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# IT Offshore Provider Profiling Strategies: New Zealand and Indian Perspectives

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## IT Offshore Provider Profiling Strategies: New Zealand and Indian Perspectives

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### Abstract

*Offshoring of IT products and services to provider nations belonging to the Asia Pacific region is a growing phenomenon. However, clients are apprehensive of risks undertaken by outsourcing work to businesses in different economic spaces which represent different time zones, cultures and income status. This study does an empirical investigation through twenty case studies to understand the profiling strategies used by IT offshore provider organisations in two diverse countries – India (farshore) and New Zealand (nearshore) – to improve their business image and reduce clients' perceptions of risks. Findings reveal that strategies used by IT providers depend upon ownership status by clients or third parties, their organisational size as well as cultural differences between client and provider nations. The paper contributes to existing studies on emerging offshore marketplace and explains global strategies adopted by IT provider businesses to remain competitive.*

### Keywords

offshore markets, profiling strategies, outsourcing arrangements, national consortia, accreditations

### INTRODUCTION

The current offshore IT outsourcing environment has forged business ventures across large and small businesses within both rich and poor economic geographies leading to bridging of business knowledge between diverse economies. As new economic spaces dynamically emerge, more theoretical and empirical studies are required to understand clearly the strategies adopted by businesses and to suggest appropriate policy directions for future growth and development (Le Heron & Harrington, 2005). Researchers and policy makers have had a long fascination with the question – why certain national industries succeed: what led them to success, what strategies will keep them successful and what prescriptive lessons can be gleaned for other nations (Carmel, 2003). Gartner 2010 report has identified the Asia Pacific region as an attractive IT provider market, and has listed three regions – leaders (India and China), mature (Australia, Singapore and New Zealand) and emerging (Malaysia, Indonesia, the Philippines, Thailand and Vietnam) – as attractive destinations for purchasing offshore services (Longwood & Heng, 2010).

With offshoring of IT work gaining momentum, provider organisations are learning to adopt new strategies to better implement global operations, and these strategies are expected to evolve over the next decade (Eppinger & Chitkara, 2006). Specifically, organisations belonging to different segments of Asia Pacific region are re-assessing their strategy to highlight their successes in IT services in their local economic spaces and improve their export opportunities in the global competitive IT provider arena. These local IT organisations use many profiling strategies to showcase their capabilities to offshore client destinations. Some of the global strategies include: opening subsidiaries/joint ventures in overseas provider/client markets, obtaining quality accreditations, publishing Web promotional material, getting assessment reports from consulting companies (e.g., Gartner, Forrester, IDC) and market branding by local government agencies (Adomavicius, Bockstedt, Gupta, & Kauffmann, 2008; Carmel, 2003; Carmel & Eisenberg, 2006; Dibbern, Winkler, & Heinzl, 2008; Ramasubbu, Mithas, Krishnan, & Kemerer, 2008). Given that both India and New Zealand are aspirant IT provider nations in the emerging economic and knowledge spaces, but also differ in many respects, this has provided us with an opportunity for meaningful comparative research. In this paper, we undertake an exploratory study to understand the global competitive strategy used in these two different matured market segments.

Clients are wary of contracting IT work to offshore providers belonging to vastly different time zones, cultures, languages, and lower income countries (Carmel & Abbot, 2006). The offshore providers define profiling

strategies which are aligned towards making the client feel less at risk in contracting work to them. Profiling strategies aim to reduce clients' perceptions of risks due to the geographical positioning, cultural differences, legal infrastructure and economic status of provider nations. Furthermore, the strategies adopted by organisations also depend upon the resources available to them. For example, large organisations would not be constrained by lack of financial resources as compared to smaller organisations. The research question posed in this paper is: *What profiling strategies are preferred by small and large IT provider organisations in the Asia Pacific region, particularly in the New Zealand and Indian context?* This paper investigates twenty IT provider organisations to understand their outsourcing arrangements and strategies implemented to expand their global presence in the competitive IT outsourcing marketplace. It may be noted that the exploratory nature of the study does not seek to conceptualise theoretical expectations and findings, rather discusses emergent ideas and meanings in the dynamic offshoring environments.

