CHALMERS
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Service companies' offshoring practices in the IT and construction industries

A comparative study

Master's Thesis in the Master's Programme Design and Construction Project Management

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Cover: The authors of the study are the creators of the cover image. The cover image aims at describing the offshoring of service activities to another country, in this case to India. While the functions and tasks of the firm are relocated, the local employees work under the company's name and form part of it. The contrasting yellow and white colours as well as the two-sided arrows, shows that despite the geographical, national as well as cultural differences the onshore and offshore employees communicate and collaborate towards a common goal. As well, in addition to the communication flow, the two-sided arrows represent the transfer of employees in order to promote socialization, team building as well as training and support.

Department of Civil and Environmental Engineering, Göteborg, Sweden, 2016

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ABSTRACT

In the last decade, the recrudescence of the practice of offshoring bears the question of how firms, through their strategy, handle existing challenges on the path towards competitive advantage and success. Beyond the typical offshoring drivers, this study examines the methods and practices in service offshoring in the construction and telecom industries. Based on two case studies, the paper explores the impact in terms of trust and communication of the firm's offshoring methods as well as integration approach. Interviews with the involved firms as well as integration modes are used in order to obtain field results and provide their adequate assessment. While one of the two implicated firms shows a people-based approach, going alongside what available academic theory suggests, the study shows that the other firm goes against what is usually practiced in the field and recommended theoretically. As a paradox, the interview results show how successful the latter firm is, despite the use of a centralized integration approach.

Key words: offshoring; offshored engineering; offshoring strategies; integration; global virtual teams; culture; communication; trust

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Preface

In this study, research work and interviews have been carried out from January 2015 to June 2015. The work is a part of a research project concerning how offshoring strategies affect trust implementation. The project is carried out at the Department of Construction Management, Chalmers University of Technology, Sweden.

This part of the project has been carried out with Stephane Jouin and Dan Ekberg as the researchers and Professor Martine Buser as the supervisor. All empirical data collection has been carried out in collaboration with the two firms involved in the study. Both firm's representatives are highly appreciated for their collaboration and help in order to lead this study towards success. We would also like to thank our supervisor Martine Buser for her precious advices and encouragement.

Gothenburg August 2016

Dan Ekberg
Stephane Jouin

Contributions to the final paper:

The task of writing the introduction section was equally shared between the two thesis authors. Then, Stephane Jouin focused on most of the theoretical section while Dan Ekberg transcribed and extracted the answers resulting from the interviews. Both thesis authors then collaborated in writing the findings through an analysis of the interviews. As a following step, Dan elaborated a preliminary discussion section and Stephane then joined in elaborating its final version. Finally, Stephane Jouin wrote the conclusion part and implemented most of final corrections.

Abbreviations

Listed below are the abbreviations that are used throughout this master thesis.

CCF	Construction consultancy firm
SF	Service firm
I.C.T	Information and communication technology

1 Introduction

1.1 Background

This section will provide a background to offshoring and to our thesis.

1.1.1 Offshoring

Nowadays, the continuous changes in the market demand create new requirements for companies in terms of responsiveness (Bower, 2003). Therefore, organizations strive to implement new methods in order to optimize task execution (i.e. reduction of the time allocated to design phases) and reach earlier project completion with success. Furthermore, in order to meet such targets, firms are required to improve in terms of flexibility while achieving cost reduction (Jarvenpaa and Leidner, 1998). Offshoring is one of the strategies implemented by companies in order to satisfy these new requirements. Indeed, offshoring allows firms to reach, recruit and allocate staff (i.e. Indian engineers) possessing an important knowledge and expertise for the execution of activities that are essential for the company. The strategy of offshoring activities may allow firms to carry out tasks with increased efficiency as well as achieve a reduction of operation costs (Linares-Navarro, Pedersen and Pla-Barber, 2014). It is true that many firms are still reluctant to offshore engineering services due to the fact that there are real issues inherent to offshoring. Still, given the successful results obtained from the offshoring of activities, through the last decade this practice has become more and more popular and companies are setting new targets for its future expansion (Sehgal et al., 2010).

Offshoring is regarded in the academic literature as the shifting of the production of goods or services to an in-house subsidiary based in a foreign country while the staff still belongs to the firm (Linares-Navarro, Pedersen and Pla-Barber, 2014). Offshoring can take place for different types of company business processes and activities. For example, offshoring can concern complete functions of a firm as well as administrative or technical tasks (Bunyaratavej et al., 2011). As the offshore team still pertains to the firm, it allows the latter to keep control over the operations (Quinn and Hilmer, 1994).

In contrast with the concept of offshoring, outsourcing consists in transferring to a third-party firm the activities that were originally dealt with in-house (Quinn and Hilmer, 1994; Bunyaratavej et al., 2011; Linares-Navarro, Pedersen and Pla-Barber, 2014). In this perspective, products or services are purchased from another firm located in the same country or abroad in order to increase competitiveness and reduce operating costs. This strategy allows the firm to focus on its core competences and activities (Lampel and Bhalla, 2010).

As it will be reviewed further on, the offshoring of activities possesses several advantages as well as obstacles linked with inherent risks (Lampel and Bhalla, 2010). However, as it is argued in this study, in order to understand the offshoring mechanics and strategy as a whole, the focus must be put on the organizational configuration in terms of operation.

As mentioned previously, for the purpose of this master thesis the study is limited to the offshoring of services. Similarly with the general definition of offshoring, the offshoring of services can be defined as the transfer of internal service-based activities, previously operated in the country of origin, to an in-house foreign location (Doh et al., 2009). According to Corbett (2004), this type of offshoring is relatively recent but nevertheless expanded rapidly in the past years as it emerged as a by-product of the on-going trend towards an increased globalization. Following that expansion, nowadays in the sector of telecommunications, minor activities and other non-core functions are usually executed abroad. However, generally speaking, the offshoring of activities can also concern design tasks and final stages in providing services as well as the execution of tasks related to services that may be in the firm's main focus (Bengtsson and Berggren, 2008).

1.2 Purpose

The purpose of this master thesis is to examine the available theoretical framework of offshoring and illustrate it with two practical examples of offshoring strategies. Also, the compliance of those strategies with theoretical recommendations will be assessed as well as the implications of such divergences.

Offshoring is not a new or ground-breaking matter as companies have been offshoring activities for decades. The fact that available research is limited to specific industries or cases renders an interesting comparison of the two companies involved in the study as they belong to different industries.

1.3 Research questions

What information is available from the theory describing offshoring, regarding its methods, organisation and processes?

How well do the two companies involved in the study comply with the available theories and what can be learnt from their on-going experience?

1.4 Thesis outline

1. Introduction: In this chapter the thesis background is presented in order to define the explorative purpose upon which the research is based. Furthermore, the thesis purpose, research scope and research questions are as well presented. Lastly, an overview of the thesis methodology describes the chosen research methods and structure, with a section for limitations presenting the borders of the master thesis.
2. Theoretical framework: This chapter proposes a comprehensive review of the theoretical concepts and frameworks related to the main subjects of this master thesis.
3. Findings: In this chapter, the results from the interviews are presented in a condensed form.
4. Discussion: Combining theory and findings, this chapter hosts a discussion around the main findings, with an examination and comparison between the two cases presented in the study.
5. Concluding remarks: This chapter outlines the main outcome of the discussion.

1.5 Method

This master thesis is based on theoretical and empirical research in order to meet the stated purpose and answer the research questions. Throughout the research work, a continuous literature review based on the available academic literature was completed, in combination with a short qualitative study of two companies to illustrate the different strategies. Firstly, the purpose of the interviews, executed in a semi-formal manner, was to obtain a proper understanding of the specific offshoring strategies implemented within the two companies. Furthermore, the interview questions were formed in order to bring clarity concerning the implications of the strategies adopted by the respective firms. The methodology of the thesis is mostly an inductive process, in the meaning that the theoretical part was gathered and assembled in regards to the collected data. On a general perspective, our method is supported by academic literature as such type of research processes is usually combined with qualitative research (Bryman & Bell, 2007).

