk, conclusions reached by Gonzales et al. suggest that firms engaging in total outsourcing can harm their organizations because of the excessive dependence created by this relationship. However, if firms must outsource, IT managers should consider other alternatives, such as having various multiple providers or opting to outsource selective parts of their IT functions rather than total outsourcing.

According to Korrapati (2009), little literature exists on one particular risk of IT outsourcing: information leakage can arise from accidental disclosure or deliberate betrayal to other clients by the consultants hired for these outsourced positions. According to Gozales et al. (2010), IT service providers play vital roles in determining how much a firm transfers its unique and specific skills and core competencies to the wider industry arena. Consultants face the dilemma of honoring their confidentiality commitments on the one hand and, conversely, spreading innovative expertise to their particular respective firms (something expected from them). By surveying 357 IT managers in Spanish firms, Gonzales et al. found that IT outsourcing was a worldwide activity. Moreover, because of several success factors,

more and more firms are engaging in the activity today. Success factors determined by Gonzales et al.'s study include provider understanding of clients' objectives, choice of the right provider, and the client's clear idea of what it needs from outsourcing. Without these factors, firms that engage in outsourcing encountered risks and had less chance of succeeding.

Faisal and Banwet (2009) aimed to show that IT outsourcing produces a complicated relationship that has the tendency to start nicely and end differently. They observed that the decision to outsource IT functions would likely become more popular among IT managers and firms, and outsourcing would not lose its appeal anytime soon. However, Faisal and Banwet also found that certain outsourcing contracts could fail, to the detriment of the firms involved. The main reason for this failure was the excessive enthusiasm of firms for this endeavor and the lack of formal research on both sides when contemplating outsourcing (Faisal & Banwet, 2009). In addition, Faisal and Banwet used a framework to develop a set of propositions to provide management with a better understanding of the processes that promote IT outsourcing from a strategic standpoint. The intent was to provide a sustainable enterprise-wide initiative that would enhance organizational performance in a competitive marketplace (Faisal & Banwet, 2009).

Various reports claim that outsourcing and contractual relationships lead to increased incidences of hacking. This information indicates that IT outsourcing can be riskier than what managers perceive the risk to be. According to Computer Weekly (2008), organizations vulnerable to hacking and other related threats almost certainly outsource at least some of their coding practice. IT companies that outsource the development of their critical applications often fail to ensure that there will be

security processes involved. For instance, leaders of 20% of firms in the United Kingdom reported they no longer consider security anymore when building their applications. When these firms decide to outsource some of their activities and projects, 60% of them do not require security built in on the applications they decide to assign (Computer Weekly, 2008). Moreover, among those organizations claiming that software code development was critical to their business operations, 50% admitted they outsourced a major portion of their code development needs. More importantly, statistics illustrates that most hackers' success and interest in accessing data is on the software application layer (Computer Weekly, 2008).

According to Computer Weekly (2008), the National Institute of Standards and Technology revealed that 92% of hacking occurs in software applications, a problem that constitutes threats to computer networks. An increasing numbers of organizations look into outsourcing more and more of their applications development. Outsourcing of application development implies the development of more components of software applications outside of their direct control, which translates into increase vulnerability to abuse, such as hacking (Computer Weekly, 2008).

Early research findings on IT outsourcing projects indicate that the main risk of IT outsourcing is the excessive optimism of IT manager's hasty decisions. Technically, hasty decisions hinder IT managers from weighing the advantages and disadvantages of IT outsourcing and, when implemented, keep the manager quiet about disappointments with any negative consequences of the IT outsourcing process. This section also addressed the risk of IT hacking, the most dangerous risk a firm can face in the area of IT and one that is aggravated by outsourcing. Literature identified reasons why outsourcing could make firms vulnerable to hacking (Ikediashi,

Ogunlana, Boateng, & Okwuashi, 2012; Khidzir, Mohamed, & Arshad, 2010). The main finding was that firms are vulnerable to hacking when they do not give priority to security systems development and the management of IT functions.

Outsourcing has increased the risk of firms being hacked (Computer Weekly, 2008). However, the current literature regarding the phenomenon of IT outsourcing also showed that firms worldwide have increasingly embraced this strategy. IT managers, who hold firm to the notion that outsourcing is an effective strategy, without doing any formal research about it, primarily constitute the risk of IT outsourcing. Literature revealed that critical success factors exist that can alleviate risks and eliminate failures concerned with this decision. Organizational leadership does agree that, it is important for IT managers to plan before engaging in an outsourcing partnership. Specifically, outsourcing managers must review all outsourcing risk factors to avoid financial loss (Faisal & Banwet, 2009; Gonzales et al., 2012; Korrapati, 2009).

Han, Lee, Chun, and Seo (2013) explored how the direct and complementarity effects of client and vendor IT capabilities affected the effectiveness of IT outsourcing. Their research operationalized the concepts of client and vendor IT capabilities using a resource-based perspective. Han et al. found complementarity in IT outsourcing. Complementarities between client and vendors IT capabilities can lead to more efficient and successful outsourcing that goes beyond each party's individual effects. Han et al. collected data from 267 client-vendor dyads, in which vendor members assessed and determined client IT capability. Han et al.'s findings reflected both types of capabilities were important factors in outsourcing success and that their complementarity is a significant predictor of the success of outsourcing.

When IT capability levels of both client and the vendor are well-matched rather than diverging—in other words, both parties are equally capable—outsourcing of IT projects leads to higher success rates (Han et al., 2013).

Berger and Hatton (2013) focused on evaluating particular impacts of onsite outsourcing of IT user support systems. Most firms believe that these systems are ideal for outsourcing. However, the authors revealed that there are no significant benefits to this type of outsourcing. The costs of outsourcing do not differ significantly from in-house staffing and, as such, no real benefit comes from this outsourcing activity. Furthermore, not including end users in the process of decisions related to outsourcing can lead to negative consequences for the outsourced agent (Berger & Hatton, 2013).

Keramati, Samadi, and Nazari-Shirkouhi (2013) stated that organizational visions and missions should guide the leaders in ensuring the reduction of cost, improvement of service, and use of efficient technology. It is important to note that, IT outsourcing strategies are not risk-free by any means. Keramati et al. called for firms to recognize that IT outsourcing is both complex and associated with risks that can lead to undesired and unanticipated consequences. The authors illustrated the risks associated with IT outsourcing by conducting a literature review of studies published between 1998 and 2011. After reviewing these studies, Keramati et al. also evaluated and categorized the findings. They found that suppliers' lack of expertise with the IT operation is the most significant risk.

### **Summary and Conclusions**

With increased automation of routine operational activities, the task of outsourcing these activities to third-party providers has become easier and more

economically efficient for companies. The reduction of a wide range of business processes to digitized form has brought many companies and their IT vendors closer, thereby realizing huge cost reduction. Studies and empirical observations suggest that not every company stands to benefit from outsourcing its IT function while others may benefit only slightly. Given the dynamic nature of the IT environment, these considerations undoubtedly will be increasingly important in the years to come, and the critical nature of the IT function to most businesses. It provides little room for false starts or failed experiments. This study sought to identify those factors that contribute to organizational leadership success by identifying critical components to IT outsourcing functions. Lack of proper management planning before engaging an outsourcing project can be very costly to the organization. However, recognizing whether outsourcing is not in the best interests of the organization is not an individual decision; it is an organizational leadership issue.

In this study, I conducted a comprehensive review of peer-reviewed and scholarly literature about IT outsourcing and organizational management across different cultures. I analyzed relevant case studies methodically and gathered insights with relevant findings. Chapter 2 presented a discussion of studies on OB, OCB, and organizational culture. Authors of the various studies cited in this chapter demonstrated that managers should undertake organizational initiatives and decisions only after considering the dimensions and factors pertinent to organizational culture and behavior. I presented an overview of past and current trends with regard to what IT functions company managers usually decide to outsource and when it is in the best interest of the company to do so. The literature revealed that company leaders considered different factors in making such decisions and that there are critical risks

associated with the activity of outsourcing, especially IT outsourcing.

### Chapter 3: Research Method

The purpose of this mixed-method explanatory sequential case study was to determine the implications of the lack of formality of management approaches in the IT industry. These implications arise from cross-border cultural differences associated with business outsourcing relationships between vendor and client. Included in this is a description of the research methodology used to investigate the research questions. Specifically, this chapter includes a description of the study design, procedures, and methodology used in addressing the research questions.

#### **Research Design and Rationale**

This study used a mixed-methods explanatory sequential design to address the research problem and objectives of the study. Mixed-methods explanatory sequential design is a procedure for collecting data using both quantitative and qualitative methods to supplement each other to report results and any underlying relationships (Kumar, 2007; Mishel, 1991). Rubin and Babbie (1997) suggested a variety of techniques to use as a general guideline for research. A mixed-methods approach was appropriate for this study because I desired to collect both quantitative and qualitative data sequentially and use the data to understand the research problem and objectives (Jogulu & Pansiri, 2011). This mixed-methods explanatory case study involved the use of a survey instrument to collect data from client and vendor employees of IT-related offshore companies. Both the quantitative and the qualitative portions of the study were completed by using an open-ended questions instrument that posed a face-to-face interview to collect data respectively.

A mixed methodology is a combination of both the quantitative and the qualitative methods wherein analysis involves the integration of statistical and

thematic analysis (Teddlie & Tashakkori, 2009). The complexity of the topic required me to obtain both quantitative and qualitative data to gain a richer understanding of the phenomenon in question. In addition, it was important for me to explore more before measuring distributions and prevalence (Jogulu & Pansiri, 2011).

Several qualitative research methods exist in social research. One such method, known as grounded theory, generates a theory when existing theories do not adequately address the discovered phenomenon (Kumar, 2007). Grounded theory design compels the research to discover and describe a social phenomenon and then design a theory to explain the phenomenon. For the purposes of this study, I did not require a new theory. Instead, I sought to describe relationships between actions in the process.

The qualitative portion of this mixed-methods study expanded on the results of the quantitative findings. In this portion of the study, I used a face-to-face platform for interviewing the participants. An open-ended question interview conducted with participants helped to obtain information on the perspectives of employees of IT outsourcing clients and vendors. Specifically, regarding the implication of lack of formality of management approaches in the IT industry that arise from cross-border cultural differences associated with business outsourcing relationships between vendor and client. I asked specific questions about how different cultures and different management approaches affect different countries in the IT outsourcing client-vendor relationships. I used content analysis to perform data analysis to gain an understanding about this phenomenon.

Content analysis was appropriate to use in analyzing themes emerging from both public documents and interviews; again, I did not seek to build an underlying

theory from the investigation. Instead, I conducted the qualitative aspect of the research using open-ended questions posed in interviews, followed by data analysis to derive codes and themes. I used qualitative research to obtain information regarding participants' experiences and perceptions. Several quantitative research methods, such as experimental design, are not appropriate to work with the type of data and answer the research questions demanded of the study (Adams et al., 2014).

Experimental design required me to establish two groups of participants, namely a control group and an experimental group. In experimental design, the researcher provides a treatment to the experimental group, leaving the control untreated (Adams et al., 2014). The design of this study did not involve any added treatment of the participant group. Instead, I used correlation analysis to process the results from the survey questions. I sought insights into the relationship of formal management approaches to global adjustment, motivation, mindset, and communication patterns of the workforce. This analysis quantitatively revealed the implications of the lack of formality of management approaches in the IT industry that arise from cross-border cultural differences associated with the client-vendor business outsourcing relationship. I used a self-designed survey consisting of questions that were answered using a Likert-type scale to obtain information on these variables. Use of a survey provided quantitative descriptions of the management approaches, global adjustment, motivation, mindset, and communication patterns of the IT workforce, which tested the relationship between the dependent and independent variables quantitatively.

A mixed-methods approach was determined to be appropriate for this study because the results of both quantitative and qualitative analyses supplemented each

other. The individual research methods of qualitative and quantitative design have their strengths and weaknesses. The intention to use the two methods together in this study was to address the research problem. On the other hand, the objective was to fill in gaps in the IT outsourcing knowledge base that either method alone might not have addressed in previous research.

### **Role of the Researcher**

In this study, I worked with an organization that outsourced the IT business functions. Given the experiences on outsourcing, I have noticed several engagement issues that motivated me to conduct this study. I am aware that my personal motivation for conducting the study could be a potential source of research biases. My role was to document these personal biases and that any of these biases should not be shared with the participants. Also, I am aware of the potential issues that could arise as a result of selecting participants within my influence or working environment. I selected participants from the large pool of IT outsourcing databases to widen my search for participants so that experiences of this engagement are diverse from other corporations.

### **Methodology**

#### **Participant Selection Logic**

In qualitative studies, large sample size is not a requirement. Jogulu and Pansiri (2011) recommended a sample size ranging from one to 25 participants while Polkinghorne (2005) favored a size ranging from five to 25 participants. There is no specific rule for the number of required samples for a qualitative study (Ellis & Levy, 2009). Therefore, the setting of the size mostly depends on the objectives, resources, and time (Neuman, 2003). In this study, I considered the extent of the sample the

qualitative tool could accommodate. In this study, the sample of the qualitative stage required a minimum of 10 participants, employees of IT-related offshore companies. I engaged each of these 10 participants in an open-ended question interview.

I assumed that both the vendor and the client were part of the client-vendor engagement relationship and were knowledgeable of the particular relationship of their respective company and its offshore partner. Five of the participants were from the client organizations while five participants were from the vendor organizations. I would have sought additional participants if the 10 participants had failed to allow me to achieve data saturation or the interview responses were yet distinct. I was able to conclude data collection when data saturation occurred. I assumed that saturation did not exist if the responses from the participants were still distinct and not repetitive.

For the quantitative study, I conducted a power analysis to obtain the minimum required sample size. Calculating the sample size required consideration of three factors: the power of the statistical analysis, the effect size of the statistical analysis, and the level of significance. The power of the statistical analysis may dictate the possibility of the rejection of a false null hypothesis in the statistical test results (Keuhl, 2000); I used a medium power of 0.8 in this study. The effect size is a measurement of the extent of the relationship between the independent and dependent variables. The effect size selected for the present study was in a medium scale, which was equivalent to  $f^2 = 0.15$ .

For the level of significance, I employed 0.05 for this study. I used G-Power software (power analysis software) to determine the minimum sample size needed. In this study, I aimed for a 95% confidence level and a confidence interval of  $\pm 5\%$ . Correlation analysis served as the basis for computing the sample size for this

research. Given these parameters, the total minimum sample size required as computed by G-Power was 82 samples for the surveys (see Appendix). As such, with an expected response rate of 90%, a sample size of approximately 125 persons for the survey would result in more than the required minimum number of samples. I used convenience sampling to assemble participants for the quantitative portion of this study. On the other hand, prospective participants received invitation letters through e-mails via a contact in the offshore IT-related companies. This contact served as a voluntary coordinator of messages between the potential participants and me.

At the qualitative study stage, I conducted a purposive sampling of 10 IT leaders who, at the time of the study, managed an outsourcing engagement with a vendor or technical service provider outside the United States. I purposively selected the 10 IT business leaders. Selection criteria were as follows: (a) a minimum of 10 years of work experience, (b) minimum of 2 years of experience in outsourcing engagements, and (c) leadership experience in IT organization. Purposive sampling was justified because selection of the participants was completed based on the purpose of the study and potential participants being able to provide information to achieve the purpose.

In the quantitative stage, I used the convenience sampling to solicit responses from a minimum of 82 participants who, at the time of the study, were service providers in an IT industry. For this study, 120 IT service provider employees participated in the study. Convenience sampling allowed me to obtain more observation for the study in a shorter period (Cozby, 2007). Similarly, the convenience-sampling plan was appropriate for this study because I did not randomly select the employees of IT-related offshore companies from the entire population.

Rather, I selected employees based on whether they voluntarily chose to participate in the study. One way to accomplish convenience sampling was by obtaining a list of employees in the target area and then e-mailing or contacting them by telephone to determine whether they would be willing to participate in the study. If they agreed to participate in the study, I distributed the survey instrument to them and participants then voluntarily filled out the survey for the study and returned it to me via the voluntary coordinator in their company.

### **Instrumentation**

As a mixed-methods study, I used two researcher-designed instruments to collect data from study participants in face-to-face interviews and via surveys. For the quantitative stage, I designed a survey to obtain information on the formal management approaches, global adjustment, motivation, mindset, and communication patterns of the workforce in IT-related offshore companies. I used information obtained from the survey to determine the relationships between management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce engaged in the outsourcing relationship. The self-designed survey consisted of the Likert-type scale questions to quantify the responses and categorical scales.

For the qualitative portion of the study, I prepared an interview guide composed of mostly open-ended questions as well as a few closed-ended questions. I posed the open-ended questions to encourage participants to provide elaborate and rich responses. The interview questions were designed to capture the perceptions of employees of IT-related offshore companies about the lack of formality of

management approaches in the IT industry that arise from cross-border cultural differences associated with vendor-client business outsourcing relationship.

Interviews that are open-ended in nature provide participants with many opportunities to express their ideas and feelings openly without being constrained by a set of choices (Patton, 2002). I increased the possibility of being able to discuss every key topic by using a prepared set of interview questions. I remained the primary study instrument and framed the discussion based on the prepared research questions.

The interview questions focused on identifying relevant themes and indicators concerning management approaches, global adjustment, motivation, mindset, and communication patterns in the vendor-client outsourcing relationship. I posed the following questions:

1. What are your working experiences in the IT industry?
2. Can you describe yourself and your culture, personal beliefs, and attitudes towards work?
3. What are the formal management approaches you and your organizations have taken to address cultural differences?
4. How do these approaches differ from those of your outsourcing engagement?
5. Were these approaches effective in your engagement with the vendor?
6. What are the implications of the lack of formality of management approaches that arise from cross-border cultural differences to the client-vendor business outsourcing relationship in the IT industry?
7. What are some specific practices of lack of formality that resulted to issues in the IT outsourcing relationship?

8. How do you describe global adjustment, motivation, mindset, and communication patterns of an effective IT outsourcing relationship?
9. What are the indicators of global adjustment, motivation, mindset, and communication patterns of an effective IT outsourcing relationship?
10. Are there any relevant factors that are important for a successful outsourcing engagement?

I used the resulting themes of the qualitative inquiry to design a survey instrument, which elicited Likert-type scaled answers from participants. In the design of the survey instrument, I considered the use of an unbalanced scale as suitable. For example, in a customer satisfaction survey, few customers may state that something is “unimportant.” For this study, to obtain the degree of discrimination between the levels of importance, I used an odd-numbered scale with *important* as the midpoint. That way, the survey respondents had a *not important* and *neither important nor unimportant* as the lower bound scale choices. Alternatively, *very important* and *extremely important* were the upper bound scale choices respectively (Brace, 2004).

### **Pilot Study**

I conducted an external participatory pilot test survey of the prepared interview guide questions to test the correctness of the instructions measured in the survey questionnaire. I conducted a pilot survey with two purposefully chosen participants to understand what their reactions, comments, and suggestions were about the questionnaire. Then, I noted and included their insights, comments, and thoughts in the final set of the interview questions.

### **Procedures for Recruitment, Participation, and Data Collection**

I e-mailed invitations to employees of companies that provided for the needs of organizations that required offshore IT services (clients) to participate in the study. These invitations were coordinated via a voluntary coordinator as well as to those employees of companies that provided for the needs of companies requiring offshore IT services (vendors). The e-mail solicitation included the reasons for selection, a brief description of the study, and the need for participation. I explicitly stated that participation in the study would be strictly voluntary with no repercussions for noncooperation or withdrawal. The letter of invitation contained a statement indicating that their respective companies were not sponsoring or conducting the research.

**Qualitative data.** The first part of the data collection process involved conducting interviews with a minimum of 10 participants. I randomly selected these interviewees from the participant pool for these semistructured interviews. Because the vendor companies considered were offshore, I conducted interviews via the telephone and or used a web communication tool, such as Skype. With the consent of the participants, I recorded the semistructured interviews for the purpose of subsequent analysis. Each interview was audio-recorded to allow for conversational flow of thought, free from distraction or interruption, which also helped to ensure the accuracy in the transcription and reporting. I manually transcribed all audio recordings. No third party involved in transcription of the recorded interviews. Each interview lasted approximately 30 to 45 minutes.

The semistructured interviews explored client and vendor employees' perceptions of the implication of lack of formality of management approaches in the

IT industry that arise from cross-border cultural differences associated with client-vendor business outsourcing relationships. The data collected from these semistructured interviews allowed me to develop an understanding of the perceptions of offshore IT-related company employees and clients regarding the relationship of the difference in management approaches in client-vendor relationships. I framed the discussion based on the prepared five qualitative research questions. The interview questions were as follows:

1. What are the implications of the lack of formality of management approaches that arise from cross-border cultural differences to client-vendor business outsourcing relationships in the IT industry?
2. What are the specific practices of lack of formality that result in issues in IT outsourcing relationships?
3. What are IT professionals' management issues concerning outsourcing engagement and management of cross-cultural differences?
4. What formal management approaches in IT outsourcing engagements perceived as effective in managing cross-cultural differences?
5. What constitutes positive global adjustment, motivation, mindset, and communication patterns of the IT workforce with differences in culture, as perceived by IT professionals?

I used the interview guide as a guideline for the conversation, allowing for flexibility and structure when needed.

I conducted open-ended question interviews to collect qualitative data.

Interviews that are open-ended in nature give participants the opportunity to express their ideas and feelings openly, without being constrained by a set of choices (Patton,

2002). The use of open-ended questions in the in-depth interviewing process allowed the participants being interviewed to shape their interviews (Horrocks & King, 2010). The discussion was allowed to proceed in a way that permitted free expression by the participants regarding personal feelings and experiences on a particular case.

**Quantitative data.** I designed a survey instrument used to collect the quantitative data based on the themes generated from content analysis of the qualitative component of the study. As the instrument was a researcher-designed instrument, I conducted a field study with selected participants. I excluded those individuals who participated in the field study from the final survey. I administered the final survey instrument via SurveyMonkey, an online Internet data compilation tool for quantitative data collection (Downing & Clark, 2007). I created an account on SurveyMonkey and followed procedures for entering and building the survey using an online database. I initiated administration of the survey electronically via a hyperlink in the invitation e-mail, routed through a voluntary coordinator at the various IT companies, sent to employees of the offshore IT companies and their clients. I conducted data collection over a 30-day period.

The quantitative data consisted of the survey responses from the 82 participants' summaries for the formal management approaches, global adjustment, motivation, mindset, and communication patterns of the workforce in IT-related foreign companies. To obtain a quantitative description of each of the variables, responses to the survey questions used a 5-Point Likert-type scale to summarize the study variables in a range of 1 to 5 quantitatively. The intent was to allow participants to summarize their level of behavior or the type of practice on formal management approaches, global adjustment, motivation, mindset, and communication

patterns of the workforce in IT-related offshore companies. The survey questions were closed-ended, and, therefore, participants could only choose from a particular list of answers.

I downloaded raw data captured by the survey instrument from SurveyMonkey and saved the raw data in a password-protected computer file. I then imported responses provided to each of the questions on the survey instrument into a Microsoft® Excel® spreadsheet. I used the columns to summarize the data for the formal management approaches, global adjustment, motivation, mindset, and communication patterns of the workforce. Then the rows for the unique control number assigned to each participant to track the number of responses.

### **Data Analysis**

In this study, I used qualitative and quantitative data analysis procedures to analyze the textural data from interviews as well as the numerical data generated from surveys. For the qualitative procedure, I began by listening to the recorded interviews, and then encoding them into a word processor. After encoding the interviews into a word processor, I subjected the files to content analysis using QSR International NVivo software, Version 9. A qualitative software package designed to sort, identify, and categorize relevant codes (Richards, 2009). Using NVivo software, I identified significant elements, manifested themes and explored further emergent attributes about formal management approaches to global adjustment, motivation, mindset, and communication patterns of the workforce in the IT industry. The approach to analyzing data as identified is in line with most researchers' approach when conducting content analysis – they use multiple data sources to increase the validity of the study findings.

The main purpose of content analysis was to determine common themes or content that emerged from the interviews. The purpose of the qualitative portion of this study was to describe, interpret, verify, and evaluate the findings, which I could then use in the design of the quantitative survey. I analyzed the transcribed interview recordings to supplement the findings of the quantitative analysis results (Clissett, 2008). Performing the content analysis generated coding of the interview responses from which I was able to obtain various themes or categories that summarized the interview data for each of the interview questions asked.

I conducted coding by segregating the interview data into words, phrases, sentences, or paragraphs that emphasized the functional relationship between parts and the whole of the entire interview conversation. Coding is a process by which a researcher can condense extensive data sets into smaller units from their organizational structure to discover patterns, and create categories and concepts. During this process, a researcher can convert data into types and categories of variables by numbers to organize the data into ideas about the topic of study (Auerbach & Silverstein, 2003; Bourque, 2004). Codes are labels for assigning meaning to the descriptive information compiled during the study. Codes are usually words or phrases that *chunk* together sections of information. Specifically, the phrases, concepts, or ideas that I sought in the interview transcripts and notes were those related directly to the interview questions.

In this study, I compiled and presented content analysis results in narrative by using a matrix table to display the emerging themes generated for the five qualitative research questions. These emergent themes provided answers to the five research questions posed in the qualitative stage of this study. I answered RQ6 using the

quantitative data collected from the online survey. The variables of formal management approaches, global adjustment, motivation, mindset, and communication patterns served as the variables for the study; each variable could have values from 1 to 5 only. I quantified both the independent and dependent variables using a 5-point Likert-type scale as described in Instrumentation.

I downloaded all of the quantitative data and stored them in the SurveyMonkey database. After acquiring the data representing the survey results from the participants, I re-encoded the data into IBM SPSS software for ease of data storage/management and subsequent analyses. I conducted data screening by identifying questions that some participants failed to respond. I treated failed responses as missing responses, and replaced missing responses with an average or most frequent response to that particular question from those samples that included a response to that question. Data analysis for the quantitative portion followed a confidence level of 95%; for the result of the analysis to be statistically significant, the significance value needed to be less than 0.05.

I addressed the quantitative research question and its respective hypotheses by performing Pearson's correlation tests to determine relationships between variables. I calculated Pearson's correlation coefficients to assess the individual relationships between formal management approaches, global adjustment, motivation, mindset, and communication patterns of the workforce. Pearson's correlation coefficient is a statistical procedure used to determine if a statistically significant relationship exists between two continuous variables (Moore & McCabe, 2006). Values of the correlation coefficient can range from a low of (- 1) to a high of (+ 1). A value of (- 1) between two variables indicates that a strong negative relationship exists between

those two variables (Moore & McCabe, 2006). A strong negative relationship means that as one variable increases, the other variable decreases. In contrast, a positive value of (+ 1) indicates that a strong positive relationship exists between the variables (Moore & McCabe, 2006). A strong positive relationship means that as one variable increases, the other variable also increases.

Either a positive or a negative association provides evidence that a significant relationship exist between the variables. A value of zero (0) for the correlation coefficient indicates that no relationship exists between the variables. If no relationship existed between the variables, I could not reject the null hypothesis. In other words, an increase or decrease in one variable does not have an impact on the other variable. However, the probability values of the Pearson's correlation coefficient should be equal to or less than the level of significance value of 0.05 so that the relationship between variables is significant.

For this test, the assumption of normality with equal variances should hold in the samples. I could have accomplished checking normal distribution of the samples by just constructing a probability histogram and checking by visual inspection whether the histogram plot fit the normality curve.

### **Issues of Trustworthiness**

#### **Validity and Reliability**

Validity of the study results comprises of the reactive effects of a research study. Participants' awareness that they are taking part in the study may have altered the participants' responses in such a way that they provided socially acceptable responses rather than honest statement of their views. To address this shortcoming, I briefed participants, prior to administration of any survey or start of the interviews,

which their honesty in providing responses to the questions was an integral foundation of the study. My intention was that a 10-minute briefing with the participants would ensure them that their honesty and the integrity of the data are important to the completion and merit of the study.

### **Internal Validity**

According to Leedy and Ormrod (2005), there can be internal validity issues if results influenced by factors other than those thought to have caused the findings or unclearly defined data interpretations. Factors that may have influenced the research were subject variability, size of the subject population, and instrument sensitivity. I was sensitive to these factors and strove to eliminate any factors that might have compromised the internal validity of the study. To accomplish this objective, I conducted a pilot test of the interview guide and a field test for the survey instrument.

In performing the test, I recruited three IT professionals who qualified to participate in the study. Their participation in the pilot test automatically disqualified them from participation in the actual interview. I asked pilot study participants to review the questions I planned to use in interviewing IT professionals engaged in outsourcing. These three IT professionals had an hour to review and discuss their recommendations concerning the clarity of the questions and the sub-questions added to support the major interview questions. I reviewed and consolidated all recommendations for the final design of the interview guide.

In conducting of the field test for the quantitative phase, I recruited three IT professionals and asked them to respond to the survey instrument via an online link. Conducting a field test ensured that questions in the survey instrument were valid and reliable. Psychometric test ensured that all variables considered in the instrument had

good psychometric measures. To confirm reliability, I conducted testing of the survey instrument via the test and retest method. I deployed the survey instrument to test participants on two different occasions. If the correlation between separate administrations of the test was high (0.7 or higher), the survey instrument was considered to have good reliability. To improve the measurement scale, I removed items deemed unnecessary or not aligned with the factors.

### **External Validity**

According to Leedy and Ormrod (2005), findings can have external invalidity if they cannot extend or apply to contexts outside of the study's scope. Factors that may have influenced external validity include sample characteristics, subject selection, research environment, and data collection methods. I considered all of these variables when planning the study. In this study, I did not assume that the results of this study would be generalizable to other industries other than the IT industry. I believed that the present study would contribute to the larger body of knowledge about the subject of this study.

### **Reliability**

Reliability in qualitative research designs refers to how consistent the data obtained are for a given study (Hesse-Biber & Leavy, 2006). The reliability of a qualitative study research design consists of two different components: internal consistency and external consistency (Neuman, 2003). Internal consistency refers to how consistent the data collected are, as well as whether there is consistency in the observations obtained from each of the participants in the study (Hesse-Biber & Leavy, 2006). In this study, I conducted content analysis to determine the frequency with which a particular code appeared in the transcripts of all the participants in the

study. I developed a codebook as a reference to account for all qualitative data and to identify these elements in terms of the dependent and independent variables.

I verified the external consistency of the data by comparing the information found for the current study with information obtained from other studies (Hesse-Biber & Leavy, 2006; Neuman, 2003). External consistency was verifiable because other studies confirmed the information obtained in the current study. In this regard, I reviewed the current literature to determine whether the findings of the present study reflected the current knowledge.

#### **Ethical Procedures – IRB Number 03-10-14-0046770**

I completed this study in accordance with the ethical and professional considerations mandated by Walden University as well as federal requirements for protection of human subjects. My responsibility was to protect participants in this study, obtain their consent, ensure protection from harm, and protect their privacy. I provided an informed consent form to participate to each participant. I designed a study in such a way as to protect the participants as a group and as individuals. I achieved such protection by using pseudonyms in cases in which I had to use participants' verbatim responses to support the analysis.

I gained permission from each participant using an electronic informed consent letter, which they posted prior to completing an online survey and participating in the interview, as applicable. Each participant was required to provide acknowledgement, consent, and an indication of a willingness-to-participate-in-the-study release. I was objective and conscious not to interject personal opinions that would result in biases in the research. I made the participants fully aware that all information gathered from the survey was secure under the conditions of anonymity

and that their participation in the study would be voluntary. By invoking the anonymity of the research, I did not ask their names and other personal information that were not relevant in the study. However, the data describing their demographic profile were appropriate in this study. I protected demographic data by ensuring that the participants had assigned pseudonyms to describe them and their experiences relative to the goals of the study.

### **Summary**

The purpose of this mixed-method explanatory sequential case study was to determine the implications of the lack of formality of management approaches in the IT industry that arise from cross-border cultural differences in the client-vendor business outsourcing relationship. The chapter included details and justification of the 10 sample participants invited to participate in the semi-structured interview. For the quantitative phase of the study, I recruited a minimum sample size of 82 individuals to participate in the survey. I conducted content analysis with the assistance of QSR International NVivo software, Version 9, to determine the themes used in designing the survey instrument. I examined the quantitative aspect of the study by conducting Pearson's correlation test to determine the relationships between formal management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce. I discussed the descriptive data and results associated with each of the research questions in Chapter 4.

## Chapter 4: Results

The focus of this study was to determine the implications of the lack of formality of management approaches in the IT industry that arise from cross-border cultural differences in a client-vendor business outsourcing relationships. Thus, the shared perceptions and experiences of the 10 IT business leaders from the United Kingdom, Canada, Singapore, and India engaged in outsourcing relationships are presented in this chapter. I captured these perceptions and experiences via semistructured interviews in which I posed open-ended questions. After manually transcribing the recorded interviews and importing the transcripts into QSR International NVivo, Version 9, I coded the transcripts. Coding enabled me to identify the major and minor themes expressed by the interviewees. Qualitative content analysis allowed valid and reliable results to emerge. In Chapter 4, I present a sample description of the participants, a recap of the research methodology, presentation of findings, and an overall chapter summary. The results of this study helped to address the following six research questions:

RQ1: What are the implications of the lack of formality of management approaches that arise from cross-border cultural differences to the business outsourcing relationship between vendor and client in the IT industry?

RQ2: What are the specific practices of lack of formality that result in issues in the IT outsourcing relationship?

RQ3: What are IT professionals' management issues concerning outsourcing engagement and management of cross-cultural differences?

RQ4: What formal management approaches in IT outsourcing engagements are perceived as effective in managing cross-cultural differences?

RQ5: What constitutes positive global adjustment, motivation, mindset, and communication patterns of the IT workforce with differences in culture, as perceived by IT professionals?

RQ6: What is the relationship between formal management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce?

### **Pilot Study and Field Test**

In this study, I conducted a pilot test of the interview guide and a field test for the survey instrument. In performing the test, I recruited three IT professionals who qualified to participate in the pilot test study. Their participation in the pilot test automatically disqualified them from participation in the actual interview. I asked pilot study participants to review the questions I planned to use in interviewing IT professionals engaged in outsourcing. These three IT professionals had an hour to review and discuss their recommendations concerning the clarity of the questions and the subquestions added to support the major interview questions. I reviewed and consolidated all recommendations for the final design of the interview guide.

In conducting the field test for the quantitative phase, I recruited three IT professionals and asked them to respond to the survey instrument via an online link. Conducting a field test ensured that questions in the survey instrument were valid and reliable. Psychometric test ensured that all variables considered in the instrument had good psychometric measures. To confirm reliability, I conducted testing of the survey instrument via the test and retest method. I deployed the survey instrument to test participants on two different occasions. If the correlation between separate administrations of the test was high (0.7 or higher), the survey instrument was

considered to have good reliability. To improve the measurement scale, I removed items deemed unnecessary or not aligned with the factors.

### **Research Setting**

The research setting refers to the place or location to collect the data. According to Altman (2001), people use personal space and various types of territorial behavior in their attempts to seek favorable levels of individual privacy at a specific point in time. Different people have different needs for privacy and personal space around the world (Altman, 1975). In addition, people react differently to threats against their personal space and privacy. How people affect and are affected by privacy may vary differently by age, gender, race/ethnicity, and personality. I understood ahead of time that the study participants came from different parts of the world. In the United Kingdom, Canada, Singapore, and India, there are many diverse cultures and racial/ethnic groups of people with differing mindsets where personal privacy may be a complicated issue, and, therefore, I provided letters of consent prior to interviewing.

### **Demographics**

Cooper and Schindler (2008) reported that researchers minimize data collection costs from the entire target population by use of sampling strategies and speed up data collection processes. The target population of this study was the IT professionals residing in the United Kingdom, Canada, Singapore, and India engaged in IT client-vendor relationships. Cooper and Schindler stated that good and representative samples have little or no bias and have no systematic variances with sampling errors. These samples have acceptable sampling errors within the study limits and purpose (Cooper & Schindler, 2008). In this study, I considered the extent

of the sample the qualitative tool accommodated. In this study, the sample of the qualitative stage required a minimum of 10 participants, employees of IT-related offshore companies.

The appropriate sample size of this study computed and generated by using G-Power software with a confidence level of 95% and a confidence interval of  $\pm 5\%$  was 82 samples for the survey. I used convenience sampling to assemble participants for the quantitative portion of this study. For convenience sampling, prospective participants received letter invitations through e-mails. I used a random sampling approach to collect data online through the SurveyMonkey website. The data collected for this study were from a sample representative of the target population. The target population included adults living in the United Kingdom, Canada, Singapore, and India of different age groups, education levels, marital status, sexual orientation, income levels, and ethnic backgrounds.

By using a purposive sampling approach, I identified and interviewed 10 participants for this study. These individuals were IT business leaders in the United Kingdom, Canada, Singapore, and India actively engaged in managing an outsourcing relationship. Table 3 shows basic information about these participants.

Table 3

*Participants' Basic Information*

Participant #	IT industry work experience	Self-description
1	5 years as assistant	Spiritual, mother, and a businesswoman
2	Tech expert	Passionate towards technology
3	Management consultant	Enjoys work
4	3 years as technical assistant in IT section logistics	Responsible for work
5	11 years	Hardworking; believes in success
6	Computers for coding	Using computer for coding
7	General manager in IT industry	Open-minded; devoted to work
8	Manager of IT industry	Diversity is an asset to the organization
9	Implementation consultant	Dedicated and self-motivating
10	Demanding and underappreciated	Hardworking

**Data Collection**

In the recruitment process, I e-mailed invitation letters to employees of companies that provided for the needs of organizations that required offshore IT services (clients) to participate in the study. I appointed a voluntary coordinator who managed the coordination and selection and then scheduled the meet-up for the interview. The e-mail solicitation included the reasons for selection, a brief description of the study, and the need for participation. I explicitly stated that participation in the study would be strictly voluntary with no repercussions for noncooperation or withdrawal. The letter of invitation contained a statement indicating that their respective companies were not sponsoring or conducting the research.

I used two data collection strategies to collect the data. These are qualitative and quantitative data collection strategies. In the qualitative phase, I randomly selected the interviewees from the participant pool eligible to participate in the qualitative phase. I conducted the interviews using the telephone and/or Skype, a web communication tool. Using an interview protocol, I prepared questions that explored the client and vendor employees' perceptions of the implication of lack of formality of management approaches in the IT industry that arise from cross-border cultural differences associated with client-vendor business outsourcing relationships. As informed in the consent form, all semistructured interviews were audio recorded. I then transcribed all recorded interviews that lasted for 30 to 45 minutes.

In the conduction of the quantitative phase, I designed a survey instrument to capture the themes generated from content analysis of the qualitative component of the study. This instrument was field tested with selected participants who are not participants from the final survey. I used SurveyMonkey in the administration of the online survey. This was done using a hyperlink attached in the invitation email routed through a voluntary coordinator at the various IT companies. A 30-day period was allotted to collect the data.

### **Data Analysis**

I used content analysis to extract and analyze the transcriptions for meanings (Zhang & Wildemuth, 2009). The preliminary review of the descriptions and characteristics indicated in the interview transcripts allowed me to preview possible themes and invariant constituents that may appear in the final analysis. The final analysis of the themes for the study considered how many times the participants mentioned a word or phrase associated with the theme.

## **Evidence of Trustworthiness**

This study employed a mixed-method comprising of qualitative and quantitative approach to research. Both reliability and validity illustrate the evidence of trustworthiness. Below I discuss how I managed the internal validity, external validity, and reliability issues inherent in the study.

### **Validity and Reliability**

In order to ensure validity of the study results, I provided briefing sessions to the participants prior to the administration of the survey or start of the interviews. This session ensured that the participants provided honest responses to the questions as an integral foundation of the study. All the participants received a 10-minute briefing before interviewing. In the case of the quantitative survey, I reminded the survey participants that their honest opinion was crucial in the success of the study.

### **Internal Validity**

As presented in the report for pilot study and field test, all qualitative questions and survey variables used in this study received a thorough review from qualified participants of the study. This strategy ensured that responses generated from the actual participants of the study were valid responses from the sampled population.

### **External Validity**

The factors that may have influenced external validity include sample characteristics, subject selection, research environment, and data collection methods (Leedy & Ormrod, 2005). These factors received consideration in the planning phase of this study. To address this, I specifically indicated that the result of this study was not generalizable to other industries other than the IT industry.

## **Reliability**

In this study, I conducted content analysis to determine the frequency with which a particular code appeared in the transcripts of all the participants in the study. I developed a codebook as a reference to account for all qualitative data and to identify these elements in terms of the dependent and independent variables. I verified the external consistency of the data by comparing the information found for the current study with information obtained from other studies (Hesse-Biber & Leavy, 2006; Neuman, 2003). External consistency was verifiable because other studies confirmed the information obtained in the current study. In this regard, I reviewed the current literature to determine whether the findings of the present study reflected the current knowledge.

## **Study Results**

### **Qualitative Data Results**

In this section, I present the results of analyses and findings for the qualitative portion of this study, which addressed the first of five research questions of this study. The emerging themes observed in this study discussed below.

#### **Theme 1**

The first theme that emerged from answers to the first research question of the study, the implications of the lack of formality of management approaches that arise from cross-border cultural differences to vendor-client business outsourcing relationships in the IT industry, was that there are no management issues in the current processes. The current approaches result in positive and good relations. I deduced from five invariant constituents the most important perceptions shared as presented in Table 4. The first theme, which implied that there are no management

issues in the current processes as the current approaches led to positive outcomes, received the highest number of responses from four of the 10 participants (40% of the sample).

Table 4

*Implications to Client and IT Vendor Business Outsourcing Relationships Caused by Lack of Formal Management Approaches to Cross-Border Cultural Differences*

Invariant constituents	Occurrences	
	<i>n</i>	%
No management issues in the current processes, they result in positive and good relations	4	40
Improved placement of products for clients	2	20
Miscommunication because of the language and cultural barriers	2	20
No personal relationship built between the vendor and the client	1	10
No known implications shared	1	10
Total	10	100

Overall, I considered the first theme, “No issues, because the approaches currently result in positive and good relations” as one of the six most significant findings of the study. The theme pertains to the participants’ belief and observation that no issues will emerge because managers’ approaches will continue to result in positive effects and outcomes. Participant 3 emphasized that less formality in the culture leads to fewer issues and positive results. Participant 3 shared, “No issues—less formality is culturally positive.” Participant 4 added that one result of the lack of formal management approaches was “good relations” establishment. Participant 8 said that having a professional yet courteous approach helped enhance positive effects, which he expected to continue into the future. Participant 8 stated, “We believe the approach should remain professional yet courteous.”

Theme 1 resulted from the second invariant constituent related to comments made by two of the 10 participants (20% of the sample) and involved improved

placement of products for clients. This invariant constituent relates to the assumption that the attributability of future positive and improved placement of products for clients pertains to the lack of formality in management approaches. Participant 2 mentioned three important implications, namely, “Origin, timing, [and] placement.” Participant 6 added that there was current use of computers for coding. An implication that the process and placement of outsourcing IT services have improved over the previous arrangement in which computers were presumably not used for coding. Participant 6 said, “I use computers for coding.”

The third invariant constituent resulted from the 10 participants (20% of the sample) comments. These comments implied that the lack of formal management approaches, and miscommunication (between clients and vendors) was due to language and cultural barriers. This invariant constituent indicates that a possible miscommunication can occur, given that there are language and cultural differences between vendor and client. Participant 7 explained that the language was the primary concern. Participant 10 remarked about the difference in cultural norms. Participant 10 continued to add that it was surprising that learning about each other's holidays and customs is often overlooked. For example, "we were shocked to realize Vietnam does not use a standard Monday through Friday work week.”

The fourth invariant constituent derived from one of the 10 participants (10% of the sample) was that no personal relationship building occurred between the vendor and the client. The indication of this invariant constituent is that there is a possible lack of relationship between the client and vendor because of the informality of the management approach to the IT outsourcing process. Participant 1 stated that the lack

of face-to-face interaction might contribute to not building a relationship. Participant 1 said, “You don’t get to know the person behind the e-mail.”

The fifth invariant constituent related to the first theme invariant constituent by a comment from one of the 10 study participants (10% of the sample), that there were no known implications shared. Participant 5 claimed to not being aware of any implications by stating, “Not aware of any.”

## **Theme 2**

The second theme that emerged and compared to the second research question about the lack of specific practices in the management formality in the IT outsourcing relationship was the lack of communication. This theme emerged based on the six invariant constituents, or most important perceptions shared (including the mentioned theme), as presented in Table 3. The second theme implied that the lack of communication had been the most common practice of the lack of formality that had had an effect on IT outsourcing participants. Three of the 10 participants (30% of the sample) made comments related to this theme (see Table 5).

Table 5

### *Lack of Formal Practices Causing Issues to IT Outsourcing Relationship*

Invariant constituents	Occurrences	
	<i>N</i>	%
Lack of communication	3	30%
No specific response	2	20%
Difference in culture and language	2	20%
Lack of openness to adaptation	1	10%
Lack of efficiency	1	10%
Prone to problems and issues	1	10%
Total	10	100%

Overall, I consider the second theme, lack of communication, as one of the six most significant findings of the study. Participant 1 expressed that the communication is important to any relationship practice with the statement, “Communication is key.” Participant 8 added that relationships between clients and vendors require communication to establish and improve partnerships and to avert issues. Participant 8 expressed this sentiment as follows: “A better & warmer relationship between parties and a longer continued partnership in many cases.” Participant 9 shared her perceptions of the importance of communication and formality, as follows: “Not bothering to check professional references just because you like someone.”

The second invariant constituent identified as related to the second theme was comments by two of the 10 participants in this study (20% of the sample); shared as no specific response. Participant 5 had no specific response about the research question. Participant 6’s response, “I use computers for coding,” did not appear to relate to the research question posed.

The third invariant constituent relating to the second theme, drawn from the comments of two of 10 participants in the study (20% of the sample), had to do with differences in culture and language. The essence of this perception refers to practices to address the differences in culture and language between vendor and client. Participant 7 said that differences in culture and language result in further issues beyond those fundamental differences themselves. Participant 10 added that translation issues are the most common problem encountered because of the lack of formality in management practices.

The fourth invariant constituent related to the second theme and invariant constituent, drawn from a comment by one of the 10 participants (10% of the sample) was the lack of openness to adaptation. Lack of openness pertains to vendors in IT outsourcing relationships when the lack of formality and formal practices might mean vendor managers not fully disclose details of the IT outsourcing process, resulting in issues to the vendor-client relationship. Participant 2 just stated, “?”

The fifth invariant constituent related to the second theme, based on a comment from one of the 10 participants (10% of the sample) was the lack of efficiency [in management]. This invariant constituent involves a lack of management efficiency relative to the managing of an IT outsourcing relationship. Participant 3 stated that the lack of formal practices could result in lack efficiency. Participant 3 said, “Untimely and often less efficient.”

The sixth invariant constituent found to be related to Theme 2 was the comments by one of the 10 participants (10% of the sample), the approach being "Prone to problems and issues." The invariant constituent pertains to the current approach being prone to issues thus problems continue to emerge. Participant 4 implied that the lack of formality is prone to issues.

### **Theme 3**

The third theme emerging from the third research question of the study focused on the IT professionals’ management issues, the outsourcing engagement, and the management of cross-cultural differences. There were no issues encountered as everything was going smoothly. I deduced the theme from the frequency with which the eight invariant constituent or the most important perceptions (including the theme itself) were mentioned (Table 6). This theme implies that no issues encountered

because processes were working fine at the time, but I deduced as much from the statement, “processes had been working less than fine in the past.” The statement that “there were no issues encountered at present because everything is going smoothly now” was made by eight of the 10 participants (80% of the sample).

Table 6

*No Issues Encountered, Operations Running Smoothly at Present Time*

Invariant constituents	Occurrences	
	<i>n</i>	%
No issues encountered at present because everything is going smoothly at the moment	8	80
No perceived management issue	2	20
Total	10	100

Overall, I considered the third theme, “No issues encountered at present because everything is going smoothly,” as one of the six most significant findings of the study. Participant 1 said that, so far, everything was proceeding as expected, “So far so good!” Participant 2 added that the engagement and management of cross-cultural differences improved the relationship and business: “Yeah, it improved our relationship and business.” Participant 3 also directly stated that business had grown “Yes, Improved business.” Participant 4 shared that vendor engagement in the market was good at the time of the study: “Our vendors’ engagement is good in the market.” Participant 7 also shared that the work environment was friendly as well as supportive of the outsourcing goal and thus, employees had encountered no management issues so far. Participant 7 shared “Friendly environment but targets towards goal.”

Participant 8 shared an experience about having encountered a positive relationship from the client’s perspective. Participant 8 said, “Very much so. One of our vendors did not speak English and qualified translator on staff was helpful.”

Participant 9 also emphasized that they noticed an improvement overall, and no issues observed. Participant 10 only answered that vendor and client have not faced a similar issue.

The second invariant constituent related to the third theme and invariant constituent, based on responses from two of the 10 participants (20% of the sample), and indicated there was no perceived management issue. Participant 5 showed no awareness of any management issue, stating simply, “Do not know.” Participant 6 also provided another response when queried by saying, “I use computers for coding.”

#### **Theme 4**

The fourth theme that emerged from the fourth research question addressing the formal management approaches in IT outsourcing engagements issues observed to be effective in managing cross-cultural differences. A not effective management approaches observed or recognized. I deduced the theme from five invariant constituents (including the fourth theme) provided by the participants as shown in Table 7. The fourth theme generated was that participants did not perceive or recognize any formal management approaches useful in resolving issues of cross-cultural differences. This theme received the most responses, which is a four out of the 10 participants (40% of the sample) as shown in Table 7.

Table 7

*Perceived Formal Management Approaches to IT Outsourcing Engagements Effective in Managing Cross-Cultural Differences*

Invariant constituents	Occurrences	
	<i>n</i>	%
No perceived or recognized management approaches	4	40
Broader language skills and cultural background information	3	30
Employment of the individual because of merits and not the cultural background	1	10
Utilization of advanced systems	1	10
Promotion of tolerance and open-mindedness	1	10
Total	10	100

Overall, I found the fourth main theme, “No perceived or recognized management approaches,” to be one of the six most significant findings of the study. Participant 4 did not answer the given question. Participant 5 expressed no awareness of any problems, stating only, “Not that I am aware of.” Participant 6 said a different response that did not accurately address the approach of the organization: “I use computers for coding.” Participant 10 said that a cultural difference was not a problem in the vendor-client outsourcing relationship where they engaged. However, the participant said, “without a formal approach taken a cultural difference has not surfaced as an issue and thus no formal approach considered.”

The second invariant constituent and the fourth theme invariant constituent resulting from the comments by three of the 10 participants (30% of the sample); participants perceived broader language skills and cultural background information as effective. The perception pertains to the participants' observations of outsourcing vendor managers having a more extensive knowledge of clients' language and skills as being more efficient. Participant 3 emphasized that communication skills are associated with and beneficial to globalization. Participant 3 said, “Language skills

and opened operations in international locations.” Participant 7 added that a well-chosen group of people could aid in overcoming of cross-cultural differences. Participant 7 said, “Proper mixing in different culture people in a team. Share cultures in between them.” Participant 8 remarked on how the managers had advanced their cultural views to overcome language barriers. Participant 8 stated, “A prayer room has been added recently in our facility to accommodate our current employees and guests. We also have staff members who can translate and interpret various languages to help avoid confusion.”

The third invariant constituent related to Theme 4 was based a comment by one of the 10 participant (10% of the sample). This comment was about the practice of employment because the individual’s merits and not his or her cultural background. Participant 1 stated that the best or most effective management approach to overcoming cultural barriers in cross-border outsourcing engagements was work of individuals, not because of their cultural background but on their merits.

The fourth invariant constituent related to Theme 4 originated from a comment from one of the 10 participants (10% of the sample) and involved the practice of utilization of advanced systems. About advanced systems aiding in overcoming cross-cultural differences, Participant 2 said, “Advanced systems, cloud.”

The fifth invariant constituent related to Theme 4, based on a comment from one of the 10 participants (10% of the sample) was the method of promotion of tolerance and open-mindedness. Participant 9 stated that managers have demonstrated the two steps of, “Tolerance, open-mindedness.”

## Theme 5

The fifth theme generated out of the fifth research question. Intent is to provide a platform for gaining insights about positive global adjustment, motivation, mindset, and communication patterns in a culturally diverse environment as perceived by IT professionals. Theme 5 is that increased cooperation and partnership in the organization can promote positive changes, given the differences in culture. This theme resulted from four invariant constituents (including the fifth theme) as shown in Table 8. The fifth theme is that having a strong partnership in the management and the organization will result to positive outcomes. This theme originated comments from four of 10 participants (40% of the sample; see Table 8).

Table 8

*What Do IT Professionals Perceive Constitute Positive Global Adjustment, Motivation, Mindset, and Communication Patterns Among IT Workforces With Differences in Culture?*

Invariant constituents	Occurrences	
	<i>n</i>	%
Increased cooperation and partnership within the organization	4	40
Organized process that can stand anything and everything	2	20
No perceived positive global adjustment, motivation, mindset, and communication patterns	2	20
Targeted goals and objectives for the whole organization	2	20
Total	10	100

I consider the fifth theme, “Increased cooperation and collaboration within the organization,” as one of the six most important findings of the study. Participant 2 pointed out three necessary elements for a positive adjustment to occur in an organization: “Increased cooperation, improved relationship, and increased business.” Participant 3 expressed the need for partnership. Participant 4 just stated that the proper activation and utilization of the workforce has positive results. Participant 8

emphasized that maintaining a positive relationship with clients and increasing the number of clients is beneficial. Participant 8 said, “A continued relationship which is beneficial to both parties is the primary indication of an effective IT outsourcing relationship.”

The second invariant constituent related to Theme 5 originated from a comment from two of the 10 participants (20% of the sample). The comment was “an organized process that can withstand anything and everything was a need.” This perception is the need for another element, given the presence of cultural differences. Participant 1 stated that the IT workforce needs a well-planned and well-founded process because there are differences in culture. Participant 1 said, “A well-worked process that stands the test of time.” Participant 10 added that the overall efficiency would be helpful, despite the differences in culture.

The third invariant constituent of Theme 5 originated from a comment received from two of the 10 participants (20% of the sample). That comment was that there were no perceived positive global adjustment, motivation, mindset, and communication patterns. Participant 5 provided no element or action that could aid in managers’ approach to overcoming difficulties encountered on cross-culture IT outsourcing engagements. Participant 6’s response was once again inconsistent with the research question posed.

The fourth invariant constituent of Theme 5 originated from a comment made by two of the 10 participants (20% of the sample). According to participants, management could benefit IT outsourcing engagements by having targeted goals and objectives for the entire organization. The perception pertains to having focused aims and goals for management and the organization as a whole. Participant 7 explained

that having a focus on goals and objectives plays a significant factor in the success of an outsourcing project. Participant 7 said, “Focus to goal is most important factor.” Participant 9 added that management demonstrating values of “dedication, professionalism, flexibility, [and] competence” would be helpful for cross-cultural IT outsourcing engagements.

### **Theme 6**

The sixth and final theme emerged in response to the sixth research question. That question addressed the relationship between formal management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce. The theme that emerged was that of a “positive relationship between the approaches and adjustment [because] they provide good results.” I deduced Theme 6 from four invariant constituents (including the sixth theme), as presented in Table 9. The sixth theme, based on participants’ observations, was that of a positive relationship between managers’ approaches and global adjustments. This theme originated from comments made by five of the 10 participants (50% of the sample; Table 9).

Table 9

*Relationships Between Formal Management Approaches and Global Adjustment, Motivation, Mindset, and Communication Patterns of the Workforce*

Invariant constituents	Occurrences	
	<i>n</i>	%
Positive relationship between the approaches and adjustment because they provide good results	5	50
Direct and Indirect Relationship	2	20
No perceived relationship	2	20
No effect in the relationship	1	10
Total	10	100

Overall, I considered the sixth theme, “Positive relationship between the attitudes and change because they provide good results,” as one of the six most important findings of the study. Participant 1 stated that approaches of the organization help in the overall work engagement. Participant 1 said, “These approaches help me in my work engagement.” Participant 2 echoed this sentiment, explaining that approaches and adjustments of the organization aided in the overall effectiveness of projects, and thus with positive results on outsourcing engagements. Participant 2 said, “It’s helping forward communication and effectiveness.” Participant 4 added that good approaches were necessary for good results; Participant 4 said, “Good approaches for IT outsourcing.” Participant 7’s comment indicated approaches and adjustment were beneficial to each other: “They not differ but help to do that.”

The second invariant constituent related to Theme 6 originated from a comment made by two of the 10 participants (20% of the sample). The invariant constituent had a direct and indirect relationship. This perception has to do with having two kinds or types of relationship, depending on use of the vendors and clients. Participant 3 stated that vendors and clients have direct and indirect relationships, depending on the method used. Participant 9 added that vendors and clients could have a direct or indirect relationship depending on the approach and method of utilization. Participant 9 said, “IT outsourcing works at speed and to timetables. There is normally no place for people who don't fit in.”

The third invariant constituent related to Theme 6 originated from a comment made by two of the 10 participants (20% of the sample). The invariant constituent had no perceived relationship. Participant 5 had no comment when asked about the

relationship between management and employees. Participant 6's response did not relate to the question posed: "I use computers for coding."

The fourth invariant constituent related to Theme 6 originated from a comment made by one of the 10 participants (10% of the study). That invariant constituent was that there was no [perceived] effect in the relationship. Participant 10 stated that the relationship between the management and employees was, "They do not differ."

### **Summary of Qualitative Findings**

The preceding sections of this chapter include the discussions of the qualitative content analyses of the interviews conducted with 10 IT business leaders who participated in this study. Their eligibility was their current position as a manager with active engagements in outsourcing relationships. I performed a thorough analysis on the perceptions and experiences of these 10 IT business leaders using the three steps of content analysis suggested by Elo and Kyngäs (2008). I presented the demographics of the participants, a brief description of the methodology, and the data results. Next, I discussed the six major themes and several minor themes (invariant constituents) I discovered upon reviewing the data. Together, these major and minor themes address all six-research questions.

The major and minor themes answered questions about the implications of the lack of formality of management approaches in the IT industry that arise from cross-border cultural differences associated with the client-vendor business outsourcing relationship. There were six significant findings regarding implications of the lack of formality of management approaches that arise from cross-border cultural differences to client-vendor business outsourcing relationships in the IT industry. There were, at

the time of the study, no issues because the current approaches result in positive and good relations. As far as specific practices of lack of formality that result in issues in the IT outsourcing relationship, the participants perceived a lack of communication was the primary cause. There were no issues encountered at the time of the study because all outsourcing engagements were operating smoothly; there were no cross-cultural differences.

Participants provided insights on the perceived formal management approaches in IT outsourcing engagements that are effective in managing cross-cultural differences. They reported no perceived or recognized management approaches overall that were or were not effective in managing cross-cultural differences. The fifth theme that emerged was increased cooperation and partnership within the organization. Lastly, the need for a positive relationship between the approaches and adjustment arose because they both provide good results. Chapter 5 presented the interpretation of the results.

### **Quantitative Data Results**

In this section, I present the results of analyses and findings for the quantitative portion of this study, which addressed the sixth research question and its respective hypotheses:

RQ6: What is the relationship between formal management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce?

*H10*: Formal management approaches do not significantly influence global adjustment, motivation, mindset, and communication patterns of the workforce.

*H1<sub>A</sub>*: Formal management approaches significantly influence global adjustment, motivation, mindset, and communication patterns of the workforce.

### **Description of the Sample and the Study Variables**

Participants in the study were, at the time of the study, service providers, and recipients in an IT industry. They were either from companies that outsource offshore IT services (clients) or from companies that cater to the needs of companies requiring offshore IT services (vendors). Using convenience sampling, 120 individuals participated in the study. This section describes the sample population and the study variables.

Participants' professions — whether they were IT clients, professionals, managers, decision makers, service providers, vendors, and managers or not is presented by frequency in Table 10. As indicated, 11.7% ( $n = 14$ ) of the sample population was not engaged in the IT profession, against the 88.3% ( $n = 106$ ) engaged in the IT industry. Either as clients, professionals, managers, decision makers, service providers, vendors, and or managers.

Table 10

*IT Profession Frequency Table*

IT professional?	<i>n</i>	%
No	14	11.7
Yes	106	88.3
Total	120	100.0

The descriptive statistics of the study variables, which consist of formal management approaches, global adjustment, motivation, mindset, and communication patterns, are presented in Table 11. Responses from the sample population indicate the relative importance of each study variable to its effect on the IT client-vendor

outsourcing relationship. As observed, the majority of the sample population believed that each of the study variables was important in affecting the IT client-vendor outsourcing relationship, with the highest rated being motivation ( $M = 4.2583$ ,  $SD = 0.76142$ ), followed by formal management approaches ( $M = 4.25$ ,  $SD = 0.80178$ ), mindset ( $M = 4.0417$ ,  $SD = 0.8137$ ), communication pattern ( $M = 4.0167$ ,  $SD = 0.81975$ ), and finally global adjustment ( $M = 3.9167$ ,  $SD = 0.87528$ ).

Table 11

*Descriptive Statistics of Study Variables*

Study variables	<i>N</i>	Min	Max	Mean	<i>SD</i>
Formal management approaches	120	1.00	5.00	4.2500	.80178
Global adjustment	120	1.00	5.00	3.9167	.87528
Motivation	120	1.00	5.00	4.2583	.76142
Mindset	120	1.00	5.00	4.0417	.81370
Communication patterns	120	1.00	5.00	4.0167	.81975
Valid <i>N</i> (listwise)	120				

I analyzed the study variables by participants' country of origin respondents. The countries from which respondents came from are the United Kingdom, Canada, India, and Singapore. Table 12 through 15 presents the descriptive statistics of the study variables by country, while the descriptive statistics of the study variables for 36 United Kingdom based respondents in Table 12.

Table 12

*Descriptive Statistics of Study Variables for United Kingdom (n = 36)*

Study variables	<i>n</i>	Min	Max	Mean	<i>SD</i>
Formal management approaches	36	2.00	5.00	4.1389	.93052
Global adjustment	36	1.00	5.00	3.6944	1.00909
Motivation	36	2.00	5.00	4.1667	.81064
Mindset	36	1.00	5.00	3.8889	.88730
Communication patterns of workforce	36	2.00	5.00	3.8056	.74907
Valid <i>n</i> (listwise)	36				

As shown in Table 12, the majority of the United Kingdom respondents believed that each of the study variables was important in affecting the IT client-vendor outsourcing relationship, with the highest rated being motivation ( $M = 4.1667$ ,  $SD = 0.81064$ ), followed by formal management approaches ( $M = 4.1389$ ,  $SD = 0.93052$ ), mindset ( $M = 3.8889$ ,  $SD = 0.88730$ ), communication pattern ( $M = 3.8056$ ,  $SD = 0.74907$ ), and finally global adjustment ( $M = 3.6944$ ,  $SD = 1.00909$ ).

Table 13 presented the descriptive statistics of the study variables for the 26 Canadian respondents. As shown in the Table 13 below, most of the Canadian respondents believed that each of the study variables was important in affecting the IT client-vendor outsourcing relationship, with the highest rated being formal management approaches ( $M = 4.3462$ ,  $SD = 0.89184$ ), followed by motivation ( $M = 4.3077$ ,  $SD = 0.92819$ ), mindset ( $M = 4.1923$ ,  $SD = 0.89529$ ), global adjustment ( $M = 4$ ,  $SD = 0.84853$ ), and finally communication pattern ( $M = 3.9615$ ,  $SD = 0.87090$ ).

Table 13

*Descriptive Statistics of Study Variables for Canada (n = 26)*

Study variables	<i>n</i>	Min	Max	Mean	<i>SD</i>
Formal management approaches	26	1.00	5.00	4.3462	.89184
Global adjustment	26	3.00	5.00	4.0000	.84853
Motivation	26	1.00	5.00	4.3077	.92819
Mindset	26	1.00	5.00	4.1923	.89529
Communication patterns of workforce	26	1.00	5.00	3.9615	.87090
Valid <i>n</i> (listwise)	26				

Descriptive statistics of the study variables for the 31 respondents from India are presented in Table 14. As shown in Table 14 below, the majority of the respondents from India believed that each of the study variables was important in affecting the IT client-vendor outsourcing relationship, with the highest rated being

motivation ( $M = 4.4516$ ,  $SD = 0.62390$ ), followed by formal management approaches ( $M = 4.2581$ ,  $SD = 0.72882$ ), mindset ( $M = 4.2258$ ,  $SD = 0.66881$ ), communication pattern ( $M = 4.1290$ ,  $SD = 0.84624$ ), and finally global adjustment ( $M = 4.0968$ ,  $SD = 0.78972$ ).

Table 14

*Descriptive Statistics of Study Variables for India (n = 31)*

Study variables	<i>n</i>	Min	Max	Mean	<i>SD</i>
Formal management approaches	31	2.00	5.00	4.2581	.72882
Global adjustment	31	2.00	5.00	4.0968	.78972
Motivation	31	3.00	5.00	4.4516	.62390
Mindset	31	3.00	5.00	4.2258	.66881
Communication patterns of the workforce	31	1.00	5.00	4.1290	.84624
Valid <i>n</i> (listwise)	31				

Descriptive statistics of the study variables for 27 respondents from Singapore are presented in Table 15. As indicated, the majority of the respondents from Singapore believed that each of the study variables was important in affecting the IT client-vendor outsourcing relationship, with the highest rated being formal management approaches ( $M = 4.2963$ ,  $SD = 0.60858$ ), followed by communication pattern ( $M = 4.2222$ ,  $SD = 0.80064$ ), motivation ( $M = 4.1111$ ,  $SD = 0.64051$ ), global adjustment ( $M = 3.9259$ ,  $SD = 0.78082$ ), and finally mindset ( $M = 3.8889$ ,  $SD = 0.75107$ ).

Table 15

*Descriptive Statistics of Study Variables for Singapore (n = 27)*

Study variables	<i>n</i>	Min	Max	Mean	<i>SD</i>
Formal management approaches	27	3.00	5.00	4.2963	.60858
Global adjustment	27	3.00	5.00	3.9259	.78082
Motivation	27	3.00	5.00	4.1111	.64051
Mindset	27	2.00	5.00	3.8889	.75107
Communication patterns of the workforce	27	3.000	5.00	4.2222	.80064
Valid <i>n</i> (listwise)	27				

### **Discussion of Assumptions**

Before beginning to analyze the data, I evaluated and tested the assumptions of Pearson's correlation test to determine whether the test was appropriate for the data. The assumptions for Pearson's correlation test hold that the measure of variables at the interval or ratio level demonstrates a linear relationship between two variables without significant outliers, and data should be approximately normally distributed.

Since I had collected and measured the data using a Likert-type scale, I presented the variables at an interval level and generated Boxplots of the variables. I completed the outlier testing by inspecting boxplots of the study variables. Figure 1 presented the Boxplots of the data of the study variables. As shown in Figure 1, there were several outliers for each of the study variables. Even though the outliers fell along the range of the scoring system for the survey instrument, the survey instrument itself was valid and reliable. And therefore because of the stated condition, the

outliers were acceptable responses for the data analysis.

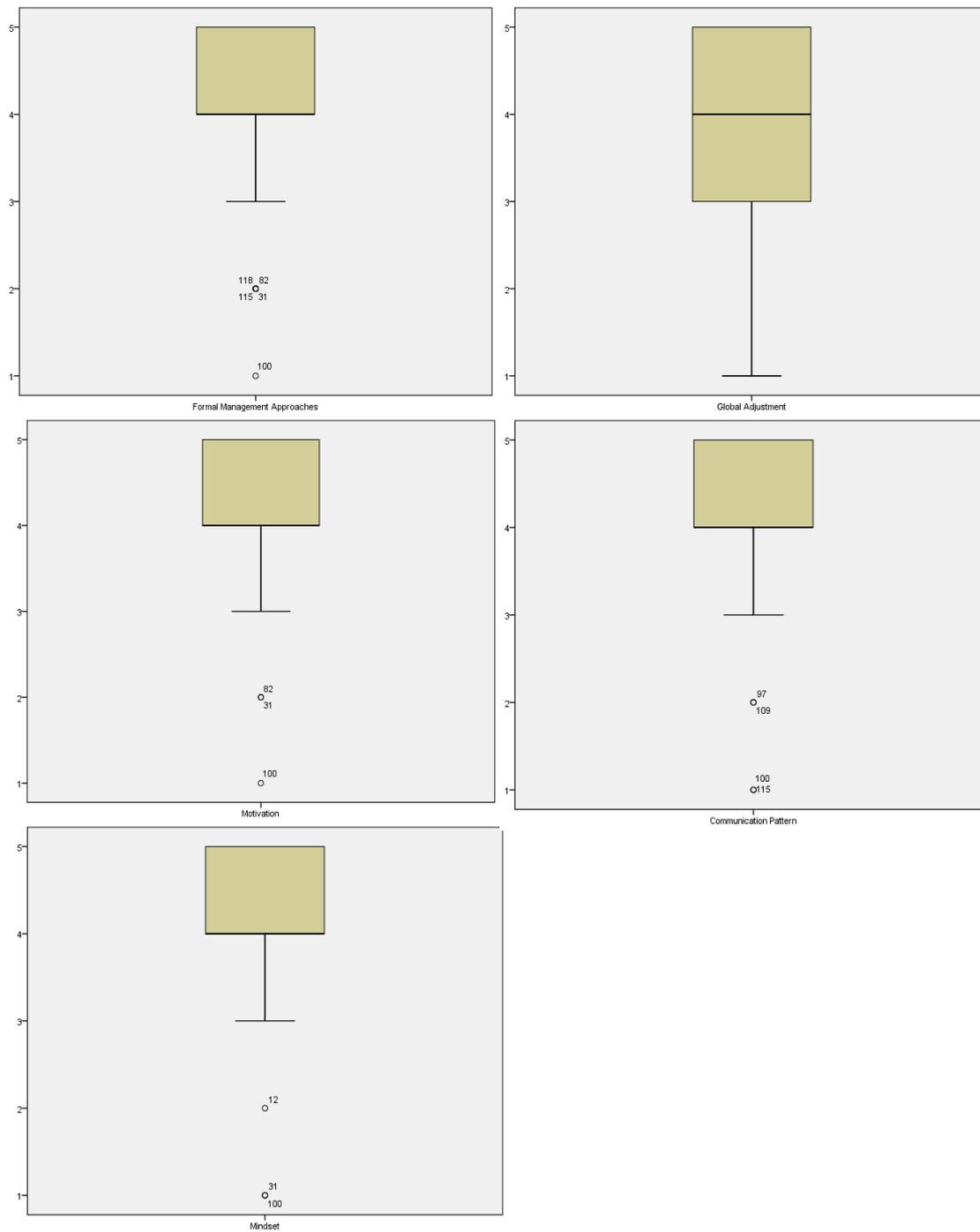


Figure 1. Boxplots of study variables.

Next, scatterplots of the pairs of study variables were generated, as presented in Figure 2, to allow for visualization of where more data points are present (the darker circles).

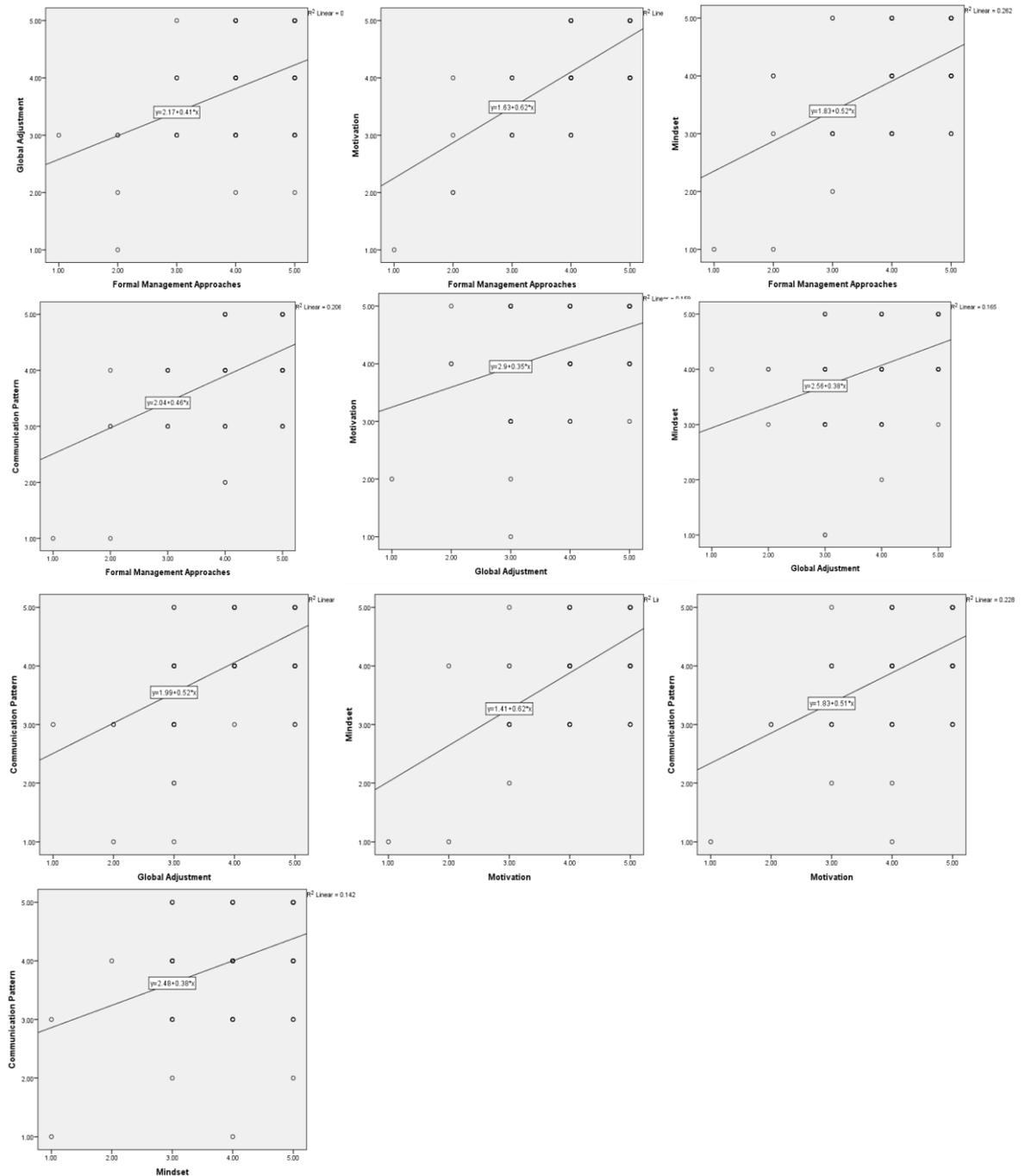


Figure 2. Scatterplots of study variable pairs.

As indicated, the data for all scatterplots are quite scattered; however, they appear to be evenly scattered around the fitted line, a condition that indicates a linear relationship among the pairs of variables. I also tested normality of data to determine whether Pearson's correlation test was appropriate to examine the relationship between the study variables.

Next, I conducted a Shapiro-Wilk's test of normality results for the study variables (see Table 16). Results of the Shapiro-Wilk's test indicated the data followed a non-normal distribution, with significance values = 0.000 for all study variables. Due to a violation in the normality of data, the appropriate data analysis technique to use was Spearman's rank order correlation rather than Pearson's correlation test. Spearman's rank order correlation is a nonparametric measure of the strength and direction of an association that exists between two variables measured on at least an ordinal scale.

Table 16

*Normality Test of Study Variables*

Study variables	Shapiro-Wilk		
	Statistic	<i>df</i>	<i>Sig.</i>
Formal management approaches	.766	120	.000
Global adjustment	.852	120	.000
Motivation	.773	120	.000
Mindset	.813	120	.000
Communication pattern	.815	120	.000

In this section, I discussed test results for the Spearman's rank order correlation between the five study variables of formal management approaches, global adjustment, and motivation, mindset, and communication patterns. (See Table 17). As shown, all five study variables significantly and positively correlated with each other. The variable of formal management approaches is positively correlated to

global adjustment ( $r_s = 0.307, p = 0.001$ ), motivation ( $r_s = 0.514, p = 0.000$ ), mindset ( $r_s = 0.403, p = 0.000$ ), and communication patterns ( $r_s = 0.332, p = 0.000$ ). The variable of global adjustment is positively correlated to motivation ( $r_s = 0.369, p = 0.000$ ), mindset ( $r_s = 0.439, p = 0.000$ ), and communication patterns ( $r_s = 0.541, p = 0.000$ ). The variable of motivation is positively correlated to mindset ( $r_s = 0.487, p = 0.000$ ), and communication pattern ( $r_s = 0.412, p = 0.000$ ). The variable of mindset is positively correlated to communication patterns ( $r_s = 0.348, p = 0.000$ ).

Table 17

*Spearman's Rank Order Correlation Test Results for Study Variables*

Study variable	Correlation test	Formal management approaches	Global adjustment	motivation	Mindset	Communication pattern
Formal management approaches	Correlation coefficient	1.000	.307*	.514*	.403*	.332*
	<i>Sig. (2-tailed)</i>		.001	.000	.000	.000
	<i>N</i>	120	120	120	120	120
Global adjustment	Correlation coefficient	.307*	1.000	.369*	.439*	.541*
	<i>Sig. (2-tailed)</i>	.001		.000	.000	.000
	<i>N</i>	120	120	120	120	120
Motivation	Correlation coefficient	.514*	.369*	1.000	.487*	.412*
	<i>Sig. (2-tailed)</i>	.000	.000		.000	.000
	<i>N</i>	120	120	120	120	120
Mindset	Correlation coefficient	.403*	.439*	.487*	1.000	.348*
	<i>Sig. (2-tailed)</i>	.000	.000	.000		.000
	<i>N</i>	120	120	120	120	120
Communication pattern	Correlation coefficient	.332*	.541*	.412*	.348*	1.000
	<i>Sig. (2-tailed)</i>	.000	.000	.000	.000	
	<i>N</i>	120	120	120	120	120

*Note.* \* = Significant at  $p < 0.05$  level.

With the question, “Are you an IT client/professional/manager/decision maker or service provider/vendor/manager?” I asked respondents whether were a member of this particular group of professionals. As indicated in the description of the sample population, only 106 respondents answered Yes to this question. Those participants who answered No were filtered out to determine whether there were changes to significance in the correlation between the study variables. The results of Spearman’s rank order correlation matrix between the five study variables of the respondents who answered Yes to question about membership in the IT industry ( $n=106$ ) are shown in Table 18. As shown, all five study variables significantly and positively correlated with each other.

The variable of formal management approaches is positively correlated to global adjustment ( $r_s = 0.290, p = 0.003$ ), motivation ( $r_s = 0.445, p = 0.000$ ), mindset ( $r_s = 0.354, p = 0.000$ ), and communication pattern ( $r_s = 0.315, p = 0.001$ ). The variable of global adjustment is positively correlated to motivation ( $r_s = 0.343, p = 0.000$ ), mindset ( $r_s = 0.438, p = 0.000$ ), and communication patterns ( $r_s = 0.490, p = 0.000$ ). The variable of motivation is positively correlated to mindset ( $r_s = 0.443, p = 0.000$ ), and communication patterns ( $r_s = 0.391, p = 0.000$ ). The variable of mindset is positively correlated to communication patterns ( $r_s = 0.357, p = 0.000$ ).

Table 18

*Spearman's Rank Order Correlation Test Results for Study Variables (With IT Professionals Only, n = 106)*

Study variable	Correlation test	Formal management approaches	Global adjustment	Motivation	Mindset	Communication patterns
Formal management	Correlation coefficient	1.000	.290*	.445*	.354*	.315*
	<i>Sig.</i> (2-tailed)		.003	.000	.000	.001
	<i>n</i>	106	106	106	106	106
Global adjustment	Correlation coefficient	.290*	1.000	.343*	.438*	.490*
	<i>Sig.</i> (2-tailed)	.003		.000	.000	.000
	<i>n</i>	106	106	106	106	106
Motivation	Correlation coefficient	.445*	.343*	1.000	.443*	.391*
	<i>Sig.</i> (2-tailed)	.000	.000		.000	.000
	<i>n</i>	106	106	106	106	106
Mindset	Correlation coefficient	.354*	.438*	.443*	1.000	.357*
	<i>Sig.</i> (2-tailed)	.000	.000	.000		.000
	<i>n</i>	106	106	106	106	106
Communication patterns	Correlation coefficient	.315*	.490*	.391*	.357*	1.000
	<i>Sig.</i> (2-tailed)	.001	.000	.000	.000	
	<i>n</i>	106	106	106	106	106

*Note:* \* = Significant at  $p < 0.05$  level.

### **Summary of Quantitative Findings**

This section of Chapter 4 addressed the sixth research question that was, “What is the relationship between formal management approaches, global adjustment, motivation, mindset, and communication patterns of the workforce?” Its alternative hypothesis was, “Formal management approaches significantly influence global adjustment, motivation, mindset, and communication patterns of the workforce.” Following the data analysis results, the alternative hypothesis was not rejected. The study variables of the formal management approaches, global adjustment, motivation, mindset, and communication patterns were not statistically and positively correlated to each other. In Chapter 5, I will present a discussion of results, conclusions, and recommendations.

## Chapter 5: Discussion, Conclusions, and Recommendations

I conducted mixed-methods explanatory sequential case study with the objective of determining the implications of the lack of formality of management approaches in the IT industry that arises from cross-border cultural differences in vendor-client business outsourcing relationships. I accomplished this by analyzing the perceptions of 10 IT business leaders from the United Kingdom, Canada, Singapore, and India who have active engagement with an outsourcing relationship.

The main purpose of this mixed-methods explanatory sequential case study was to examine the implication of formal management approaches concerning cross-border cultural differences to global adjustment motivation, mindset, and communication patterns of the workforce. In addition, I sought to determine the extent to which cultural differences and management approaches affect global adjustment, motivation, mindset, and communication pattern of vendors in an outsourcing client-vendor relationship. The remainder of the chapter includes an overview of the study, summary of the results, discussion of the results in relation to literature, limitations, implications of the results for practice, implications for positive social change, recommendation for future research, and the conclusion.

### **Interpretation of Findings**

I conducted this study to examine the implications of the lack of formal management approaches in cross-border cultural differences. Particularly, with an emphasis in the global adjustment, motivation, mindset, and communication patterns in the IT workforce. By employing a mixed method explanatory sequential case study, I was able to collect data relevant to the topic and then analyzed these data accordingly. I used data gathered through interviews with participants to address the

central research questions. I conducted interviews with the 10 IT business leaders from the United Kingdom, India, Canada, and Singapore, during which I posed semistructured questions. From their responses, I generated six major themes.

RQ1: What are the implications of the lack of formality of management approaches that arise from the cross-border cultural differences to the business outsourcing relationship of vendor and client in the IT industry?

Five invariant constituents emerged in analysis of the participants' responses concerning the possible implications of the lack of formal management approaches in business outsourcing. These are (a) no issues because the approaches currently result in positive and good relations, (b) improved placement of products for clients, (c) miscommunication because of the language and cultural barriers, (d) no personal relationship built between the vendor and the client, and (e) no known implications shared.

The first major theme was "no management issues in the current processes." I created the theme from five invariant constituents related to the implications of the lack of formality of management approaches that arise from cross-border cultural differences to vendor-client business outsourcing relationships in the IT industry. Four of the participants (40% of the sample) remarked that the current approaches yielded good results.

This finding suggests that soft components, particularly management approaches, in the IT outsourcing engagement are not as essential in the stability of the working relationship between the vendor and the client. This is opposed to an earlier study of Schomer (2011) who stated that in addition to the hard components such as profitability, strategic partnership, performance metrics, legal compliance, and

the technical infrastructure when choosing an outsourcing vendor, the soft components are crucial in making organizational decision. Schomer argued that culture plays the most important role in establishing practices, behaviors, and attitudes towards work and performance (Schomer, 2011). However, in this study, cultural diversity has not been an issue in terms of the approaches used by management. The participants in this study observed that the current management approaches yield effective result.

While majority of the participants revealed no significant effect from the lack of formal approaches, these participants identified four other constituents that could significantly affect the performance of the outsourcing relationship. These experiences are either offered by one or two of the participants in the study. The second invariant constituent under first theme, “improved placement of products for clients” appeared in the transcripts of the two participants in the study. This constituent suggests that the quality of work delivered by the outsourcing vendor is dependent with the product positioning of the client organizations. The implication is that the absence of lack of formal management approach can be associated with the performance of the outsourcing vendor. This situation was emphasized in the work of Hand and Mithas (2013) who claimed that failing products and services can easily be linked with the performance of the vendor even if the issues lie behind the inability of the client organization to invest internal manpower and to implement management control.

The third invariant constituent, “miscommunication because of the language and cultural barriers” appeared in the transcripts of the two participants in the study. This constituent is an inherent issue in outsourcing, particularly among organizations

that pay little attention in establishing formalities. Nuwangi et al. (2014) attributed the issues of communication between two people with different cultures in the compliance of work specifications. A formal management document outlines work specifications agreed by two parties regardless of their differences in work styles and approaches to achieve the output. Thus, the presence of formal management approaches is a control measure that could address potential issues of cultural differences and performance of the business.

The findings concerning the perceived no issues in the lack of formal management approach is understood from the perspective of Mosher and Mainquist (2011) who claimed that cultural practices take precedence over formal procedures mandated in legal agreements. These practices may affect the outsourcing process. However, while Mosher and Mainquist claimed that favor of culture over formality could easily undermine compliance efforts, in the present study, I did not identify complacent attitudes from the participants. As such, viewing the work of Mosher and Mainquist as valid and reliable may imply that certain factors between the relationship of the client and the vendor bridges the differences of the two business entities. The findings of this study demonstrate a close relationship with the first research question that "no issues because the approaches currently result to positive and good relations." This finding stands in contrast with an observation made by Leidner (2010) that cases in which cultural differences exist compromise organizational effectiveness, management practices, and individual or team performance. In this study, I found that the presence of cultural differences did not compromise organizational practices, management approaches, and team performance—in fact, cultural differences resulted to positive relationships. Leidner's observation is somewhat problematic in its

generalization that whenever cultural diversity exists, organizational practice issues ensue. The current finding supports observations made by Dekhuijzen et al. (2009), Contractor et al. (2010), and Schomer (2009).

Several researchers focused on the concepts of management approaches, but only few of them analyzed the problems that arise from cross-border cultural differences, particularly the outsourcing business model. The current work found no issues concerning the lack of formal management approaches. Particularly, the business concept of outsourcing did not require the formal approach in the delivery of services. The lack of formal management approach considered the very nature of the outsourcing relationship. In the light of the theoretical postulation of the study, there are no boundaries and effect of cultural differences in the working relationship between the client and vendor. The working relationship between the client and vendor in outsourcing mode of engagement are effectively performing without formal management approach.

RQ2: What are the specific practices of lack of formality that resulted in issues in IT outsourcing relationships?

Answers from three participants (30% of the sample) led to the development of the second major theme: "lack of communication." This theme related to the second research question regarding the specific practices of lack of formality that resulted to issues in IT outsourcing relationships. In expressing this major theme, the participants believed that misunderstanding due to lack of communication poses issues with IT outsourcing relationships.

While the participants expressed no issues concerning the nonformal approach in the outsourcing relationship, miscommunication is evident in the client-vendor

relationship. As previously stated, miscommunication could happen in cases where there is no shared set of beliefs and works that are practiced by a group of individuals who gain knowledge (Cleveland et al., 2011). Global business environments with different social groups are required to interact through common goals, differences of culture, norms, and beliefs (Cleveland et al., 2011). Ford et al. (2009) noted that for a business in a global setting to be productive, there must be interaction among the parties involved in terms of culture and beliefs. Leidner (2010) asserted that the same effect, when cultural differences are absent, is likely to compromise the effectiveness, management practices, and individual or team performance of the organization.

Organizational culture has a powerful impact on employees' behaviors, actions, beliefs, and attitudes towards organizational goals, values, and perceptions (Leidner, 2010). Ultimately, this impact has an influence on outsourcing success and the client vendor relationship (Bo et al., 2013). When an industry places importance on cultural diversity, innovativeness and imagination are encouraged. Bo et al. (2013) argued that the particular contribution of IT outsourcing is the emergence of organizational diversity that gives importance to the culture, norms, and behaviors of outsourced companies and personnel.

Management of cultural differences provides a platform for alleviating decision-making problems during implementation of work design and building of trusted work environments. However, the global business setting continues to require cultural diversity (Pirkkalainen et al., 2009). Without plans and actions in place to address problems caused by failure to prepare to work in an environment ripe with cultural diversity, there will be hindrance to the success of processes and endeavors undertaken by the organization. Cultural diversity includes language differences,

preferred working habits, organizational procedures, and religious differences among constituents. When managers build their outsourcing group, these components can pose a challenge because cultural differences influence individuals' personality, working relationships with coworkers, and relays of the corporate message.

The finding that lack of communication resulted to issues in IT outsourcing relationships was congruent with a statement by Yusuf and Saffu (2009) that the relationship between increased firm performance and workforce diversity contributes to organizational effectiveness. In other words, relationships supported with efficient communication systems are critical to the success of the organization. The findings of this study are in line with Schomer's (2009) observations regarding vendor selection who concluded that it is not only important to consider hard components such as profitability, strategic partnership, performance metrics, legal compliance, and the technical infrastructure of a partner vendor, but other soft components as well such as global adjustment, motivation, mindset, communication, and cultural differences. Schomer (2011) deemed the notion as a necessary tool to smooth out the rough spots in organizational communication. In addition to Schomer's notion, both Gregory et al.'s (2009) and Schein's (2010) findings reinforce this study. Previous work by these authors stated that, "when workflow communications and employees' global adjustment, motivation, mindset, and communication patterns are ignored or minimized than being resolved, organizational management problems continued to rise." (Gregory et al., 2009; Schein, 2010). A well-defined system of communication is therefore critical to any organization.

RQ3: What are the management issues of IT professionals concerning outsourcing engagement and management of cross-cultural differences?

The "no issues encountered at present because everything is going smoothly at the moment" was the third major theme generated by the study. Eight participants (80% of the sample) expressed this sentiment in response to the third research question concerning the management issues of IT professionals in outsourcing engagement and management of cross-cultural differences. The participants who expressed this comment said that management and engagement approaches are currently effective.

This study finding that "no issues encountered at present because everything is going smoothly at the moment" is directly opposite to Leidner's (2010) statement that "cultural differences compromise organizational effectiveness, management practices, and individual or team performance." (p. 186). Interestingly, 80% of the sample population in the present study said that they encountered no issues. In contrast, Pirkkalainen et al. (2009) found that although global business environments demanded cultural diversity, management of cultural differences to build trust-filled work environments continue to encounter problems. The findings of this study did not agree with previous research results by Dekhuijzen et al. (2009) on cultural diversity. Dekhuijzen et al. stated that cultural diversity foster risks in the mental programming, experiences, upbringing, social context, behaviors, expressions of thoughts, and perception of work and play (Dekhuijzen et al., 2009). While I found no issues, Dekhuijzen et al. stated that these matters went hand-in-hand with cultural diversity and created issues regarding management approaches in the organization.

However, it should be noted that while participants responded “no particular management issue” in addressing the question “what are the management issues of IT professionals concerning outsourcing engagement and management of cross-cultural differences?” placement of products (e.g., product positioning) and communication highlighted issues emerging from the responses of the first and second research questions. It appeared that the participants have lesser awareness in understanding the concepts and associated effects of management issues. The purposive sample of IT leaders engaged with outsourcing does not necessarily determine their knowledge in business management. The results implied that the management issues identified by the participants are indicative of midlevel management issues. The issues on miscommunication and placement of product for outsourcing are issues that outsourcing coordinators could handle.

RQ4: What are the perceived formal management approaches in IT outsourcing engagements that are effective in managing cross-cultural differences?

The fourth major theme that emerged in response to answers provided by four participants (40% of the sample) was "no perceived or recognized management approaches." This theme related to the fourth research question, which addressed the perceived formal management approaches in IT outsourcing engagements that are effective in managing cross-cultural differences. This major theme allowed me to understand that the participants were not aware of any formal approaches in terms of managing cross-cultural diversity. This finding could not provide or extend additional empirical information to the current literature on outsourcing.

In consideration to the Research Question 4 above, I found "no perceived or recognized management approaches" to be contrary to the findings by Gregory et al.

(2009) and Schein (2010). They stated that cross-border outsourcing relationships generate organizational management problems. For example, the scope creeps, delayed project completion rates, and increased coordination costs caused poor work quality. In addition, these issues triggered workflow communications problems, employees' global adjustment, motivation, mindset, and communication patterns. Previous researchers (Contractor et al., 2010; Dekhuijzen et al., 2009; Schomer, 2009) unanimously stated saying that problems arise from cross-border cultural differences. Therefore, I considered findings in the present study that indicated no issues as contradicting the prevailing theme in the existing literature.

RQ5: What constitutes positive global adjustment, motivation, mindset, and communication patterns of the IT workforce with differences in culture, as perceived by IT professionals?

The fifth major theme was "increased cooperation and partnership within the organization." I created the theme from four invariant constituents related to the positive global adjustment, motivation, mindset, and communication patterns of the IT workforce with differences in culture as perceived by the IT professionals. Four of the participants (40% of the sample) reported collaboration in the partnership was critical to addressing cultural differences in the IT organization. However, communication is essential in organizational effectiveness as good communication results in cooperation. The findings from the present study indicate that increased cooperation and partnership in the organization contributes to business productivity. These study results are in line with other research observations. Organizational success is not easily achievable. Management must embrace and encourage the

needed collaboration among its members and partners (Dekhuijzen et al., 2009; Gregory et al., 2009; Pirkklainen et al.; Schein, 2010).

Bo, Yuan, and Liu (2013) argued that cultural diversity in the IT industry encourages innovativeness and imagination, which the organization can only deliver if cooperation is present in the group. Pirkklainen et al. (2009) supported this contention by stating that, global business environments demand culture diversity and management of cultural differences. However, there is still notable diversity problems posed to business decision-makers, project designers that hope to build trust-filled work environments. Therefore, it is clear that addressing decision-making issues in the implementation, work design levels of projects and organizations, and establishing trust-filled work environment requires building effective cooperation and partnerships.

An essential invariant constituent that also emerged in the analysis of the data was “organized process that can stand anything and everything.” This invariant constituent appeared to be in contrast with the “No issues, because the approaches currently result in positive and good relations” and “No issues encountered at present because everything is going smoothly at the moment.” The invariant constituent implicated the desire of the participants to experience a more organized process compared with the current outsourcing engagement approach. This could further implicate that there are subtle issues that both the vendor and client organizations need to define and discuss so that they could agree on workable terms of reference applicable in their respective outsourcing engagement.

RQ6: What is the relationship between formal management approaches and global adjustment, motivation, mindset and communication patterns of the workforce?

The last major theme that I generated was "Positive relationship between the approaches and adjustment because they provide good results." This theme related to the last research question, which focused on the relationship between formal management approaches and global adjustment, motivation, mindset, and communication patterns of the workforce. Five of the 10 participants (50% of the sample) expressed this theme and thereby shared the need for a positive link between approaches and adjustment to yield good results.

Findings of the present study revealed that a positive relationship between the approaches and adjustment is critical to the IT organization because these two components provide good results. This finding aligned with the finding of Dalton and Dalton (2011) that the organizational strategy mediated the relationship between diversity and performance. In the same context, Leidner (2010) stated that cases of cultural differences compromised organizational effectiveness, management practices, and individual or team performance. In other words, Leidner suggested that approaches and adjustment must relate positively to achieve organizational success. The present study also supported Schomer's (2009) finding that adjustment and management approaches must foster one another for an organization to be productive in dealing with the issues concerning cultural differences.

In summary, the emerging themes of the study implicated that the only viable factor that influences success in IT outsourcing engagement was the positive working relationship the client and the vendor maintained. This positive relationship encompasses the elements of successful outsourcing postulated by Aygün and Sönmez (2013). These are (a) common goals and values, (b) high interpersonal trust and collaboration, (c) close identification and commitment to the group, and (d) open

communication (Aygün & Sönmez, 2013). The inability of the participants to articulate management issues can be associated with their interpersonal trust with each other and cooperation to achieve similar goals (Hormozi et al., 2003; Pirkkalainen et al., 2009). These implications however are inconclusive and thus require further studies.

### **Limitations of the Study**

In the first chapter of this study, I cited the possible study limitations inherent from the design and scope. I referenced the limited books, documents, reports, and journal articles, which could assure that I have considered and documented all possible topics that may provide implications to the findings. I have also noted that the assumed number of potential participants in the study may not reach data saturation, which could affect the richness of the information required to answer the research questions. However, while I cited the possible limitations of the study, I recognized that there is a need for me to limit the uncontrolled variables so I can also determine the applicability and generalizability of the result.

I also reflected that my personal biases are among the potential limitations of the study. I earned personal knowledge and experiences working with IT outsourcing. Taking into account my experiences in this field, I integrated my biases during interviews and in the analysis of the results stages. In addressing this potential limitation, I utilized valid and reliable quantitative data collection and analysis techniques, and ensuring that I did not interact with the study population in any way that could have affected the participants' responses to the survey.

Following the results of the data collection and analysis phases, I evaluated these identified limitations and compared the process with the actual study. Then, I

realized that two of the pre-stage identified limitations abated. However, my evaluations of the results of the study gave me other emerging limitations. The participants and the design of the study. As I previously explained, this study included only 10 IT business leaders from outside of the United States. This was relatively a small number of participants upon which to generalize. Although this study provided focused data or information, the applicability of the result is weak due to the small number of participants. In addition, the inability of the participants to articulate management issues brought about by the absence or lack of management approaches concerning outsourcing engagement implicates their limited management role in the overall outsourcing engagement. It appeared that while they are self-confessed leaders in the IT industry and engaged with outsourcing, their responses are indicative of midlevel managers. This is an observation that seems to receive further support in the second identified limitation of the study.

The next limitation refers to the study design itself. While I claimed that a mixed method explanatory sequential case study approach was the most appropriate design for this study, setting aside the participants' demographic characteristics seemed to outweigh the justification. Demographic characteristics of the participants are essential in determining their management experiences and possible cultural differences that could affect client-vendor relationship. In this study, I could not infer whether the “positive relationship” theme can be associated with their similar cultural background, ethnicities, and organizational culture adopted among others.

### **Recommendations**

There are two theoretical perspectives on outsourcing culture, the culturist perspective, and the culture-free perspective (Lungescu, Pampa, & Salanta, 2011).

Through the culturist perspective, it is possible to realize the underlying dimensions of culture and ways of measuring its dimensions. However, Lungescu et al. (2011) stated that the most commonly used set of cultural dimensions are those proposed by Pirkkalainen et al. (2009). On the other hand, Pirkkalainen et al. used data collected from participants of 53 countries and regions to identify individualism, uncertainty avoidance, power distance, and masculinity as the four dimensions of culture. Individualism, however, was the opposite of collectivism where an individualistic society emphasized individual achievement and personal rights.

In this study, I employed a mixed-methods explanatory sequential design to examine and understand the factors that affect IT outsourcing client and vendor relationships from a global perspective. I used mixed-methods explanatory sequential design to collect data for both quantitative and qualitative stages respectively to supplement each other (Kumar, 2007; Mishel, 1991). Using a mixed-methods approach for this study was appropriate and convenient, as I needed both quantitative and qualitative data sequentially to understand the research problem and objectives. Using only one or the other method would not have yielded the same results (Adams et al., 2014). I made three assumptions in this study.

First, I assumed that the 10 IT leaders that I purposely sampled were representative of the population that I intend to examine. The second assumption was that the themes derived from the qualitative phase were reliable in exploring the relevance of management approaches, global adjustment, motivation, mindset, and communication patterns of organizations engaged in outsourcing. The third assumption was that the instruments used in this study were valid and appropriate for this study. From these assumptions, I deduced methodological flaws that future

scholar practitioners could strengthen. In addition, these future scholars could examine the use of a different theoretical framework to complete similar research.

First, based on the results, the main implication is to research a better understanding of various vulnerabilities at different business entities that engaged an outsourcing endeavor to favor cultural practices over formal agreements. The results that, “no issues regarding the lack of formal approaches” may substantiate further in studies that describe the structure, dynamics, and management practices. These organizational descriptions could explain the reasons for the inability of the participants to identify issues that were supposedly relevant in organizations engaged in outsourcing as a business model. In addition, recruitment of participants who are in chief executive positions may produce better results particularly in identifying management issues that affect the overall business performance because of outsourcing IT functions. Based on this need, I recommend that future studies be conducted using the outsourcing experiences of IT chief executives.

Second, future scholar researchers may consider describing the structure, dynamics, and practices of organizations’ involved with outsourcing business model before administering interviews that aim to identify outsourcing-related issues. Besides the IT organizations, other organizations could replicate this study to determine whether its findings be shared across other organizations that engage in outsourcing endeavors. While qualitative study is essential in determining the descriptions of outsourcing issues, a quantitative methodology could determine whether these issues are relevant and shared among IT organizations engaged in outsourcing.

Lastly, the results of this study implicate that the IT leaders who are knowledgeable about the possible outsourcing issues may attempt to refrain from committing actions that could affect the success of the engagement. Further, becoming vigilant on the effect of the differences in values, perceptions of the products offered by vendors or differences in expectations of the vendor and the client could address potential outsourcing failures and canceled contracts. This knowledge requirement among IT leaders may necessarily imply the need to understand the appropriate organizational adjustment processes and management approaches while they supervise – an organizational direction that would benefit the entire group rather than just an individual.

Based on the results of the study, I recommended several research areas and methodological approaches. Although the number of participants in this survey was adequate for the analyses performed, a larger number of participants could be more helpful in drawing generalizable conclusions in understanding the implications of the lack of formality of management approaches in the IT industry that arises from cross-border cultural differences in vendor-client business outsourcing relationships. It is recognizable that the problems within one particular place may be unique, and the problems identified in this particular context may not necessarily apply to other places. It is from this analysis I recommended replication of this study in three different forms. First, replicate the study with the same scope but at different geographical areas. Doing so could identify the different issues unique to the particular area. Second, in addition to the managers and directors, replicate the study to include lower management within the particular area. Third, complete an overall case study to compare and contrast the different impacts of IT outsourcing to the

success of business that are common and unique to different geographical locations. Strategically, this is an effort that will seek a general action plan to resolve problems that occur in multiple areas.

In addition, because most of the existing research focuses on the impacts of IT outsourcing in the business performance, there might be a need for research that look at other strategies to integrate outsourcing in the organization. The limited sample size might also be a reason for the study's inability to draw definitive conclusions regarding the implications of the lack of formality of management approaches in the IT industry. Future researchers might want to focus on this aspect of the topic to provide more proof that is empirical for some of this researchers' interpretation of the results of the data analysis.

There are multiple recommendations for future research. Due to a limited amount of research focusing on other strategies in maintaining efficiency in the IT field, additional studies could increase the understanding on what other strategies can help in maintaining good service and relationship with the customers within the United States. Additionally, to maximize the potential of the programs, the increase in understanding the programs could be more helpful. In addition, a qualitative study can help in knowing what other strategies can help the business stay successful. An open-ended face-to-face interview will help these respondents explain how the IT utilization and other strategies help in increasing the efficiency in the shipping company. In addition, the participants can suggest ways in improving the system since the open-ended interview will allow them to go beyond the choices provided in a quantitative survey. Future researchers may also consider conducting surveys on

some particular formal management approaches to implement for specific types of working environments.

Furthermore, future researchers should conduct studies that can examine the negative effects of relying on outsourced vendor IT transactions. This can help the business sector realize the importance of these programs and further enhance the programs according to its weaknesses. This study can also include assessment of the lower management in coping with the generic IT business application programs as part of their job. Given this information, future researchers would have a better understanding on the implications of the lack of formality of management approaches in the IT industry.

### **Implications**

In this study, I found that soft components particularly management approaches in the IT outsourcing engagement are not essential in the stability of the working relationship between the vendor and the client. This finding contradicts the previous research in addition to profitability, strategic partnership, performance metrics, legal compliance, and the technical infrastructure when choosing an outsourcing vendor, formal management approach to addresses the potential effect of cultural differences (Schomer, 2011). For instance, establishment of terms of references in the outsourcing engagement could ensure the delivery of quality of work despite differences of work styles and approaches (Hand & Mithas, 2013). If this management measure was implemented, two of the participants would not identify product positioning and miscommunication as issues in their outsourcing relationship.

Miscommunication in this study is evident in the client-vendor relationship. Miscommunication happens in cases where there is lack of a shared set of beliefs and

works practiced by a group of individuals who gain knowledge (Cleveland et al., 2011). Global business environments with different social groups are required to interact through common goals, differences of culture, norms, and beliefs (Cleveland et al., 2011; Ford et al., 2009; Leidner, 2010). However, it appeared that while the participants cited miscommunications as an issue, they have handled and resolved it well that it became not a significant barrier in the achievement of the outsourcing goals. This finding argued that communication gap influences the success in outsourcing at different levels (Yusuf & Saffu, 2009).

In this study, I found contradictory themes with other research findings. I found "no perceived or recognized management approaches" to be contrary to the findings by Gregory et al. (2009) and Schein (2010). They stated that, cross-border outsourcing relationships generate organizational management problems. For example, the scope creeps, delayed project completion rates and increased coordination costs that caused poor work quality. In addition, these issues triggered workflow communications problems, employees' global adjustment, motivation, mindset, and communication patterns.

While I did not account prevailing management issues in outsourcing other than communication, I implicated the inability of the participants to articulate issues with their similar culture adopted and collaboration to achieve the organizational goals. This received further support in the theme that suggests the improvement of cooperation and partnership as values that strengthen positive relationship between the two parties.

Overall, the study contributed to the theoretical implications of Hofstede's organizational cultural dimension (1980, 1984, 1991, 1994, 2009), and the research

application of Pirkkalainen et al. (2009). In this study, dimensions of cultural differences are not applicable in the context of business management outsourcing model particularly within the IT industry. Although two of the participants identified miscommunication as an issue in the client-vendor relationship, the participants of this study in general found no issues about the formal management approach initiated by the two working entities. This means that miscommunication may simply mean disagreements because of language differences. The no issues in the formal management approach could also imply that in the process of fulfilling the entities' individual responsibilities, favoring the culture of individual over formality is an acceptable arrangement practice between the two entities. However, Mosher and Mainquist (2011) cautioned that this practice may undermine compliance efforts and that in the long term could cause complacent attitudes towards the compliance of both parties in the outsourcing agreements. Based on the results of the study, the (a) uncertainty avoidance, (b) masculinity-femininity, (c) individualism-collectivism, (d) power distance dimensions of cultural differences are not the relevant factors in the achievement of the organizational performance. The result of the study opines that the non-formal management approach nature of the IT outsourcing engagement requires effective communication, collaboration, and partnership between various stakeholders regardless of the differences of their respective culture.

The results of the study also imply that for every productive outsourcing engagement, evaluation of the process is essential to inform the IT personnel engaged in the engagement the relevant issues, practices, challenges, and opportunities they encountered with the vendor. Those practices and challenges surpassed by the organization need to be documented, regulated, and used in the enactment of policies

and procedures the organizational stakeholders should follow when engaging with outsourcing processes.

This study has two contributions to the existing research about this topic. First, the findings of this study imply that outsourcing, as a business process needs farther exploration particularly in the areas of managing working relations, ownership of the outsourcing function, management of cultural differences, and handling communication despite differences in policies and priorities. The results of the study also implicate the need to examine the productivity of all stakeholders involved in the outsourcing process.

Secondly, this study adds to the body of knowledge on the lack of formality of management approaches in the IT industry that arises from cross-border cultural differences in vendor-client business outsourcing relationships. The findings in this study, while not definitive, can also contribute to the business sector, by supporting previous findings regarding IT outsourcing. The insights gained from this study can also be helpful to other business fields in improving their efficiency by using outsourcing approaches.

### **Conclusion**

Automation of routine activities in many business organizations has made outsourcing a more viable and efficient approach to business operations. As network technology seems designed to conform and meet with the demand of 21<sup>st</sup> century global business operations, IT professionals are in the toughest competition to win even a single IT outsourcing contract. The studies reviewed in this current empirical investigation articulate both the positive and negative effects of outsourcing. The challenge, however, is that this emerging business approaches attempts to unify

differences between the vendor and the client. These attempts clearly observed in the lack of formal management approach arising from cross-border cultural differences.

Studies that have attempted to understand the issues involved in outsourcing IT functions have been relevant and important in recent years. Researchers have predicted that the dynamic nature of the IT environment will further increase the rate of the current trend. However, while the majority of scholars have addressed the importance of the critical nature of the IT functions to business performance, there has been scarce research on how outsourcing and the process associated with it has been in actuality.

These researchers illustrated the motivating factors that drive business leaders to opt for outsourcing. The motivation concerning the reduction of costs implies imposing policies that transfer traditional business functions of IT professionals outside the organization. This phenomenon motivated me to explore and explain the impact of cultural differences on cross border IT outsourcing engagements between clients and vendors globally. The target population of this study was the IT professionals living in the United Kingdom, Canada, Singapore, and India engaged in IT client-vendor relationships. The participants for this study included adults of any (a) age groups, (b) educational levels, (c) marital status, (d) race, (e) sexual orientation, (f) income levels, (g) ethnic backgrounds, and (f) political affiliations. These participants were all affiliated with SurveyMonkey and living in the United Kingdom, Canada, Singapore, and India.

I found out that the IT business leaders who participated in the present work identified no issues because the management approaches resulted in positive and good relations. While some IT business leaders stated that cultural diversity was not a

critical issue in the organization's performance, the lack of communication brought about by unknown reasons can be a potential source of conflict and lack of productivity. In lieu of the absence of issues that affect successful outsourcing, cooperation and partnership emerged as positive practices embraced by organizations that were successful in outsourcing despite the differences of values and culture between the vendor and the client organization.

Culture is one of the biggest barriers to successful offshore outsourcing. While most people know and agree that truism is the case, there continues to be a lack of understanding in how to deal with the barriers from different cultural aspects in offshore projects. My hope is that this study will bring social change by helping organizational management to examine approaches and engagement procedures that address cultural differences in the IT outsourcing projects. Organizations and management can alleviate the problem by developing an understanding of the nature of cultural differences. Understanding theoretical and practical implications could lead to established working structure for harmonious work relationships between clients and vendors without disruptions like failed contracts, miscommunication, mismanagement, and poor performance.

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## Appendix: G\*Power Computation for Sample Size