The paper is structured as follows. We first draw upon literature on current outsourcing arrangements, strategies and practices adopted by IT providers. The research methodology used for the conduct of the study is explained next. We then describe the profiling strategies used by the twenty case studies and discuss IT providers' preferences in support of these strategies. A visual representation of practice findings is presented. Finally, we conclude our findings, provide limitations of our study and propose opportunities for future directions from our research.

## THEORETICAL BACKGROUND

Outsourcing trends are changing business practices as both providers and clients enter into different types of outsourcing agreements to build business relationships across international boundaries. Both sides weigh their risks and benefits, as they enter into new economic domains and initiate outsourcing contracts. Risks are associated with costs related to infrastructural problems in developing countries, loss of control over intellectual property, limited learning and innovation by clients, public relations mishaps and different legal systems within developing countries, amongst others (Mol, 2007; Rai, 2005). Benefits, apart from economic advantages, include access to skilled personnel across the globe, 24/7 availability of workers, innovation and shared best practices, cross-site modularisation of development work, improved time to market, and compensation for gaps in the internal capabilities within organisations (Agerfalk & Fitzgerald, 2006; Brady, 2003). While clients look towards reducing risks and increasing benefits, providers seek to make an acceptable rate of return on outsourcing contracts, acquire industry specific knowledge, build a strong reputation in their industry and stabilise their market position (Dibbern, Goles, Hirscheim, & Jayatilaka, 2004; Rottman & Lacity, 2004).

Outsourcing business agreements are established between different economic and legal spaces by proper risk assessments and resolving issues which could be perceived as a threat later in the relationship. The outsourcing agreements also depend upon the degree of outsourcing (total or selective) and ownership of resources by the client/partner (internal, partial or external), and are classified as wholly owned subsidiary, joint ventures, traditional outsourcing and selective outsourcing (Carmel & Tija, 2005; Dibbern, et al., 2004; Gold, 2005). Table 1 details the relationship between degree and ownership for different outsourcing arrangements that third party/client and offshore provider enter into.

Table 1. Outsourcing Arrangement  
 (Sourced from: Dibbern, Goles, Hirscheim, & Jayatilaka, 2004)

Degree	Ownership		
	Internal	Partial	External
Total	Offshore provider is a <b>wholly owned subsidiary</b> of the third party/client.	Offshore provider and third party/client enter into a <b>joint venture</b> partnership.	Offshore provider and third party/client have separate ownership. This is referred as <b>traditional</b> outsourcing.
Selective			Offshore provider and third party/client have separate ownership. They engage in <b>selective</b> outsourcing.

With business operations spread across many countries, the offshore centres perform work activities utilising intellectual property and expertise related to the core competency of the clients' products or processes. Hence, clients are often sceptical of any opportunistic behaviour of offshore provider at their cost. Accordingly, some clients prefer selective arrangements, by keeping key strategic functions of project/program management in-house and use outsourced staff only at certain points of control (Eppinger & Chitkara, 2006; Gold, 2005; Kaiser &

Hawk, 2004). Also, for this reason, some clients prefer outsourcing to “nearshore” destinations opposed to “farshore” (Carmel & Abbot, 2006). Carmel and Abbot have defined offshore destinations as *nearshore* and *farshore* to determine a region’s global scope and spread through content analysis of 90 textual sources (e.g., academic articles, press releases, company promotional material, newspaper articles). They add that the term *nearshore* first emerged as a reaction to the main offshore destination: India. India “is geographically distant from its major clients in the US and Europe” (p. 3). Hence India is described as a *farshore* territory and geographical areas which have closer proximity to the US are referred to as *nearshore* territories. *Nearshore* “is associated with relatively easy travel, similar time zones, and closeness in culture and/or language”, while *farshore* represents “a very distant destination, represents many hours to travel, many time zones away, and is seen to represent a very different culture” (p. 3).

Clients are often faced with a risky vendor (or provider) selection process. Risks relate to misunderstanding and miscommunication due to cultural distance and also due to transaction costs associated with economic exchange (e.g., bargaining costs, enforcement costs, travel costs) (Gefen & Carmel, 2008). Prior literature has cited clients’ reluctance to do business with providers who are located in countries which are more culturally distant, and prefer to maintain business relations with providers located in similar cultural territories (Gefen & Carmel, 2008; Rothaermel, Kotha, & Steensma., 2006). Gefen and Carmel’s (2008) add that providers in English-speaking nations such as New Zealand and India are at an advantage for selling IT services to English-speaking client nations. The authors posit that American companies are more open to offshoring work than continental European countries, which besides having language barriers, also have other “regulatory difficulties in laying off their own workers” (p. 380). Kogut and Singh’s (1988) study on market entry between a foreign investor and a destination country found that cultural distance has an impact when client and provider are new to each other, that is, during the initial transaction stage. Gefen and Carmel’s (2008) study on American clients engaged in offshoring suggests that cultural distance does not matter in subsequent contracts, as the global marketplace is moving towards greater diversification in sourcing.

Providers are aware of client apprehensions in the offshore outsourcing scene, and try to position themselves as credible and competitive business organisations. They understand clients’ perceptions of risk and assess their strategies to strengthen themselves to remain in competition by highlighting past success experiences and emulating outsourcing models that have met with success in the offshore market (Herbsleb & Moitra, 2001). Providers apply business strategies to globally position themselves as specialists in IT functions with people-related, practices-related, and software architecture-related concepts extracted from quality frameworks (Slaughter, Levine, Ramesh, Pries-Heje, & Baskerville, 2006). Many technology providers create large development centres and locate them within dense agglomerations of other technology firms, referred to as high tech parks (e.g., Silicon Valley, Bangalore) (Carmel & Abbot, 2006). Local governments at provider locations also make efforts to promote the nation’s industry abroad through some form of national association or consortium (Carmel, 2003; Carmel & Eisenberg, 2006).

Global delivery business models such as Software Engineering Institute’s Capability Maturity Model (CMM or CMMI) are gaining popularity as they help mitigate the risks associated with work dispersion in offshore IT projects (Ramasubbu, et al., 2008). IT providers adopt CMM practices to identify how to best improve process maturity in their workflows. The work routines prescribed by the CMM “can be utilised as a learning platform paving the way for *knowledge driven performance improvement*”, and enable increased “project performance which can be measured in terms of productivity and quality” (Ramasubbu et al., 2008, pp. 438-439, italics in original). The CMM comprises five maturity levels – initial, repeatable, defined, managed and optimising – to rank organisations level of process maturity. Each level identifies key process areas which are mapped to process models (e.g., project plans, design documents, software code, and test suites). Different functional groups assess their business models to make process investments aligned with the key process areas and determine their level of maturity (Ramasubbu et al., 2008). Next the maturity level is audited by international agencies for validation and checked for compliance of the firm’s processes with the prescriptive model laid by the accrediting agency before certifying the firm with a CMM maturity level. Moreover, once a firm has been accredited to a certain CMM level of maturity, it has to ensure that the process maturity level is maintained, as regular audits by the accrediting agency for compliance are ongoing.

Keane (2003) has noted that the best offshore providers’ rank quite high on the CMM scale of maturity, and organisations at the lower end of the CMM need years of effort and massive cultural change to achieve the level of process maturity present in a best-in-class offshore provider. Ramasubbu et al. (2008) affirm through a study of 42 offshore software projects that firms operating at higher levels of CMM maturity have efficiently overcome many challenges associated with distributed tasks and improved overall offshore project performance. Furthermore, many Indian software organisations are found to be certified at CMM level 4 or 5 (Ramasubbu, et al., 2008; Rottman & Lacity, 2004). Critics of certifications such as ISO and CMM argue that these formalised processes can then have negative consequences on both human and economic scales (Conradi & Fugggetta, 2002). International certifications, promote bureaucracy within the organisation in which employees lose much

of their traditional autonomy (Adler, McGarry, Irion-Talbot, & Binney, 2005); thus causing employee motivation to suffer.

## RESEARCH METHODOLOGY

This research uses a case study research strategy to capture the knowledge of practitioners, and document their experiences of practice, to develop theories from practice (Benbasat, Goldstein, & Mead, 2002). In case study research, field data are gathered from organisational settings and based on observational evidence, we learn about real life practice methods adopted in the phenomenon under investigation. The aim of this investigation is to capture practitioner perspectives in two country contexts to reveal the global competitive strategies adopted by offshore IT providers for improving their business image and reducing clients' apprehensions in initiating outsourcing contracts with them.

Twenty IT providers from New Zealand and India participated in this study. Of these provider organisations, ten each were based in New Zealand and India. Interviews were conducted from January 2007 to December 2010 with senior management teams across functional groups to include chief executive officers (CEOs), chief technology officer (CTO), operations manager, vice presidents (VPs) and project managers. Roughly, about fifty interviews were conducted with 2 - 3 interviews from each organisation in two separate rounds. It is not feasible to provide an exact number of interviews conducted, as this study is a part of a bigger study in which the researchers spent many days interacting with employees in each of these organisations.

Next the study sought to identify groups across the twenty provider organisations based on the organisational size estimated by the number of employees to enable comparisons on their profiling strategy preferences. In view of the diverse structures of economies between New Zealand and India, the comparisons between organisational groups belonging to these nations is not feasible against one absolute number of employment measure (Confederation of Indian Industry, 2006; Ministry of Economic Development, 2008). Further, exploratory interviews were also conducted with government officials from New Zealand and India national consortia to help identify categorisations for large and SME (small and medium enterprise) organisations in the two country contexts. The government officials responsible for promoting IT services in the international market, were asked to broadly define their estimations on what is considered large or SME in their country contexts. Based upon their responses, the categorisations considered in this study are described as: (1) In New Zealand context, organisations with number of employees over 90 are large, and with employees less than 90 but more than 20 are SME, (2) In Indian context, organisations with number of employees more than 1000 are categorised as large, and employees less than 1000 but more than 90 are categorised as SME.

Using the above categorisation, this study was conducted in 3 large and 7 SMEs in both New Zealand and Indian context. The case organisation groupings have been coded into four groups, namely NZ\_Large (large-sized NZ organisation), NZ\_SME (SME-sized NZ organisation), IN\_Large (large-sized Indian organisation) and IN\_SME (SME-sized Indian organisation). This simple coding system provides a comprehensive presentation of the twenty sample cases within the four representative groups and accomplishes ease in referencing when the case data is described and subsequently discussed. All twenty organisations are involved in offshore IT projects, though the Indian firms' presence in the offshore provider marketplace has been longer with an average of 16 years compared to New Zealand firms which have been around for about 9 – 10 years.

## CASE STUDY DATA

Senior managements of these organisations were queried on outsourcing arrangements and strategies adopted by them to compete globally in the offshore IT market. The interviews were semi-structured in nature, which enabled participants to talk about their preferred strategies and explain their reasons for adopting the chosen strategies. The interviews involved questions on how their outsourcing arrangements have been framed with clients and partners, whether they consider international accreditations helpful to build their reputation, and whether they consider membership to national consortia useful to brand themselves favourably to international clients.

The structure of the case study organisations are as follows. The ten New Zealand provider organisations are parent companies having no foreign ownership. Five of these organisations have themselves opened offshore centres through subsidiaries or entered into joint venture partnerships in other countries (e.g., India and Vietnam). These five vendors act as intermediaries, who have outsourced some of the routine back end or "coding" operations to low wage countries, whilst they are mostly engaged in project management and administration with local and offshore clients. On the other hand, six of the Indian SME provider organisations are either wholly owned subsidiaries or have entered into joint ventures with US companies. Being aware of the perceived risks related to farshoring, these subsidiaries/joint ventures have nearshore locations, which are managed by the US owners/partners. The case data reveals that six Indian providers with foreign

ownership/partnership are SME organisations, while all the large Indian providers have no foreign ownership. The large Indian providers have set up offices in the US and Europe.

The outsourcing arrangements used by the twenty provider case studies are presented in Table 2.

Table 2. Outsourcing Arrangement Used by Case Studies

Degree	Ownership		
	Internal	Partial	External
Total	<b>Wholly owned subsidiary</b> <ul style="list-style-type: none"> <li>• IN_SME = 4</li> </ul> (Note: Two NZ_SMEs own subsidiaries in Vietnam and India)	<b>Joint venture</b> <ul style="list-style-type: none"> <li>• IN_SME = 2</li> </ul> (Note: Two NZ_SMEs and one NZ_Large have joint ventures in India and UK)	<b>Traditional</b> <ul style="list-style-type: none"> <li>• IN_Large = 3</li> <li>• NZ_Large = 2</li> <li>• NZ_SME = 3</li> </ul>
Selective			<b>Selective</b> <ul style="list-style-type: none"> <li>• NZ_Large = 1</li> <li>• NZ_SME = 4</li> <li>• IN_SME = 1</li> </ul>

The study finds that only large Indian providers (IN\_Large) consider accreditations from external international agencies necessary, whereas all other Indian and New Zealand firms do not. The only exception is one Indian SME, which has international certifications. However, this Indian SME is an independent firm without any ownership from a client or third party. Another Indian SME (a wholly owned subsidiary) has registered itself with a security agency – Safe Harbor.

The details of accreditations/certifications/memberships are presented in Table 3.

Table 3. International Accreditations by Case Studies

Case Grouping	International Accreditation
IN_Large	All three large organisations have international certifications. These certifications include SEI CMMI level 5, SEI PCMM level 5, ISO 9001: 2000 and ISO/IEC 27001:2005, BS7799 and membership with Safe Harbor.
IN_SME	Five of the SME organisations have no certifications whatsoever. One SME organisation has certifications, namely, SEI CMMI level 3 and ISO 9001:2000. Also one other SME organisation is a member of Safe Harbor.
NZ_Large	None of the three large organisations have any certifications. Two large organisations were earlier ISO 9001: 2000 certified, but they have discontinued and let the certifications lapse.
NZ_SME	None of the seven SME organisations have any certifications. One SME organisation which was earlier ISO 9001: 2000 certified has also let their certification lapse.

The case study findings have revealed that three of the ten New Zealand providers which earlier had some form of international certifications, have let their certifications lapse as they are now considered as an unnecessary expenditure. On the other hand, five of the ten Indian providers consider international certifications and memberships quite important to their profiling strategies. According to these firms, certifications help them foster a process-based learning environment through definition of workflow routines and ensure discipline in maintenance of document versions of work-in-progress and completed project tasks.

The case study data also shows that four Indian organisations (three large and one SME) and one New Zealand organisation (large) have membership with consortia agencies in their respective countries. The two government agencies in these countries are NASSCOM and NZTE. NASSCOM is India's National Association of Software and Service Companies ([www.nasscom.in](http://www.nasscom.in)), the premier trade body and the chamber of commerce for the IT software and services industry. NZTE or New Zealand Trade and Enterprise ([www.nzte.govt.nz](http://www.nzte.govt.nz)) is the New Zealand government's national economic development agency which helps local businesses with trade and investment opportunities internationally.

Table 4. Consortia Membership by Case Studies

Case Grouping	Registration with National Consortia
IN_Large	All three large organisations are members of NASSCOM.
IN_SME	Only one SME organisation has membership with NASSCOM.
NZ_Large	Only one large organisation is a member of NZSA (New Zealand Software Association). NZSA was earlier a joint ICT cluster group with ITANZ (Information Technology Association of New Zealand) and NZTE, but is now a separate ICT cluster for helping local businesses export software.
NZ_SME	None of the seven SME organisations have memberships with any software agency or consortia.

As indicated in Table 4, four Indian providers have memberships with export agencies or consortiums, opposed to just one provider from New Zealand.

## DISCUSSION

Qualitative inquiry is contextual requiring critical and reflective investigation of the phenomenon from multiple perspectives by the researcher to ensure the validity (or truthfulness) of findings, but without encumbering the exposition with excessive detail (Whittemore, Chase, & Mandle, 2001). This section draws upon case study data to offer insights on some of the profiling strategies adopted across the twenty cases. The voices of participants or interview statements are synthesised to represent the breadth across the sample cases to abstract practice knowledge in manner which is more meaningful to the reader (Whittemore, et al., 2001). A coding system for grouping of interviewee responses into four groups representing the breadth of the sample is implemented. Findings from practice for the four groups – IN\_Large, IN\_SME, NZ\_Large and NZ\_SME – are summarised next.

### Indian outsourcing provider profiling strategies

Findings have shown that outsourcing arrangements differ across IN\_Large and IN\_SME providers in India. The IN\_Large providers are not owned by any third party or clients while most of the IN\_SME providers are subsidiaries or joint ventures with some degree of foreign ownership. The SME firms are largely located in hi-tech park zones called Software Technology Parks (STPs). The Indian government has introduced export zones or STPs, which offer benefits of reduced customs regulations and levies (RajKumar & Dawley, 1998). The SME firms situated in these STPs have office space in high rise buildings equipped with shared facilities in infrastructure (e.g., telecommunication network, conference rooms), security (e.g., smart cards, CCTV cameras) and recreation (e.g., health club, gaming rooms). One vice president of IN\_SME remarked: *“We have moved to the concept of smart office nowadays since international clients regularly come to our sites with IT projects”*.

Discussions with managements of the IN\_SMEs revealed that many expatriates settled in the US have opened software development centres in India including in three of the SMEs participating in this study. The farshore IN\_SME firms mostly work with the *“back end”* software code development tasks, whilst the *“front end”* tasks of interacting with clients are managed by the US counterparts at nearshore locations. These foreign owned SMEs do not feel it necessary to get accredited by international quality agencies, as the work sent to the Indian development centres comes from their principal counterparts which is already defined in explicit detail. One SME which deals with accounting data of offshore clients is registered with Safe Harbor. Safe Harbor is a certification program run by the United States Department of Commerce which ensures its members comply with data privacy practices when trading in the US or European Union. This SME provider also holds many patents related to revenue management algorithms. A remark made by the CEO of one IN\_SME during the case study interview process reveals their reasons for not having any certifications: *“We sell expertise and not TVs.... We have found the extraordinary in the ordinary and have been granted a dozen patents. We don’t need these other certifications.”*

On the other hand, all the large Indian provider organisations hold many international certifications. One manager of IN\_Large remarked: *“International certifications are considered necessary by all large Indian groups who operate globally”*. This sentiment was shared mostly by all interviewees belonging to large Indian organisations, and these providers have displayed scanned images of all their international certifications on their Web sites. In addition to the brand image of these quality certifications, the IN\_Large organisations highlighted several other advantages including use of proper standardisation procedures, strict documentation requirements of various work-in-progress reports, tracking of change events in client deliverables, measurement of quality through defined workflow metrics, and overall management of software functionality, reliability and usability against set standards. These firms often reiterated that besides profiling them favourably to offshore markets, the

certifications brought strict discipline and increased process-based learning strategies. Processes have been streamlined, such that if a staff member suddenly resigned, the management is easily made aware of project status to enable easy transfer of the project to a new staff member. All of these firms also stated that the high staff turnover is an ongoing concern in the Indian software industry.

Another strategy revealed during our study shows mention of community service activities on Web sites of all IN\_Large providers. These social activities are described under separate sections such as “*Corporate Responsibility*”, “*Community Initiatives*” or “*Social Responsibility*” on their corporate Web sites to inform their peer business community about the self-imposed social commitments. Links on this section mostly state that the vendors consider community services an essential element of their business responsibilities. Some of the community services listed are rural development plans that include adopting a village, women empowerment programmes and water conservation initiatives.

With regard to memberships, all large firms and those SME firms which are not subsidiaries or joint ventures have memberships with NASSCOM. The member organisations voiced appreciation of the support offered by NASSCOM, such as the marketing brand of NASSCOM which adds value to their international profile as well as information it provides in relation to new export opportunities. The government official stated that the NASSCOM membership also grants risk insurance for client, “*should the client report any threats, NASSCOM could black-list the provider*” which may adversely affect the provider’s future business.

### **New Zealand outsourcing provider profiling strategies**

Findings reveal that outsourcing arrangements are similar for both NZ\_Large and NZ\_SME firms. None of the New Zealand provider organisations are owned by any foreign companies, although, many NZ\_SME organisations have opened subsidiaries or are partners in joint ventures with IT providers in low income countries. The New Zealand provider organisations have not acquired any certifications, and consider them unnecessary and expensive, as is evident from some of the remarks made during the interview process: “*you’ve also got to be making enough money to support the certifications; else you pass the expense to your client*” (NZ\_SME) and, “*There is no need to tell any external auditor that we are doing this. The responsibility of our quality processes lies with us*” (NZ\_Large).

Interestingly, three NZ organisations (two large and one SME) which were earlier accredited with international quality certifications later discontinued their accreditations. The reasons cited for discontinuation are that certifications reduced flexibility due to their unnecessary extensive documentation requirements. One senior manager remarked: “*The more you document, the slower you become at changing, as it is extremely hard to change the documentation. And, so you don’t change*” (NZ\_Large). Another manager explained reasons for gaining certification and later discontinuing the certification: “*We did it for the right reasons – that is to improve the process and to start with a baseline of how we do things. Now then, this is a baseline for improvement. So we had it and left it for the right reasons as we now have templates and checklists as a baseline for improvement, rather than people ticking a box to say they are ISO certified. However, nowadays the reason some organisations use certifications is to prove rather than to improve their work processes. Also, earlier there was a culture which said that ISO was a good thing. That culture I think has changed now*” (NZ\_SME).

Community service activities are listed in only one NZ\_SME provider Web site under section “*Community Involvement*”. This provider has set up a subsidiary in a low cost neighbouring country and the directors of this firm are advisors on ICT education, and have undertaken other progressive initiatives in that region. This provider is also involved in many social and community services, such as offering “*not for profit*” products for the elderly and disabled within New Zealand.

With regard to benefits from memberships to some software export consortia, findings have revealed that only one large New Zealand organisation has membership with an ICT cluster called NZSA. All of the New Zealand providers expressed that they relied on their personal business contacts or “*word of mouth*” for obtaining offshoring contracts rather than through government agencies. One offshore provider compared the well known name of NASSCOM as a central point of contact for Indian software firms to the less known name of NZTE in New Zealand. This disparity was raised to a government official of the national government consortia (NZTE), who explained that New Zealand has many ICT cluster groups, such as NZTE, ITANZ, NZSA, Outsource2NZ and others, therefore their popularity has got distributed. He noted further that there may be twenty such points of contact for organisations which makes the “*small ICT space rather crowded*”.

## **PROFILING STRATEGY FINDINGS**

Empirical data from practice disciplines is used to inform theoretical knowledge, and lay foundations for contextualising of constructs in emergent knowledge processes (Gregor, 2006). Gregor recommends using visual representation identifying constructs (beliefs and intentions) and relationships (perceived usefulness and attitude)



to explain and make visually explicit the findings from observed practice. This allows the researcher to make prescriptive statements or generalisations from practice findings. The breadth of focus in this study is across twenty sample cases which are classified into four groups in two country contexts in practice disciplines pertaining to profiling strategies of IT providers. The study next consolidates findings from practice to develop constructs and relationships for defining profiling strategies for the four groups (IN\_Large, IN\_SME, NZ\_Large and NZ\_SME). These are presented in Figure 1.

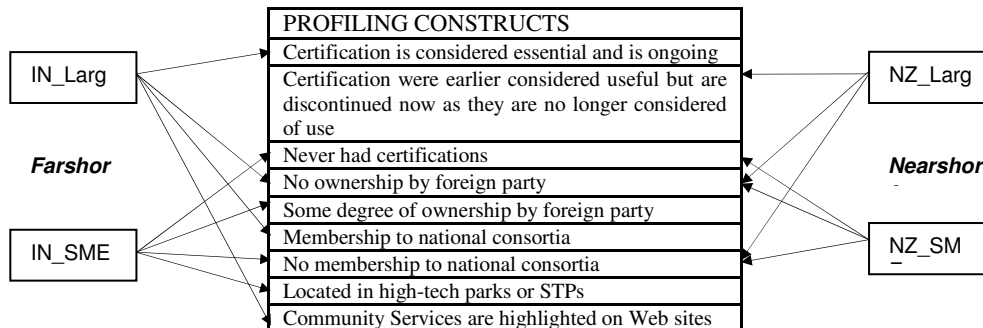


Figure 1: Profiling Strategies

There are some outlier cases which have different relationships to profiling strategy constructs shown in Figure 1. For instance one NZ\_SME is involved in community services which are mentioned on their Web sites. Another NZ\_SME earlier considered certifications useful, but have discontinued them now. Similarly, one IN\_SME has no ownership by a foreign third party, and the same provider considers certifications an essential strategy to promote themselves in the global market. However, the remainder of the cases comply with the profiling strategy constructs, and accordingly we can generate the following prescriptive statements across the breadth of the sample. The statements are: (1) Large Indian IT provider firms do not have ownership by foreign parties. They consider certifications from international agencies and memberships to national consortia helpful for profiling favourably to the global community. These firms highlight social commitments on their corporate websites to show their community spirit. (2) SME Indian firms have some degree of ownership by foreign parties and their profiling strategies are influenced by the foreign owner. They do not consider certifications from international agencies and consortia membership useful as a profiling strategy. They are mostly located in STPs which offer good infrastructure, and improves their international profile (3) Large New Zealand firms have no ownership by foreign parties and they do not consider certifications from international agencies useful. Those who earlier had been accredited have let their certifications lapse with no intentions of re-applying. Also, they are not members of any national consortia. (4) The SME providers in New Zealand are mostly local firms, not owned by foreign third parties. In fact, some of the New Zealand SME providers have established subsidiaries and joint ventures in low cost countries. They also do not consider certifications from international agencies and membership to national consortia useful to their profiling strategies.

## CONCLUSIONS

Offshore IT providers are aware of the risk assessments undertaken by international clients before any outsourcing project is initiated. Accordingly, efforts are put forth to increase their international profile to make clients less wary of dealing with providers belonging to different economic and cultural spaces. Many nearshore destinations (e.g., New Zealand) are under-represented in academic literature, and little is known about their efforts and strategies in representing themselves in the emerging IT service market (Carmel & Abbot, 2006; Mcleod, MacDonnel, & Doolin, 2009).

Our study highlights profiling strategies used by IT software providers in two offshore – nearshore and farshore – contexts. The study offers insights on reasons for adoption of different profiling strategies. Providers define profiling strategies based upon client perceptions of risk due to cultural differences amid farshore/nearshore locations, organisational size and ownership arrangements with clients or third parties.

India is seen as an attractive investment for starting back end development centres which are owned by foreign nationals. These firms are wholly owned subsidiaries or joint ventures, who do not feel the need for accreditation from international agencies, since they do not face clients directly, hence clients are less apprehensive of contracting out to “farshore” places. However, independent Indian owned companies – small and large – have international certifications and memberships with government initiated export consortium to help them build their international profile, and also improve organisational work processes. Specifically, the large Indian firms also have the financial resources for maintaining international accreditations, which is a recurring expense. New Zealand firms are “nearshore”, representing less cultural distance from client countries, and mostly act as

intermediary providers who have further outsourced their software construction activities to low cost countries (e.g., India and Vietnam). Some have opened subsidiaries and entered into joint venture partnerships at offshore locations for managing back end operations (e.g., India and Vietnam) and also for their front end operations (e.g., UK). International accreditations are not considered helpful to their current outsourcing environment for either profiling or project management and administration, though some firms also found these accreditations to be expensive. Moreover, New Zealand has many ICT clusters; with no one cluster representing a central authority to the local providers and the export market, which has been considered negatively by some case study firms.

These conclusions are indicative of provider strategies located at nearshore and farshore locations. Twenty diverse case settings have exposed provider perspectives to define their profiling strategies in real world settings. Although this study is limited to only twenty software IT provider firms, the study has achieved its objective due to the cases selected being key IT provider organisations in their respective countries. The study has shed light on IT provider management perspectives within the two country contexts of New Zealand and India. This study can be extended through surveys to cover more organisations in different country contexts, to understand how new economic spaces are being managed in the emerging offshore software marketplace.

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