From the investigations made within the companies and the possibilities for research, the decision was taken to set the focus on finding the most appropriate way to scope the thesis work.

1.5.1 Literature review

The literature review is based mainly on the topic of strategic management in offshoring industries as well as organization in offshoring projects. The topic is also related to other issues that are related to the aforementioned concepts, such as communication, trust and virtual teams.

The literature review was conducted by searching databases connected in a relevant way to offshoring and in particular to offshore engineering. The searches were executed by using different combinations of keywords such as offshoring; offshored engineering; offshoring strategies; communication; culture; trust and global virtual teams. The major part of the journals and articles used in the study were chosen from areas related to organisation, business and management. Since offshoring has changed consequently in the recent years, a special focus was set on newer publications.

Our literature review is not based on a specific industry, since our research work is related to different sectors. This aspect provides a wider area of research, as strategies in offshoring projects are not very dependent upon the related industry. Furthermore, it is worth adding that there are some limitations in the available research literature concerning the topic of offshoring in relation to the construction industry (Jensen, 2012; Hätönen and Eriksson, 2009).

1.5.2 Case description

Contacts were made with well-known companies in a region that was previously known for using offshoring as a strategy, mainly through personal contacts. Once the SF was found, a deeper study was made to find comparable companies (offshoring essential activities to India) and the CCF was found through personal contacts as well as Internet research. Both companies have offices in

Gothenburg.

Thus, using the previously mentioned methods, two offshoring cases in the form of a construction consultancy firm and an IT service company were studied, both using India for the location of their service offshoring. The two firms were chosen given their worldwide reputation as well as the fact that, being service-based, they use offshoring as part of their organisational strategy. The comparison between the two firms as well as their long-term interest in offshoring and organizational design was executed through discussions with informants.

The companies' way of offshoring possesses numerous similarities as both are implanted in the same city and use research centres to offshore parts of regional projects. These aspects make the companies comparable and provide a deeper interest for the study. On the other hand, the two involved firms belong to different industries, which brings further interest for comparison.

The CCF is considered as one of the world's most important companies in its field. It involves around 30 000 employees worldwide and is present in most geographical areas. The Swedish region of the firm, located onshore, comprises around 20 employees. Even though the offshored part of the company is a rather new phenomenon, it today involves 300 Indians engineers. The Indian research centre is located in Noida, in the southeast part of New Delhi. Each offshore employee belongs to a specific region, which means that work is performed only in relation with a defined region. As well, in addition to India, the CCF offshores its service activities to low-cost European countries such as Estonia and Romania.

The SF (service firm) is a market leader in its field, developing services for different IT solutions. In total, around hundred twenty thousand individuals are employed worldwide by the company. Around twelve thousand of those employees are located in Noida (India), in a research centre that is available for all firm regions to utilize as an important pool of resources. The SF has implemented four centres of the same kind in Romania; China; India and Mexico, which are used as a pool resource for the entire company.

1.5.3 Interviews

The interviewees were chosen according to their positions within each company and their role in their offshoring projects with India. Concerning the SF, four meetings took place with two managers acting as the interface between service customers and the offshore centre as well dealing with the development of services. In regards to the CCF, one interview was executed with the manager responsible of business development for the resource centre in India. With both firms, the interviews were made interesting by the interviewees' knowledge regarding offshoring implementation and the strategic reasons behind it.

All one-hour long interviews were conducted in the beginning of the study. More precisely, the first interview was executed in February, the major part of field research being made in March and a follow-up interview was then executed in April. The interviews were recorded and backed up with notes. The recordings gave the authors the possibility to go back and eliminate any misunderstanding, while the notes

provided a wider scope of the interviews. The interviewees, agreeing to take part in our findings prior publication, were given the opportunity to confirm their contribution to the study.

The aim of the interviews, executed in a semi-structured way, was to determine how and why strategies are implemented within the involved companies. With an interview guide based on mainly general questions, follow-up questions were developed along the interview. A special attention was set on affecting the interviewee as little as possible, through the avoidance of questions that may affect interview results. Generally speaking, a semi-structured interview is considered as flexible and questions arising during the interview can be discussed, which provides a rationale for the choice of that method for interview execution (Lantz, 2007).

1.5.4 Findings and analysis of the work

The interviews were transcribed and summarized to present workable results. The findings from the interviews aim at presenting a general view of the companies and their offshoring strategies, rather than providing personal or organizational views regarding offshoring.

In order to answer the research questions and the purpose of the thesis, the attention was set into defining the companies' features, aspects and characteristics. Then, a further assessment provided an understanding of which of the collected data was applicable to the theoretical framework and useful during the investigating process. Such research work was executed through an analysis of the interviews and comparison to the theoretical framework. The process of analysing the result was iterative, in the meaning that complementing interviews as well as additional literature studies were made in order to find similarities in interesting areas. Even though both literature and interviews were considered during the research activity, the results from the interviews were the most driving. Data that was found irrelevant to the purpose of the thesis was excluded from the thesis in the same process.

The data from the interviews was categorised into the different areas of the theoretical framework in order to obtain a more presentable approach and better illustrate the strategies implemented by the firms. Several times, changes were made to the theoretical framework in order to reflect adjustments in the research focus.

1.6 Delimitations

The thesis work is mainly based on the literature study. Even though research has been made on the two companies, too few interviews and contacts were made to determine the results as absolute facts regarding how the companies work with offshoring. However, the obtained results provide a good overview of the companies' offshoring strategies.

While cases related to other countries or regions might provide other obstacles as well as questions or strategic advantages, the study is solely focused on offshoring to India. Furthermore, the entirety of the study is not provided in this thesis since the focus has been adjusted and set on how organizations are affected by offshoring

strategies. Indeed, other parts that have been researched and discussed during interviews have mainly been left out.

Another aspect providing a limitation for the study is related to the type of offshored activities that were observed in the context of the research. Indeed, the activities belong to the firm's service area and the studied projects are rather alike - being highly technical and unique in their settings.

Finally, the focus was set on determining the differences between the two companies and assessing the compliance of findings with available academic research. Even though these differences were of high importance for the thesis, due to time limitations the study does not assess their real implications – namely their financial results. Through the study it was therefore not attempted to quantify the success in any other way than looking at how the companies perceive the result of their offshoring processes.

2 Theoretical framework

The choices of theories are based on the topics, issues and challenges identified in the two involved companies. Therefore, through the theoretical framework, the paper is presented according to the following specific reasoning. Firstly, the focus is set on offshoring. More precisely, the practice of service offshoring and its drivers are discussed, leading to the understanding that offshoring can be used by firms as part of their strategy to reach competitiveness. As well, a definition of the concept of essential core activities is proposed based on the available research. Secondly, a study of integration and activity coupling is proposed, with an approach concerning its different types in relation to the offshoring of activities. Thirdly, team dynamics and their implications are reviewed in their different aspects - trust, communication and culture. Such sequence was chosen as our study of the companies showed that both firms faced different challenges related to the topics that formed part of the offshoring environment.

2.1 Service offshoring

The available academic literature describes offshored activities as not limited to rudimentary, regular and back-office activities. More precisely, the offshoring of service activities may involve high value creating engineering functions. On a general perspective, the offshoring of services is linked with labour selection and allocation; access to qualified personnel; cost minimization; firm growth, and the enabling role of IT as well as information and communication technology (I.C.T.) (Bunyaratavej et al., 2011). Such aspects will be reviewed and discussed through the study.

For an adequate study of offshoring in the sector of services, it is firstly fundamental to understand the rationale behind the decisions taken towards the offshoring of service activities (Bunyaratavej et al., 2011). With the aim of comprehending the motivations of companies for the offshoring of their services, below are listed the main drivers of this phenomenon.

2.1.1 Cost reduction

Cost savings constitute one of the key drivers and initial motivations for a company to offshore activities (Lewin & Couto, 2007). In practice, cost minimization is enabled through the lower wages as well as other lower operating costs in the target countries (Youngdahl and Ramaswamy, 2008). Furthermore, cost compression is also allowed thanks to the increased efficiency and productivity as entire processes are relocated abroad (Cerruti, 2008). However, it is important to point out that offshoring of knowledge-related work can comprise inherent and even hidden costs due to the uncertainties present in an unfamiliar environment (Bunyaratavej et al., 2007; Bunyaratavej et al., 2011; Stringfellow et al., 2008). These extra costs can lead to unplanned disbursements and financial challenges, provoking a competitive disadvantage in the long term despite the fact that savings were observed in the short term (Fifarek et al., 2008).

It is true that cost savings usually motivate the offshoring of activities**.** However, it is important to note that financial savings may not be the only driver and focus for the firm when taking the decision to offshore an activity. As well, the

retention and development of offshoring can be strongly related to other factors outside of lower costs. As a paradox, research even states that a country may possess a higher attraction for offshoring activities even if the average wage in the country increases (Bunyaratavej et al., 2007).

2.1.2 Skills and expertise

Among the activities that are offshored, an increasing proportion consists of high value-adding activities that require trained personnel with certain knowledge and adequate qualifications. Also, in addition to technical competences, employees recruited on the offshoring location are expected to possess communication and language skills (Bunyaratavej et al., 2007). Therefore, it can be concluded that skills emerge as a critical factor of attraction for offshoring (Doh et al., 2009; Lewin & Couto, 2007; Lewin & Peeters, 2006; Lewin, Massini, & Peeters, 2009; Roza et al., 2011).

Such observation provides a rationale for firms' tendency to be more and more attracted by locations representing areas of knowledge, characterized by an important availability of qualified staff (Bunyaratavej et al., 2007; Doh, 2005). Also, a high level of education in an area will provide opportunities for the retention and expansion of the investment, as the firm will search to further develop offshoring (Dossani & Kenney, 2003). The available research quotes India as being among the countries that represent an important pool of competences and skills (Manning et al., 2008).

2.1.3 Offshoring as a strategy

Offshoring mainly concerns high value adding activities possessing a strategic importance for the firm (Contractor et al., 2010). Therefore, the offshoring of activities can be seen as a crucial element of companies' long-term strategy (Bunyaratavej et al., 2011; Contractor et al., 2010; Linares-Navarro, Pedersen and Pla-Barber, 2014). More precisely, this practice may be part of firm's aim for expanding to new markets and growing in terms of size as well as reaching a competitive advantage (Roza et al., 2011). According to the academic literature, through the offshoring of functions and tasks, two main vectors lead to an improvement of firms' competitiveness in terms of operation. Firstly, reaching pools of knowledge abroad to recruit educated and skilled individuals allows firms to develop their competences through knowledge exchange, which in turn increases efficiency (Bunyaratavej et al., 2011; Contractor et al., 2010; Roza et al., 2011). ORN, (2007) also supports the idea that through offshoring, with the increase of process efficiency, organisations are able to stand as globalized competitors. Secondly, low wages in the target countries for offshoring permit cost savings, which increase efficiency as well (Bunyaratavej et al., 2011).

2.2 Offshored activities

2.2.1 Core activities

Traditional research argues that organizations should identify and retain their core functions onshore in order to reduce uncertainties (Contractor et al., 2010). More precisely, it is defended that offshoring core activities to a remote environment, outside of the firm headquarters, bears a level of risk that should not be underestimated (Cerruti, 2008; Jensen, 2012). Supporting that argument, Harland et al. (2005) defend that retaining core features allows the firm to stay more efficiently in control. Therefore, according to this stream of theory, it would be crucial to keep core competences and their related activities secured and unharmed.

However, studies show that the boundary between the concepts of core and non-core activities possesses a certain level of blurriness (Contractor et al., 2010; Linares-Navarro, Pedersen and Pla-Barber, 2014). Indeed, the last decade has seen an increase in the offshoring of high value creating service activities located close to the core (i.e. design, engineering and development of products) (Contractor et al., 2010; Lewing, Peeters, 2006; Linares-Navarro, Pedersen and Pla-Barber, 2014). Thus, as firms are advised to retain core activities, the most critical functions, onshore at the headquarters, the academic literature raises the question of what is really offshored. Indeed, the fact that in practice offshoring mainly concerns high value adding tasks puts for debate if whether the activities offshored by firms truly pertain or not to the core (Contractor et al., 2010; Linares-Navarro, Pedersen and Pla-Barber, 2014). Thus, it is necessary to provide a contrast between the activities that do and do not belong to the core as well as between close-to-the-core and core-of-the-core activities.

2.2.2 Essential activities

In order to clarify the aforementioned ambiguity, current research relates to the activities situated close to the core as essential activities (Linares-Navarro, Pedersen and Pla-Barber, 2014) (figure 1). In this manner, the activities are categorized as being non-core or core activities, the latter embracing essential as well as true-core functions.

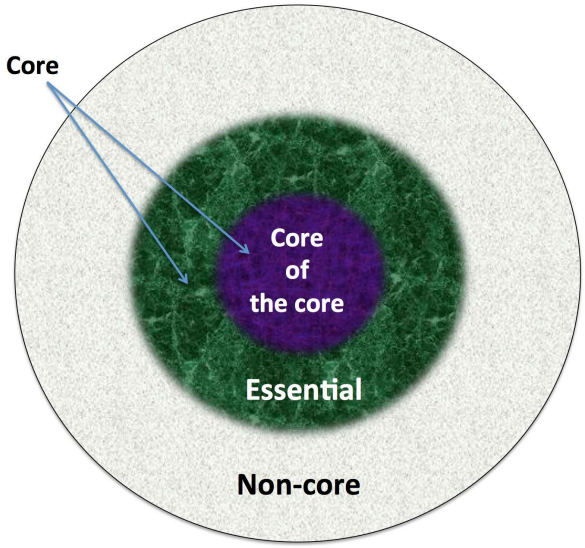

Figure 1 - Core-of-the-core activities, essential activities and non-core activities, adapted from Quinn (1999)

Linares-Navarro, Pedersen and Pla-Barber (2014) and Contractor et al. (2010) propose a deeper distinction between true-core and essential activities. Firstly, essential activities are said to bear a consequent impact on competitiveness. Indeed, they represent important assets as they provide high value and are inherent to the operational processes of a firm. Secondly, true-core functions carry a greater influence as the firms' entire processes depends on their smooth operation. In addition to being part of the firm's organizational structure, the true-core functions possess a major and key impact on competitive advantage.

Several aspects provide an explanation for the increase in the offshoring of essential activities. Primarily, such trend is said to be due to the change in firms' focus from the offshoring of routine tasks to more specific ones that require a higher level of competence (Ward, 2004). Secondly, firms seek to compress costs and thus increase efficiency (Linares-Navarro, Pedersen and Pla-Barber, 2014). The third motivation, previously reviewed, consists in reaching a durable competitive advantage.

Contractor et al. (2010) advance that firms are more and more brought to redefine their core activity. In practice, it is the company managers' task to decide how much of the activities close to the core competences should be offshored. Depending on the situation, it might require from the management team to re-evaluate the firm's core activities. In this process, engineering and design functions of a firm, considered as core activities can be dissected into several smaller tasks, some being offshored while others are retained (Contractor et al., 2010). For instance, the activities kept onshore may deal with the creation of the organizational design as well as the interactions between the different components of the organization (Linares-Navarro, Pedersen and Pla-Barber, 2014). Also, with an angle set on technical aspects, highly sensitive engineering features such as design knowledge may be retained at the headquarters while others tasks such as programming and other engineering tasks may be offshored (Contractor et al., 2010). The final objective of the redefinition of the firm's core activities is to focalize on a specific range of value creating activities (core-of-the-core activities), keeping them within reach as it is

advised by academic writings, while the most operational elements (essential activities) are offshored (Gottfredson, Puryear and Philips, 2005). In this manner, firms are able to narrow their focus in order to perform more efficiently (Linares-Navarro, Pedersen and Pla-Barber, 2014). As well, in accordance with the previous section, keeping the true-core of the firm at the headquarters allows the firm to stay in control (Harland et al., 2005).

As a side note, Linares-Navarro, Pedersen and Pla-Barber (2014) argue that captive offshoring concerns mainly essential activities while the other type of offshoring - offshore outsourcing - is rather involving non-core activities. This statement supports the delimitations according to the scope of this study, as the focus is set exclusively on firms' essential functions in the context of offshoring activities to owned subsidiaries (captive offshoring).

2.3 Integration

2.3.1 Integrating high value creating activities

Generally speaking, the strategy implemented by a firm reflects itself on the organizational design. Indeed, the settings under which the tasks are performed are intrinsic to a set of managerial implicit and explicit rules as well as to the organizational culture. Therefore, the onshore activities - operated in-house - can be seen as embedded into the current organizational arrangement (Lampel and Bhalla, 2010). Concerning high value-adding offshored activities, in order to ensure that they are operated efficiently it is also important to make sure that the organizational configuration is adapted to the environment. (Lampel and Bhalla, 2010).

2.3.2 Loose and tight coupling

The coupling of activities refers to the linkages between the different functions of a firm as well as with the deep core of the organization. Furthermore, Orton and Weick (1990) provide a definition concerning the loose and tight types of activity coupling: the researchers define loosely coupled activities as simultaneously autonomous and linked to the rest of the organization. In other words, in the case of loose coupling, the elements are still connected to the rest of the system while a certain level of autonomy is provided. On the other hand, in the context of tight coupling, offshored activities are maintained under the control of the organization's headquarters.

2.3.3 Coupling for strategic advantage

Moreover, the type of coupling also affects how the organization interacts with its environment. In order to reach a competitive advantage; the firm should firstly strive to adapt the way value-creating activities are assembled by combining them with the aim of reaching a design that fits the actual conditions of the environment (Lampel and Bhalla, 2010; Kim et al., 2003). When the integration of the organizational setting is satisfying, the next step is to strengthen the level of coupling of these activities in order to achieve advantage in the long-term perspective (figure 2). Due to the fact that the degree of matching of the organizational configuration

with the environment is related to the level of activity coupling, it can be concluded that a tight coupling is required in order to achieve adequate adaptation. In other terms, the stronger are the linkages between activities, the more efficient will be the integration of the organizational setting into the environment. Tight coupling is expected to take shape in a close mutual coordination of the activity with the remaining of the organizational configuration (Lampel and Bhalla, 2010).

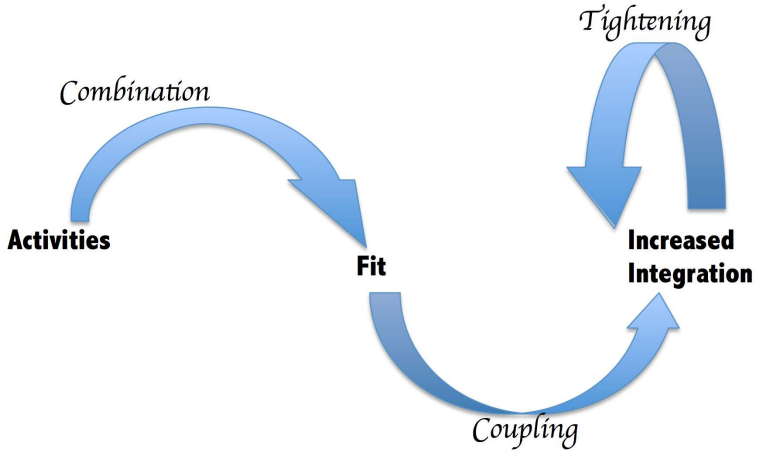

Figure 2 - Processes leading towards gaining a competitive advantage, model inspired from Lampel and Bhalla (2010)

In this perspective, there is a need to keep tightly coupled the activities that create high value rather than the low value creating ones. Indeed, it becomes clear that essential activities should be coupled to the configuration as much as may be achievable.

2.3.4 The organizational configuration

However, as explained by Lampel and Bhalla (2010), an important aspect of offshoring is that its process involves destructing the coupling of value-creating activities from the existing configuration. Thus, when activities are relocated, disturbances are brought to the organizational configuration. The resulting dislocation may weaken the actual organizational settings and put the company at risk. The root cause is that offshoring activities will require new means through which the organizational configuration may be communicated from the functions located onshore to the ones located offshore. Indeed, as the organizational configuration streams from the way activities and personnel interact between each other, offshoring may indeed have perturbing consequences on the operations (Lampel and Bhalla, 2010). Furthermore, as the organizational configuration comprises managerial implicit and explicit rules as well as values and norms embedded in the organizational culture, there is a risk of destabilizing the organizational culture and negatively affecting operation efficiency. The aforementioned challenges are reviewed in further sections. Thus, in order to minimize the negative consequences of offshoring on the organization, care should be taken to strengthen the interactivity between onshore features and offshored essential activities as well as between employees (Lampel and Bhalla, 2010).

At the final stage of the process of disrupting and recreating the bonds between essential activities, the business activities are bound back between

themselves as well as to the organizational design. The configuration will then in this context be re-established to a state of equilibrium, which might lead in some cases to a new configuration (Lampel and Bhalla, 2010).

2.3.5 Offshoring essential activities

As mentioned previously, in comparison to low-value creating activities, high value-creating activities are by organizational design tightly coupled one to another. Furthermore, taking as well into account the fact that tightly coupled activities will have the most impact on the configuration and efficiency of operations, it can be concluded that the more an activity is high-value adding and tightly coupled, the more offshoring it may potentially have a negative impact on the organizational configuration and the more challenging it will be to tightly re-couple that activity.

In consequence, the challenge and necessity rests in re-coupling activities to the organizational design while ensuring that their value and value-creating possibilities are maintained (Lampel and Bhalla, 2010). However, the more an essential activity is linked with high value creation, the more it will require coupling and thus the more critical it will be to retain its potential as that activity forms part of the firm's strategy. Therefore, it is crucial to ensure that such activities are re-coupled tightly enough when re-localizing them to an offshore location (Lampel and Bhalla, 2010).

2.3.6 Integration types

In regard to the organizational design, Kim et al. (2003) propose four different patterns of integration respectively focused on people; information; formalization and centralization. The first mode, people-based integration, is characterized by a coordination and control of the offshored activities taking place through a close monitoring and follow-up of business processes. In practice, managers visit other business units and the organized meetings allow socialization and cultural integration while promoting teamwork and interaction. Consequently, this mode of integration allows trust building and the establishment of common values and norms. In turn, managers are able to further integrate and involve team members for an increased commitment in task execution. However, the success of this integration strategy depends on personal interaction through face-to-face meetings. The second pattern, information-based, is characterized by impersonal flows of information through the use of electronic means of communication (i.e. emails, intranet and electronic exchanges of data). Such mode of integration is appropriate and the most efficient in the case where important amounts of data must be analysed and face-to-face interaction is not required for correct interpretation. Therefore, the information-based mode can be implemented through solely impersonal computer-mediated communication. Thirdly, the integration mode based on formalization relies on standardization through rules and procedures describing the way tasks should be carried out. However, the level of achieved integration through this mode depends on up to which extent task execution can be desiccated into a set of procedures and rules. Fourthly, in the centralized integration, decisions originate from the headquarters and flow through the organization in a top-down manner. In a centralized context, the management team at the top level possesses knowledge concerning the different functions and is able to make sense of the organizational reality. This sense-making

then radiates to the different organizational levels and elements, which may be disseminated in terms of physical location.

2.3.7 R&D in relation to integration modes

R&D, linked with essential activities (i.e. engineering), relies on a high level of expertise and creativity, on knowledge and information sharing as well as interaction. In this context, the academic theory recommends the use of people-based and information-based integration modes (Kim et al., 2003). This suggestion is rooted in the fact that information-based integration allows an effective sharing of important amounts of data such as design documents from the R&D teams, as it creates a linkage between individuals through non-personal communication systems (De Meyer, 1991). In addition, the recommendation for a people-based integration of R&D is grounded on the need for personal interaction, trust, socialization as well as knowledge sharing, occurring through meetings and the transfer of employees and managers. Such interactions will lead to a sharing of visions, norms and values, which constitute the foundation for the implementation of a sustainable trust. Studies show that these aspects are essential for an effective integration of R&D as they diminish employees' resistance and allow better coordination and control. By contrast, a formalized integration, based on standardization, is argued to be less effective as trial and error forms part of R&D (Kim et al., 2003). Indeed, in R&D, there are intrinsic limitations regarding how far tasks can be standardized and routinized as task execution is often based on trial and error (Clark, 1985). Regarding centralized integration, in the views of Kim et al. (2003), despite the fact that it is appropriate for virtual teams, it is considered as not adequate for the offshoring of core activities.

2.3.8 Linking integration to the type of offshore employee work

Pedersen et al. (2013) further expand the concept of the four modes pattern through a combination of the type of activity coupling with the type of offshore employee work (figure 3).

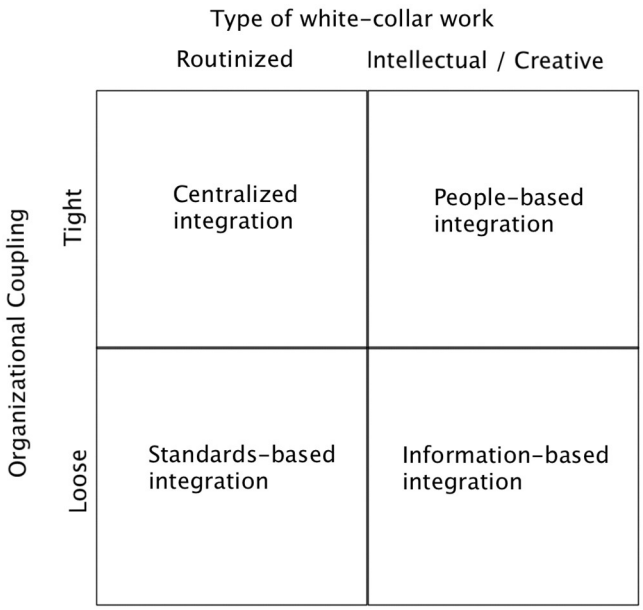

Figure 3 - Recognizing the model of integration based on the way an activity is executed in relation to its level of coupling (Pedersen et al., 2013, pp.137)

In figure 4, Pedersen et al. (2013) differentiate employee work as being either rather linked with routine or characterised by a certain level of latitude concerning creativity. Then, the type of employee work is matched with the level of coupling of the activities. Such combination provides theoretical recommendations concerning the adequate mode of integration to be used, in accordance with the configuration of the activities.

In the theoretical framework section, it was previously argued that essential activities pertain to the core and ought to be tightly coupled. There is an agreement between Kim et al. (2003) and Pedersen et al. (2013), through their theories for the integration of tightly coupled essential activities, as both groups of researchers promote the use of the people-based pattern. However, it is as well argued that there is a contradiction between both theories. Indeed, the findings of Kim et al. (2003) recommend the use of an information-based integration while Pedersen et al. (2013) argue that the centralized model shall be implemented. In a further section, the two theories are discussed through a comparison between theoretical conclusions and findings from the interviews.

2.4 Teams dynamics

2.4.1 Teams

As a firm offshores its essential activities to a foreign country, a physical separation occurs within teams. Firstly, it is necessary to define the concept of teams. Teams consist of a group of individual working towards a common organizational goal with a sense of responsibility and accountability in providing results. According to Clegg et al. (2011) and Martins et al. (2004), teams can be defined through different aspects. Firstly, teams are characterized by their lifetime. Indeed, the duration for which team members are expected to collaborate is based on task or project duration. Secondly, team members may differ in terms of skills. There may be different requirements and expectations from employees in terms of experience and expertise with an expectation of development over time. As a third aspect, teams may differ depending on the level of latitude team members are given, in link with the organizational design - how the amount of power is distributed from the top management down to the line level. Fourthly, tasks may rather involve routine or creativity but may also require a combination of both. The fifth and last aspect concerns space and time: team members may closely interact in the same physical environment or be brought to work remotely and coordinate from distant locations. In the latter context, tasks may be performed in a synchronous or asynchronous manner depending on time zones

2.4.2 Virtual teams

In order to meet the new requirements linked with the trend towards globalization, companies are more and more hiring in-house personnel located abroad. Teams formed of individuals spread in terms of space and time, possessing various but complementary skills and different cultural identities are called virtual teams (Jarvenpaa and Leidner, 1998; Clegg et al., 2011). Virtual teams collaborate through the use of information and computer technology (i.e. emails and virtual collaborative

software) (Clegg et al., 2011). Pushing the concept further, companies are able to administer virtual teams exclusively through the use of virtual means of communication without any face-to-face interaction (Jarvenpaa and Leidner, 1998). In this context, it may occur that virtual team members never meet face to face (Clegg et al., 2011).

Additionally, Martins, Gilson and Maynard (2004) state that the selection and recruitment of virtual team members is based on their skills and expertise in accordance with task requirements. Targeted selection is believed to lead to an increase in the quality of decision-making and actions, which in turn increases the efficiency of task execution.

2.4.3 The need for trust

Generally speaking, a lack of trust in an environment comprising risk due to existing uncertainties can induce more complex decision-making and action-taking processes (Jarvenpaa and Leidner, 1998). Firstly, trust is an essential aspect as its lack can infuse a feeling of vulnerability and represent an obstacle for team collaboration. The cause for this mechanism rests in the fact that people tend to be individualistic and fear being deceived (Tøth, 2013). Secondly, as virtual team members work and coordinate across geographical distances and temporal differences, a lack of trust in the other member's competences and abilities may appear and bring doubt concerning the other colleague's reliability. For instance, such situations can occur when colleagues located in a distant area misunderstand provided information, encounter technical issues or display a lack of commitment. Also, in the context of team members spread internationally, doubts concerning competences can occur through knowledge gaps between team members and differences concerning technical standards. Furthermore, differences in norms and legislations may require training in order to avoid repetitive and inessential requests for further explanation during collaboration (Clegg et al., 2011). When virtual team members consider the other colleagues as unreliable due to a lack of trust, there can be negative consequences reflecting in commitment and motivation. On the same perspective, a feeling of overload and lack of role clarity can arise as individuals decide to deal with other team members' tasks, which ultimately results in a lack of success (Rocco, 1998). Thirdly, previous research has also shown that trust among team members positively affects their enthusiasm and motivation (Jarvenpaa and Leidner, 1998). Indeed, when recognized concerning their abilities, individuals tend to be more involved in task execution, taking more responsibilities and initiatives (Tøth, 2013; Rezgui, 2007), which in turn increases team performance (Kanawattanachai and Yoo, 2002).

Here, it can be seen that the aforementioned researchers support the concept that achieving trust in the context of task completion is a prerequisite for reaching optimum performance. Therefore, in this context, trust appears as a fundamental element for the successful operation of teams whose members are geographically dispersed (Clegg et al., 2011). Furthermore, the research done on the subject demonstrates improvements in team operation when trust is stimulated at team creation and sustained through its lifetime.

Usually, in globally dispersed teams, members do neither have nor expect social interaction. However, the available academic research demonstrates that trust

can be implemented and maintained by the right management and leadership style through the use of specific tools and behaviours. Indeed, implementing the right methods is seen as a way to improve the level and quality of trust between team members (Jarvenpaa and Leidner, 1998) as well as team performance (Hambley et al., 2007). For example, a mentioned approach consists in providing opportunities for feedback, with the purpose of motivating, supporting and strengthening teams (Hambley et al., 2007).

2.4.4 The different aspects of trust

There are several components and factors, which form part of the concept of trust. These elements can be seen as methods for the implementation of trust within virtual teams:

2.4.4.1 Team identification

One essential component of trust is team identification; it involves the concepts of social relationships as well as culture, which comprises values and norms (Vorakulpipat, Rezgui and Hopfe, 2009). A team identity is manifested in the feeling of belonging and contributing to the team. Rezgui (2007) supports the concept that achieving team identification is important as it increases employees' motivation and thus leads to a more efficient team and better performance. The researcher then believes that focusing on socialization may allow common social norms to emerge within teams, which in turn leads to the formation of a team identity.

2.4.4.2 Communication

The second factor for the establishment of trust is communication. As virtual teams are formed of individuals with different countries of origin and thus divergent in terms of culture and experience (Verburg et al., 2013), there is a possibility that conflicts and misunderstandings may arise from differences in goals and objectives (Clegg et al, 2011; Verburg et al., 2013). Also, there can be critical situations such as when a team is relying on documentation that appears to be insufficient due to a misunderstanding or is written in the other team's language. Effective means of communication are seen by researchers as an effective tool in order to resolve differences and separations in terms of time, space and culture. Furthermore, such tools may enable reaching a shared vision and a common goal in the context of a virtual environment (Clegg et al, 2011; Jarvenpaa and Leidner, 1998). Indeed, studies show that the combination of efficient and transparent means of communication while promoting participation represents an essential prerequisite for the establishment and sustaining of trust among team members (Jarvenpaa and Leidner, 1998; Verburg et al., 2013).

2.4.4.3 I.C.T

As mentioned previously, despite the separation in terms of space and time, the use of Information & Communication Technology (I.C.T.) enables working groups to function as a team. Indeed, computer mediated tools, through the use of the Internet, allow virtual teams to function and collaborate more effectively within the organization (Jarvenpaa and Leidner, 1998; Rezgui, 2007). For instance, there are diverse communication tools available for the sharing of instructions and data, such as

emails, videoconferences and collaborative software (Clegg et al., 2011; Alavi and Yoo, 1997; DeSanctis and Poole, 1997).

However, there are several limitations inherent with the use of I.C.T. Firstly, the more complex are the tasks, requiring analysis and being difficult to standardize, the more it may be challenging to share problem-solving and innovative information through virtual means of communication alone (Jarvenpaa and Leidner, 1998; De Meyer, 1991). Secondly, it is true that communication relying essentially on written text may infuse a feeling of fragility and confusion, which can prevent individuals from developing and maintaining trust (De Meyer, 1991; Jarvenpaa and Leidner, 1998; Rocco, 1998). Studies show that regular videoconferences allow a more efficient coordination and resolve doubts and frustration (Jarvenpaa and Leidner, 1998; De Meyer, 1991). However, it is worth nothing that despite the fact that videoconferencing transmits body language and facial expressions (Hambley et al., 2007), it is reported as not capable of expressing emotions (De Meyer, 1991).

Jarvenpaa and Leidner (1998) as well as De Meyer (1991) conclude that building a reliable network basing oneself exclusively on virtual communication may appear insufficient as it may result in a trust that is only fragile and temporary. The root cause for this insufficiency rests in the fact that there are intrinsic limitations and obstacles inherent with virtual teams - lack or inexistence of face-to-face meetings and desynchronized computer mediated communication - which are not experienced by usual teams (Verburg et al., 2013).

2.4.4.4 Initial meetings and socialization

The previous observations raise the importance of ensuring that there is enough social interaction in order to counterbalance the needs in terms of communication. Therefore, it is counselled to arrange an initial meeting between team members at project start. Meeting face-to-face is an occasion for team members to get accustomed to each other, gaining acceptance from other members and experiencing the social aspects necessary for an efficient team operation. The resulting high social interaction will create bounds between individuals and set the foundation for the instauration of a high level of trust (Rocco, 1998).

Furthermore, academic research suggests that interaction should be maintained through the lifetime of the virtual team by the instauration of regularly scheduled face-to-face meetings (Jarvenpaa and Leidner, 1998). However, other researchers mention that care must be taken to establish the right balance in terms of interaction. Indeed, rare or inexistent face-to-face meetings are seen as not adequate for a sustainable trust implementation while emphasizing too much social interaction is believed to divert the focus on social communication, consequently affecting commitment to solve tasks (Jarvenpaa and Leidner, 1998).

It is as well important to consider that social trust, despite being high at the beginning of the collaboration, is not long lasting if special measures are not taken to preserve it (Jarvenpa and Leidner, 2006).

2.4.4.5 Competences

Furthermore, Kanawattanachai and Yoo (2002) argue that it is crucial to achieve trust in a professional context, technically speaking, outside of the social perspective. Indeed, the concept supported by the aforementioned researchers is that a sustainable trust in the context of a virtual collaboration seams to be rather based on the other individual's intellect rather than on emotions. More precisely in this viewpoint, team members may need to be assured that other colleagues execute tasks based on the same criteria speaking of norms, standards and rules concerning quality and respect of deadlines (Clegg et al., 2011). Therefore, it is advised that firms set an emphasis on individual's competences and skills in order to establish a durable trust and improve team performance.

2.4.4.6 Feedback and support

Providing feedback, support and transmitting clear goals are the necessary leadership behaviours to implement between the management team and the globally dispersed team members in order to sustain trust and motivation (Saafein and Shaykhain, 2013). As well, a reward system can be used as a tool to provide incentives in order to increase performance. The academic literature suggests that providing opportunities so that team members feel effective may increase team potential. More precisely team members would be enabled to perform better, in the meaning of executing tasks in a more effective way as their confidence and feeling of belonging to the team increase (Hambley et al., 2007).

2.4.4.7 Team creation and organization

The advantage for firms given by globalization and the development of the Internet is that they are able to instantly constitute, restructure and dismantle teams in accordance with the changes occurring in the environment, the market and customer requirements (Jarvenpaa and Leidner, 1998). However, breaking the bonds between members in an established team bears the risk of destroying communication and trust. Such situation is believed to take place when firms reallocate staff to different projects and thus create new teams (De Meyer, 1991).

2.5 Culture

2.5.1 Organizational culture, norms and values

Culture can be defined as the knowledge used by groups of individuals to make sense of their surrounding environment through shared meanings that are implicitly or explicitly related to the different components of culture (Clegg et al., 2011). More precisely, concerning those different components, Schein (1997) differentiates three layers of culture, situated at different levels (figure 4):

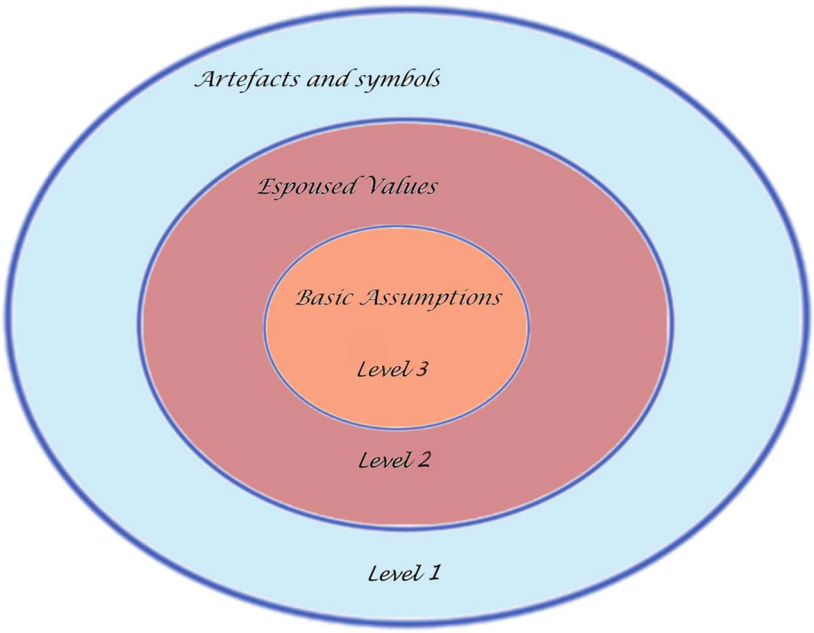

Figure 4 - diagram based on the levels of culture according to Schein (1997)

From figure 4, several layers of culture can be distinguished:
- On the first level, located at the periphery of the diagram, artefacts and symbols represent the visible elements of the organization in the form of physical objects and signs. Artefacts and symbols are linked with the belonging and identification to a specific group.
- On the second level, which is located closer to the centre, espoused values comprise the adopted beliefs, norms and values shared by individuals within a group. Norms, comprised in the culture, represent the hidden assumptions and implicit rules shaping the way individuals act and interact through the exchange of information and ideas. Furthermore, norms also define group identity as they are used to distinguish the individuals that are part of the group from the others (Clegg et al., 2011).
- Basic assumptions form the deepest layer and represent the unconscious cultural framework shaping values and artefacts. Basic assumptions affect organizational group members' beliefs and norms, implicitly guiding their actions as well as the way decisions are made within the organization (Schein, 1997).

Thus, it can be concluded that organizational culture is mostly unspoken and represented by the profound and basic assumptions as well as values, norms and beliefs commonly shared by the members of a group belonging to an organization.

2.5.2 Virtues of organizational culture

There are several advantages linked with the creation of a common organizational culture. Firstly, corporate culture defines the affiliation to a group and thus group identity (Clegg et al., 2011; Schein, 1997). Secondly, academic theory states that a shared organizational culture participates in the creation of unity in terms of expectations and behaviours among team members. In turn, organizational culture influences individuals' habitual ways of making decisions by regulating and shaping their actions within the company (Clegg et al., 2011; Schein, 1997). Thirdly, a shared culture within a firm minimizes employees' resistance and increases their

productivity. Indeed, synergies in organizational behaviours through prescriptions and procedures shape the way processes and tasks are executed. Establishing a shared culture among team members will lead to an increase in cohesion and efficiency. Therefore, the degree of cultural unity within an organization is linked with its performance (Clegg et al., 2011).

In order to conclude, given its important influence on the organization, research argues that achieving to successfully manage organizational culture is an essential criterion for firms as it is linked with performance and productivity (Clegg et al., 2011). The management team is therefore advised to use corporate culture as a strategic tool.

2.5.3 Challenges and obstacles related to the organizational culture

There are several cultural challenges important for managers to take into account. One of the possible obstacles for cultural unity is related to national culture. Indeed, available academic research supports this affirmation as it shows evidence that differences in national culture affect the functioning of virtual teams and the way team members interact (Martins, Gilson and Maynard, 2004). In consequence, it can be concluded that divergences in national culture will affect the way tasks are executed. Thus, managing national cultural differences within the organization can be considered as essential due to the possible negative impact on operation and coordination of virtual teams (Maznevski and Chudoba, 2000) as well as inner communication (Kayworth and Leidner, 2000). Therefore, in order to resolve these dissimilarities, managers should strive to ensure that norms and values are commonly shared within internationally composed teams (Verburg et al., 2013).

Furthermore, despite the usual belief that cultures are usually easy to manage, research states that successfully managing cultural differences often appears to be a challenge. Indeed, it is rather arduous to implement change in the culture of an organization as basic assumptions, influencing visible behaviours and actions, act implicitly underneath the conscience of individuals. Therefore, it can be concluded that it is complicated and demanding to achieve uniformity within an organization (Clegg et al., 2011).

3 Findings

3.1 Interviews with the SF

3.1.1 Background

Four meetings were organised with the SF. One of two managers involved in the study bears a strategic role in the interface between service customers and the offshore centre while the other interviewee is involved in the development of services. The delivery team, located onshore is formed of the key persons, such as the customer project manager, interfacing with the costumer. Indeed, the Indian employees in the offshore team do not have contacts with clients and are not given power to take decisions that affect the organization. More precisely, Swedish onshore managers are the ones handling the interface with customers. This strategy can be explained by the fact that customer interfaces and key positions are not offshored and India is seen as a source of low cost resources. The SF employs in total hundred twenty thousand individuals. Among them, eighty thousand individuals are employed within the sector of service delivery, of which sixty thousand are working onshore. Furthermore, in an outsourcing context, about fifteen thousand individuals are externally hired on tasks related to system delivery integration.

3.1.2 Service offshoring

The main firm's growth concerns the offshoring of service activities, which started in 2010. In the last decade, the SF has followed a trend towards service delivery and thus with time is becoming a service company. This shift is explained by the fact that the firm chose to focus on core competences rather than product delivery due to competition and design plagiarism.

Regarding the location of offshored activities, the firm has relocated activities mainly in India, but is also present in China, Mexico and Romania. As the SF is a global service delivery organization, a global centre has been established in each of these countries and ten offshore regions are spread among these countries. Concerning India, the offshoring of service activities takes place in the city of Noida. Currently, the offshoring of service delivery activities to India involves twelve thousand Indian employees compared to three thousand in 2011. Additionally, despite the fact that the organization has become very hierarchical due to its important size, economical efficiency is still achieved as most of the low cost positions are located in India.

As well, the service firm deals with outsourcing for the purpose of network rollout in the final implementation phases. However, despite its importance in terms of strategy due to the important external staffing, outsourcing is said to provide smaller margins to the firm in comparison with offshoring.

Concerning offshoring drivers, the interviewees expressed that cost savings constitute the primary reason for offshoring activities, as competences are equivalent among Swedish and Indian engineers. In regards to the differences in salaries between Sweden and India, the gap increases for low-level tasks. Further on, during the interviews it was mentioned that through the offshoring of service activities, cost

savings up to a rate of 95% have been achieved. Furthermore, offshoring allows the SF to select its employees in a pool of competence made of highly educated engineers. Indeed, the important population in India results in a large number of engineers, which allows the firm to recruit among the best and more ambitious individuals. In other terms, recruiting in India provides the SF with increased possibilities.

When the decision is taken to offshore a specific service related to system integration to Noida, as the next step, the service department managers decide which specific tasks it is possible to offshore. This phase is crucial as its results affect the firm's strategy of development in terms of service. Indeed, it was stated during the interviews that tasks to be offshored should be carefully selected in order to avoid unexpected results. For instance, it was explained that the layer of administration in projects should remain onshore, close to the management section. This decision is rooted on the fact that the role of administration staff is to support high value functions and offshoring such positions defeats the task's purpose as the required interaction and resulting efficiency would therefore not be achieved.

During one of the interviews, the manager employed in the development of services explained that Indian engineers are firstly assigned simple tasks for their first project when they are recruited. Then, as team members increase in productivity and are more acknowledged with each other, they are given new tasks with increased complexity. The following steps consist in building a team around that group and adding specialized knowledgeable staff on the outside. As well, during the interview, it was argued that as long as the group made of employees with different skills functions well, processes are smooth and efficient.

3.1.3 Essential activities

Before offshoring a specific firm function or task, the management team firstly evaluates it in order to assess until what extent it can be offshored. Then, the location where the task will be offshored is decided based upon cost criterion.

As described during the interviews, the firm strives to offshore its activities to the most extent as possible. Regarding the offshoring to Noida, the SF offshores high value creating essential activities, linked with the analytical and practical parts of projects. More precisely, the relocated tasks are related to engineering in service delivery through the analysis and design of integration systems, excluding interfaces and decisions (system integration consists in combining an IT-system into another). As an example, it was stated that the employees in the offshore team might be requested to execute programming tasks. Furthermore, with a standpoint set on hierarchy, most of the recruitment in the Indian resource centre is made for lower positions as the core higher value creating activities like management and decision-making are kept in-house. Such role distribution enables the offshoring of tasks that involve routine and a limited amount of creativity.

As it was stated, on a worldwide perspective, most of the firm's financial margins come from growth and optimization. Consequently, the SF's managers strive to introduce more and more standardization within projects. However, with an outlook set on offshored projects, as the related tasks deal with system integration, the

firm's efforts to standardize and optimize its activities to the possible extent face inherent obstacles. Indeed, as explained during the interviews, in system integration there are limitations concerning process and task standardization due to the fact that each project is unique.

3.1.4 Trust

Through the interviews, the different aspects and factors of trust were discussed:

3.1.4.1 Communication

With an aim of promoting communication, the organizational design within projects is made so that the service firm functions in a rather flat hierarchical organization. However, as the organization is very important in terms of size, the configuration becomes vertically hierarchic to a large extent. Additionally, each hierarchical layer is related to key roles in projects. For example, there is one manager for each team, made of approximately thirty engineers.

Concerning language, all communications are done in English, which fits with the firm's goal and habits as it operates in a globalized context. Computer mediated meetings and conferences take place once a week either by phone or through video using the communication software Link.

3.1.4.2 Initial meetings and socialization

As the interviews pointed out, the top management believes that it is crucially important to emphasize communication when dealing with offshoring teams while putting in place the right communication tools. Indeed, the SF believes that offshore teams, due to cultural differences, demand more attention than the local ones and therefore specific means of communication should be implemented. More precisely, in order to ensure process efficiency, very detailed instructions as well as numerous checkpoints ought to be put in place at project start as well as through project lifetime. The final goal is to ensure clarity and transparency in communication when dealing with offshore teams. Furthermore, as it was added during the interview, in order to establish trust between onshore and offshore employees it is important to be able to meet face-to-face and establish communication.

However, as the implementation of such means of communication depends on the factors that surround a project, it is crucial that practical project-related challenges are taken into account. Firstly, as it was explained during the interview, the fact that each system integration project is unique bears an intrinsic obstacle explaining why very few project aspects can be standardized. Indeed, as a paradox, the firm has not set any standard concerning meetings and means of communication. Even though a standard has recently been introduced, the aforementioned limitation prevents its full implementation and use. Contrasting with the firm's vision and beliefs, it was stated during the interviews that the SF does not implement initial face-to-face meetings at project start-up between onshore and offshore teams. In addition, it was also explained that through project lifetime in normal conditions the employees located in Sweden do not meet face-to-face with Indian employees. Additionally, through the interviews it was admitted that, in the context of offshoring, achieving effective

communication requires a longer amount of time as it consists in dealing with geographically separated teams. Indeed, the other reason given for the lack of face-to-face meetings rests in the fact that the amount of communication that can be achieved depends on available time.

Therefore, given the fact that Swedish employees and Indian employees never meet physically, there is no strong occurrence of team building within projects. In practice, it appears that within the SF there is not enough consideration put on communication and it is not implemented properly. Despite admitting that in order to increase efficiency the priority should be set on better communication and forming functional teams, the explanation given for the current practice is that it is related to a desire to bring down costs. However, the SF plans to implement improvements towards that direction in the future by setting the focus on face-to-face meetings at the start and through the duration of projects. Indeed, the service department managers positioned at a high level believe that team members should meet physically and this belief is shown in their vision for the future of service offshoring in terms of communication.

3.1.4.3 Team creation and organization

Concerning offshore teams, the interviewee stated that the onshore managers and employees do not work with consistent groups of Indian employees. Despite the resulting loss of tacit knowledge, the reason for this staff allocation strategy rests in the fact that there is no consistency in the characteristics and requirements of each project as each project is unique.

Regarding the opportunities for growth, due to the fact that new teams are constituted for each new project, there is no substantial creation of linkages between onshore and offshore teams. This aspect renders difficult any growth and progression within the firm's hierarchy. Besides, within the SF there are nine different job stages, each stage being related to a specific role, task complexity and salary. Some of the job positions start at the fifth level, while for offshored tasks the positions end at the fifth position. The explanation for this practice rests in the fact that job stages are used as a strategy in order to manage cost. More precisely, India employees are mainly kept in lower job stages ranking from level one to five. As they gain knowledge and grow within the company, Indian employees can only be promoted until the limit set by the firm is reached. In turn, the SF is able to keep salaries down as offshoring concerns the less complex tasks. Thus, the firm benefits from cost savings as tasks are assigned to offshore Indian employees, even if a growth on the hierarchical ladder occurs. Regarding the rate of turnover in reaction to this policy, statistics show that employee turnover is more stable than expected as in system integration it was expected to reach a rate of 15%.

3.1.5 Culture

The interviewees confirmed that differences in national culture might lead to conflicts and misunderstandings. More precisely, Swedish and Indian employees are stated to have different expectations and behaviours. For instance, in case of blurriness or doubt concerning a task, westerners usually request more information while Indians "just deliver" even when there exist misunderstandings. As well, from

the interviews the opinion emerged that India seems to be less developed when it comes to management. More precisely, Indian engineers are said to possess the required technical knowledge while lacking sufficient education in management and teamwork. Therefore, it is necessary to provide them with very detailed instructions. Indian employees are also described as lacking individual assessment and analytical qualities. These conclusions are based on the practical observations that Indian engineers tend to focus on task execution without taking distance. Also, they may work passively and show a lack of initiatives in controlling the quality of their work as they wait to be provided with new tasks. However, despite the fact that Indian national culture is seen as not promoting participation, Indian engineers are reported to take more initiatives (within the allowed limited frame) as they learn through collaboration with Swedish onshore team. For instance, due to daytime differences, in order to be able to communicate and avoid 'ping-pong' exchanges of information, Indian employees chose to adapt and remain at work for extra hours.

The firms' experiences with difficulties due to national culture were said to provide an explanation for why some firms are reluctant to work in India due to a lack of trust in competences and the fear that poor quality would be delivered. However, the SF manager said to be aware that such belief is only related to a cultural issue and argued that adequate control and agreements should be established in order to make sure that each individual understands his duties and is committed.

3.1.6 The implementation of trust

One of the firm's manager acknowledged that trust should be triggered and implemented at project start. As well, it was stated that trust is based on culture and communication, which should be used as tools for its successful implementation. However, the interviews also revealed that the SF's strategy is based on the rotation of the offshore team members through staff reallocation according to task requirements. More precisely, teams are recreated for each new project. Therefore, it is challenging to succeed in creating a team identity and building trust in the long term as the teams last only for the duration of a project. Indeed, as new projects start and human resources are reallocated according to the needs, new teams are formed and the process of establishing confidence and trust has to be started once again. As well, new team creation opens the path for conflicts that remain during the duration of the project as they are not solved due to a lack of structure. During the interview, it was acknowledged that having more consistent teams would improve efficiency. For the future, the vision of the firm is to improve communication and trust in order to obtain better teams. Differences regarding how trust is dealt with appeared between the interviews made within the SF. On the one hand, in practice face-to-face meetings between Swedish onshore and Indian offshore teams are not implemented and there are frequent changes in teams. On the other hand the firm has a vision for the future, as there are plans to send either key Indian employees or line managers to Sweden for briefing and team building at project start-up. More precisely, these meetings would occur within the same project, as the firm would be working with the same pool of resources.

3.1.7 Future

In the coming years, the amount of offshore employees is expected to globally increase within the SF and reach around 50% in 2016. Generally speaking, within the service firm today 50% of the hours in many kinds of projects are offshored. However, it is predicted that the limit for service offshoring will soon be reached as an important quantity of work has been put into identifying which activities can be offshored.

Moreover, it is perceived that changes in costs are taking place in India as offshoring seams to become more and more expensive. Therefore, the service firm sees Africa as a land of opportunities for the future despite the lack of local engineers. However, transferring the resource centre, without its offshore teams, into another country due to costs would induce a loss of tacit knowledge.

3.2 Interview with the CCF

3.2.1 Background

The interviewee involved in the meeting made with the CCF is the manager dealing with business development of the resource centre in India. More precisely, the person is responsible for the interface between the onshore Swedish team and the head of division located in India. The CCF is a construction consultancy company, offering civil engineering design services for the construction sector. It is one of the most important consultancy firms in Sweden and in the world as it has its offices in almost every country and continent.

The firm has been using offshoring as a strategy since 2012. Concerning India, the firm possesses since 2012 a resource centre - made of offshore teams - located in the city of Noida. