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IT Offshoring in Tunisia: Trust Views from the Client and the Vendor Perspectives

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ABSTRACT

This article is about the role played by trust in structuring and shaping offshoring processes and how cultural differences interfere and play a mediating role within these inter firms relationships. Our study conducted within three IT services providers companies established in Tunisia has provided a dataset that has first confirmed the structuring role of trust in terms of transferability effect between the client and the offshoring unit. Our findings also indicate that trust is perceived as an influencing factor when it is situated at the inter organizational level and not at the interpersonal level for all the actors, independently of their cultural affiliation (individualistic versus collectivist). Whereas, "Cultural differences" are finally not experienced the same way by our respondents, notably trust seems more difficult to settle between the Tunisian partners than between the Tunisian offshoring unit and its European clients.

Keywords

IT offshoring, IT outsourcing, trust, organizing principle, national culture.

INTRODUCTION

This paper is aimed at providing insights into the offshoring phenomenon by focusing specifically on the role of trust in structuring and shaping offshoring relationships and also by exploring how cultural differences interfere within offshoring dyads. Numerous researchers in information systems and organization science have provided evidence about the role of trust in strengthening and stabilizing business relationships (Ring & Van de Ven, 1994, Olsson et al., 2008). It has been demonstrated indeed that trust allows firms to reduce transaction costs (Zaheer et al., 1998; Dyer & Chu, 2003) and to deal with conflicts and social complexity (Luhmann, 2006; Giddens, 1991).

With regard to the research issue discussed in this paper, the literature provides very rich insights on two separate perspectives: the first one addresses the role of culture within offshoring relationships (Gopal et al., 2003; Cohen & El Sawad, 2007) and the second perspective is focused on the role of culture in shaping trust between individuals and entities (McEvily et al., 2003; Huff & Kelley, 2003; Zaheer & Zaheer, 2006; Ueltschy et al. 2007). Research studies, however, that yield a set of propositions about the triad "Trust-Culture and Offshoring" are rare and require a deepened investigation effort. Our study is aimed at filling this gap. We first focus on the role played by trust in the offshoring relationships. Then, we examine whether cultural differences between the offshoring partners alter, enhance, or are totally neutral, in shaping this role. So culture is considered here as a mediating variable.

We propose to conceptualize trust as an organizing principle in order to describe and analyze the offshoring interrelationships (Dyer, 1997; McEvily et al., 2003). In this paper, we will discuss this theoretical choice and explain how it has been applied originally in a case study in which we have explored the role played by trust in shaping the offshoring relationship between three entities: a European IT vendor (France) its offshoring unit (Tunisia), and their clients, with regard to the respective national cultures of all these actors.

We have then extended this case study by investigating how national culture interferes in shaping trust between offshoring/versus outsourcing relationships specifically in the country of the offshore destination (Tunisia). In other words, when the offshoring unit (Tunisia) provides outsourcing services in its own country to Tunisian clients, how all the entities in presence experience trust?

Our paper is organized as follows: we first present our theoretical foundations articulated around three key concepts offshoring, trust and culture. We then display our research strategy and finally conclude with the limitations and implications of this study.

THEORETICAL FOUNDATIONS

1.1. What is offshoring?

IT Offshoring has been defined as a practice through which an organization subcontracts all or part of its IT operations to one or more external service providers outside its own country (King and Torzadeh, 2008). Offshoring has appeared as a challenging decision that gives rise to difficulties related to differences in culture, language, business methods, etc. (Carmel and Tjia, 2005; Willcocks and Lacity, 2006). These issues are not yet fully understood and studied (Zaheer & Zaheer, 2006) and require in-depth theoretical and empirical investigations (King and Torzadeh, 2008).

It is important to point out that "offshoring" and "outsourcing" are close but not synonymous concepts (Olsson et al., 2008; Atkinson, 2004). While, Outsourcing relates to the relocation of a part of a company's activity to a foreign provider assigned to perform some given tasks, Offshoring is the relocation of a part of a company's activity overseas (Barthélemy, 2007). Offshoring, then, is an "inter-country outsourcing" (King& Torkzadeh, 2008).

According to Goles and Chin (2005), there are three categories of possible perspectives to study offshoring relationships:

The economic perspective (Willcocks & Lacity, 1995; Barthélemy & Quélin, 2006, Barthélemy, 2007), which is based upon the Transaction Costs Economics (Williamson, 1985), states that the offshoring decision depends on three factors: Asset specificity, transactions' frequency and environmental uncertainty (Goles & Chin, 2005).

The social perspective (based on social Identity theory, social exchange theory, etc.) explores the shared values and norms, which regulate the relationship between partners (Lee and Kim, 1999; Olsson et al., 2008). It focuses on the exchange between actors not by investigating the contractual relationship but by studying the factors that emerge beyond the formal context of the partnership (Lee and Kim, 1999; Mao et al., 2008).

The strategic perspective has built upon on the Resource-Based View of the firm to explain mutual benefits and interdependency between the two contractual partners (Olsson et al., 2008; Quinn, 1999; Barthélemy & Quélin, 2006) identified the concept of "core-related specificity" which defines "the extent to which the resources that underline an outsourced activity contribute to a firm's competitive advantage" (p.1991).

1.2 Defining trust

A wide range of studies belonging to different research areas have focused on Trust (Mayer et al., 1995; Adler, 2001; Bekmamedova et al., 2008). From a conceptual point of view, this phenomenon has been defined in different ways. For instance, trust is defined by some researchers as the willingness to put oneself in a vulnerable situation in regard to others and other business actions (Mayer et al., 1995; Barney & Hansen, 1994). Trust has also been defined in terms of expectations toward a person or a group of persons (Deutsch, 1958; Zaheer et al., 1998). Other researchers such as Giddens (1991) and Cummings & Bromiley (1996), consider trust as a belief in someone's honesty and credibility.

We argue following numerous scholars that trust is a multidimensional concept. McAllister (1995) has proposed a rational versus an emotional conception of trust. Mishra (1996) has proposed four dimensions of trust: "competence", "openness", "support" and "reliability". Zaheer et al. (1998) clearly distinguish between two levels of analysis of trust. They first recognize trust at the individual level as an interpersonal linkage made up of three elements: "reliability", "predictability" and "fairness" and then support that it is important to extend this interpersonal conceptualization to an inter organizational level. In fact, Zaheer et al. (1998) explained that "trust has its basis in individuals, although individuals in an organization may share an orientation toward another organization. From this perspective, inter organizational trust describes the extent to which organizational members have a collectively-held trust orientation toward the partner firm, which is quite different from saying that organizations trust each other [...] with an individual as both the referent and the origin of trust" (p. 143)

We must also underline that inter organizational trust and interpersonal trust are not opposite concepts, and that there is a mutual positive impact between the two phenomena. Even though we are conscious that a unique definition of trust does not capture the essence of this concept, we choose, for the purposes of this study, to define it as the belief that a person (or a group): "(1) makes a good-faith effort to behave in accordance with any commitments both explicit or implicit; (2) is honest in whatever negotiations preceded such commitments and (3) does not take advantage of another even when the opportunity is available" (Cummings and Bromiley 1996, p.303). We have adopted this definition, because it emphasizes both the cognitive and the affective dimensions of trust (McAllister, 1995). It goes also beyond calculative views of trust which consider only expectations of behavior based on extended self-interest (Williamson, 1993; Carson et al., 2003).

It is important to notice here that the role of trust within offshoring relationships will be investigated in this paper through the conceptual surrogate of the "organizing principle" concept. In other words, we consider trust as an organizing principle which relates to the logic by which work is coordinated and information is gathered, disseminated and processed within and

between organizations (Zander & Kogut, 1995). Following McEvily et al. (2003), we consider trust as most closely related to the clan organizing principle.

McEvily et al. (2003) have specifically defined the causal pathways that determine how trust affects organizing. They have identified two broad roles played by trust: a structuring role and a mobilizing role.

-The structuring role of trust is defined as "the development, maintenance and modification of a system of relative positions and links among actors situated in a social space." (McEvily, 2003 p.94). For instance, trust models the social structure of the organization by influencing four categories of variables: transferability and density, generative capacity and multiplexity, delayed reciprocity and stability and role specialization and non redundancy.

-The mobilizing role of trust relates to the process of sharing and using the resources held jointly by the interdependent actors in order to achieve the organizational goals. Three mobilizing impacts of trust within an inter firm relationship were identified: disclosing, screening and knowledge sharing, identifying and committing and suspending judgment and safeguarding

1.3 The role of culture

In the top twelve list of offshoring issues defined by King & Torzadeh (2008), the "cultural differences" issue has been ranked second. More concretely, Cohen & El-Sawad (2007) have built upon the postcolonial theory (Gopal et al., 2003) to describe live experiences of offshoring, related to the cultural ascriptions of UK and Indian employees of a financial services company operating in the UK and in India. They concluded that cultural differences rely on three aspects (which are not apprehended in the same way by the two categories of respondents): the language barrier, work ethics and competence.

Now, if we focus on the concept of culture per se, we find a wide range of definitions rooted in numerous disciplines including anthropology, sociology and organizational sciences (Hofstede, 1980; Leidner & Kayworth, 2006).

In this study, we have chosen to adopt Hofstede's (1980) conception of culture as an onion, whose layers are composed of symbols, heroes, rites and values. Nevertheless, even though we consider that an individual is a cultural being, who builds up, his/her identity according to national, ethnic, religious, linguistic cultural specificities, etc. (Straub et al., 2002; Walsh & Kefi, 2008), we will only consider in this paper the role of national culture in trust modeling within offshoring relationships.

Following Hofstede (1980), we define national culture as "the collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 1980, p.260), composed of five dimensions: power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance and finally long term orientation.

Based on this conceptualization of national culture, Hofstede (1991) has argued that the development of trust is different between a collectivist and an individualistic society. In fact, in a collectivist society, it is important to build a trustworthy relationship prior to any business transaction. At the opposite side, for the members of an individualistic society, interpersonal relationships are generally considered as less important than professional relationships, for the development of trust in business exchanges.

Many other researchers have focused on the effects of culture on trust. They have showed that trust differs from one culture to another in terms of meanings, degrees and modes of production (Zaheer & Zaheer, 2006; Dyer & Chu, 2003; McEvily et al., 2003; Huff & Kelley, 2003).

Ueltschy et al. (2007) have adopted the national culture dimensions developed by Hall (1976) and have brought evidence that trust is considered as more important for individuals belonging to "high-context" cultures than it is in "low-context" ones. According to Huff & Kelley (2003), "the propensity to trust is viewed as a personality trait, but can also be influenced by the trust inherent in a society, which is shaped by the society's culture" (p.82).

In this paper we have chosen to study the role played by national culture in the interpersonal versus inter organizational propensity to trust within offshoring/outsourcing relationships. National culture is then considered as a mediating variable and will be assessed through the surrogate of the individualism/collectivism dimension of national culture defined by Hofstede (1980) as follows: "Individualism implies a loosely knitted social framework in which people are supposed to take care of themselves and their immediate families only, while collectivism is characterized by a tightly knitted social framework in which people distinguish between in-groups and out-groups; they expect their in-group to look after them, and in exchange for that they feel they owe absolute loyalty to it" (Hofstede 1980, p.45).

RESEARCH STRATEGY

Our aim here is to investigate how the offshoring partners perceive the role played by trust, with regard to their respective cultural specificities. We have built our research model upon the conceptualization of trust developed by Zaheer et al. (1998) and operationalized by Bekmamedova et al. (2008), in terms of Interorganizational and Interpersonal Trust. We have also considered trust, following McEvily et al. (2003), as an organizing principle which potentially plays two kinds of roles: the mobilizing and the structuring roles. The integration of national culture within our theoretical framework is restrictively related to the collectivist versus individualistic specificities of the different partners' cultures.

As a first step of our research, we have conducted a case study within an international Consulting and Systems Integration (CSI) company, specialized in Business Intelligence, Customer Relationship Management and e-Business. The group has been funded in 1992 and is head-quartered in Paris; its network has been largely extended. From a major presence in Europe, it has now locations across four continents. A second part of our empirical work has been conducted in the Tunisian offshore unit of this group, a wholly owned entity funded in 2000 and employing 100 people originated in Tunisia. We have also conducted interviews with some clients (European) of the group that have worked with the Tunisian offshore unit. In these three sites, our respondents are executives in charge of project management and customer relationship management.

Figure 1, below, displays how our research issue is operationalized within this case study.

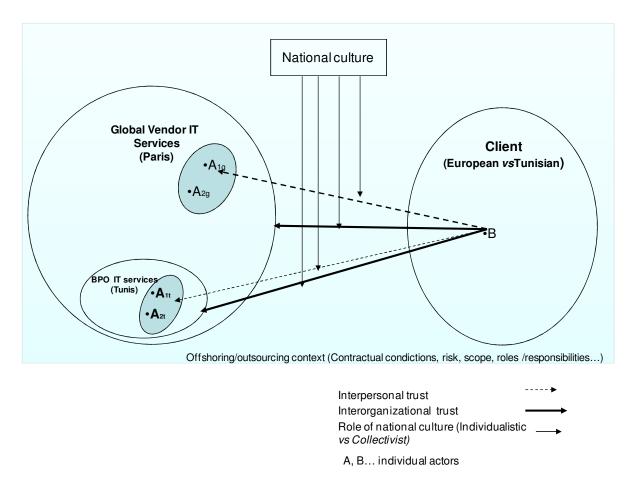


Figure 1. The research framework

We have adopted an interpretative epistemological approach. We have conducted 16 semi-structured interviews with our different actors (duration 45 minutes in average) and have used the same interview guide structured in order to handle our major investigations themes. These interviews were recorded. Transcribed *verbatims* and template analyses were managed

through NVIVO software (King, 2004). Detailed descriptions of our interviews and our interview guide are ipresented in the appendix (table 1 and 2).

This research perspective could fill a gap in the offshoring literature in which according to King & Torzadeh (2008), it is the point of view of the client which is the most frequently investigated in empirical studies. Recently, some studies have investigated the vendor's perspective (Mao et al. 2008). In this paper, we try to go further and argue that it is important to consider the role of trust from the client, the vendor and the offshore unit, even though one can consider that we are not exactly in presence of a mutual or an equal relationship.

The second step of the research field has started after a preliminary data analysis of the interviews conducted within Global Vendor IT. We have tried to go further in our analysis and therefore to enlarge our dataset outside our exploratory case study. The second step (comparative analysis) of our research is ongoing. We have already conducted interviews within two Tunisian IT providers which have been chosen especially because they both deal with European and Tunisian clients, in what can be considered, respectively as offshoring and outsourcing relationships.

- -The first company is the Tunisian leader in Internet providing. The firm doesn't only offer access to Internet connection but also proposes value added services on Internet providing like security and load balancing.
- -The second company is an IT solutions provider funded in 1992 in Tunis. It serves numerous International partners like Microsoft and Symantec and has recently started to provide IT services to local clients.

The results presented in this paper are based upon the two phases of our study.

FINDINGS DISCUSSION

The interorganizational level of trust has emerged as the dominant influencing factor on offshoring processes, for all our interviewees regardless of their national culture. A majority of our respondents have told us that what really matters is "the relationship between firms [...] even though it is important to know the people who work also". Moreover, in all the verbatims, individual actors playing specific roles have never been mentioned.

Our findings have also clearly confirmed the structuring role of trust considered as a stability and continuity factor of the relationship (McEvily et al. 2003). For all our interviewees trust does not play any significant role at the early stages of the relationship, especially during the negotiation process, whereas it is recognized as important afterwards, especially when decisions are made to extend the contract with the client. For instance, one of our interviewees argued that "...generally client trusts us if he/she continues to use our IT services...if he asks for new ones and if he/she is willingly to adopt our innovative offers..."

The most visible structuring role of trust that has been experienced by our interviewees is the transferability effect (McEvily et al.2003). For instance, it appears that trust between the client and the offshoring/outsourcing unit results from a transfer process in which the global IT vendor plays the role of trust's intermediary. For Tunisian clients, European clients of the outsourcing unit play this role of trust translator.

The mobilizing role of trust hypothesized by Zaheer et al. (1998) has had some echoes in our data set. From the client and the vendors (Global and offshoring/outsoucing unit) points of view, trust is recognized as reinforcing cooperation between the partners, lessening the controls and making the coordination mechanisms easier and less costly.

Our findings also indicate that the Tunisian partners seem to be mistrustful with each other and that it is easier for the offshore unit to develop a trust-based relationship with a European client than with a local one: "The foreign client trusts us more than the local one...it seems to be paradoxical but finally proximity do not necessary interfere on trust development.

- -"Trust establishment isn't easier with local clients."
- -"I think that they [foreign clients] trust us stronger than local ones".

Our Tunisian respondents told us that trust characteristics are different with regard to the partner's national culture. While some of them consider that trust is easier to develop with foreign people, others are arguing that "European people are more difficult to develop trust [...] but with them trust is more "fragile. [...] when a problem occurs and you seem unable to handle it [...] you can simply lose their trust and it will be hard for you to regain it" [...] While Tunisian people seem quite mistrustful with us but they are more flexible and understanding when a problem occurs".

It notably appears that the "competence" dimension of trust is the more salient (Mishra, 1996; Butler, 1991) for our interviewees in the offshoring/outsourcing unit and with the two types of clients; the European and the Tunisian, alike. Whereas, in the global IT vendor, the interviewees have explained that the affective dimension of trust (McAllister, 1995) is

also important to stabilize and maintain a long run relationship. Concretely, when the offshoring unit's competencies are no more questioned, partners seem willing to put forward the "human side" of the relationship. This has been experienced in the global IT vendor towards its offshore unit, whereas it does not seem to be the case between the client and the offshoring/outsourcing unit (a punctual and a short term relationship).

It appears however, that the employees in the offshoring/outsourcing unit did not experience any sign of affective trust towards the global unit, with whom they also put forward competence-based arguments to explain trustworthiness. In doing so, these employees try to convey the following message: "if they [the global unit and the client] trust us, this is just because we are able to do the job", which is a kind of protection mechanism consciously or unconsciously enacted to go beyond any "cultural" bias that would result in a childlike subordination (Cohen & El –Sawad, 2007).

Throughout our analysis, dissimilarities have been identified in the perceived role of culture. In the offshoring/outsourcing unit, the Tunisian culture has been considered as a competitive advantage that leads, especially European clients, to offshore their IT services in Tunisia rather than in other countries, like India or China. This is because Tunisia is a French speaking country (French is the second language for a great majority of Tunisian people). Tunisia is also geographically much closer to Europe than other competing offshore localizations. From the global vendor point of view, national culture is, at the contrary, considered as a constraining factor, particularly during the negotiating process with the client, for whom the offshoring entity should remain "transparent" during this process. Moreover the client's and the global vendor's perceptions of culture have been delicate to point out, because of what Cohen & El-Sawad (2007) following Gopal et al. (2003) have described as an ambivalent discourse about "cultural differences". This ambivalence is due to the fact that respondents begin by minimizing the effect of differences in national culture before expressing a totally reverse idea while rigorously avoiding to use the word "culture".

With this regard, our dataset provides some support to the post-colonial theory-based assumptions highlighted by Gopal et al. (2003) in their study of offshoring in Asia, concerning especially the ambivalent discourse about cultural differences, and more frequently expressed by the representatives of the "dominant" culture. Whereas, the "invisibility effect" (of the offshore unit employees) described by the postcolonial theory has not been highlighted, in the sense that, the Tunisian employees do not seem to make any effort to hide their cultural identity in order to appear "less Tunisian".

Finally, in order to explain the difficulty experienced by Tunisian clients to trust the Tunisian IT services provider, we could remind that Tunisia is a developing country in which IT and more generally technological assets are "imported" features coming from northern and developed countries, related in some way to the former "colonial" culture. Therefore, the less the outsourcing unit appears as Tunisian, the more the Tunisian clients will be trustful. In other words, the "invisibility effect" developed by the post-colonial theory seems surprisingly to be relevant for partners belonging to the same national culture.

CONCLUSION

Our findings indicate that trust is perceived as an influencing factor in offshoring relationships when it is situated at the inter organizational level. The interpersonal trust has not emerged as significant. Our findings also provide support to the conception of trust as an organizing principle: the two affecting roles of trust (structuring and mobilizing) have clearly been identified. It has also been pointed out that culture plays a significant mediating role. A role which has not been perceived the same way by the offshoring/outsourcing partners. While cultural considerations are identified as an enabling factor in shaping and enhancing the inter-firm relationship by individuals belonging to the offshore unit (Tunisian culture), it has been considered as a constraining factor by the global vendor and the clients: European and Tunisian, but not exactly for the same reasons.

The limitations of this study are probably due to the methodology adopted (qualitative approach) and to the limited number of the interviews conducted, which may render the generalization of the results problematic. We can also notice that all our respondents are males which could bring some bias in our results..

Due to space limitations, we did not go further in presenting and profoundly interpreting our findings as it is required in an interpretive-oriented study. This issue will be addressed in a future publication. Furthermore, we are reporting here the findings of the first stages of our study. We are actually continuing this exploratory phase which will be then followed by a confirmatory quantitative-based approach (a multi-sector survey).

This research has provided a contribution to the body of work on offshoring by applying a framework which investigates the linkages between offshoring/outsourcing, trust and culture. Another contribution of our work is to investigate trust and offshoring issues in a country that has very rarely been studied in the literature: Tunisia, whereas it has been for decades a privileged offshoring destination especially for European-based companies.

Finally, we also point out that offshoring and outsourcing are process-oriented concepts and accordingly have to be studied at a longitudinal and a time-based perspective, especially when emerging interpersonal and inter organizational phenomena such as trust are analyzed. A future research is worth to highlight this issue.

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Appendix

Enterprise	Respondent function	Interview duration (minutes)
CSI	Business Intelligence Manager (Tunis)	80
CSI	Hotnet Manager (Tunis)	35
CSI	Responsible of the Business Unit: local and North African market (Paris)	45
CSI	E-business senior consultant (Tunis)	80
CSI	CEO Business Unit : Business Intelligence offshore projects (Paris)	30
CSI	Project manager for a local client (Tunis)	30
CSI	E-business Project Manager (Paris)	30
CSI	Director of offshore projects (Paris)	30
CSI	CRM Director (Tunis)	55
CSI	Responsible of the European client S (Tunis)	50
CSI	Internet Project Manager (Paris)	20
(S: CSI EuropeanClient)	CEO Business Intelligence (Paris)	90
T (CSI Tunisian Client)	CEO CRM development team (Tunis)	90
European Company1	CEO of the offshore unit (Tunis)	40
Tunisian Company 1	Sales Director (Tunis)	50
Tunisian Company 2	Marketing Director (Tunis)	35

Table: Interviews description

Theme	Investigated variables
Offshoring/outsourcing relationship	-Contracting conditions (at the beginning of the relationship)
specificities (inter organizational level)	-Control conditions, power, coordination
(King and Torzadeh, 2008)	
Interpersonal relationships within	-roles within the negotiation process
offshoring/outsourcing	-Conflict management
(Zaheer et al., 1997)	-Shared/divergent values
National culture perceptions (Hosfstede, 1980, 1991)	-How does the interviewee identify him or herself with regard to Hofstede's national dimension: collectivist versus individualistic(National) culture differences and trust building
Trust roles within the offshoring relationship (McEvily, 2003)	-A structuring role -A mobilizing role
Culture and Trust based relationships	-Interviewee's definition of trust (images, expressions)
(Huff & Kelley 2003),	-The role of national culture
	-The role of organizational culture (see if it is identified)
Offshoring/outsourcing Context	-Perceived local/global market structure
(Carmel and Tjia, 2005; Willcocks and	-Perceived Offshoring/outsourcing key success factors -Perceived risk
Lacity, 2006)	
	-Competencies required
	-Threats

Table 2: Interview guide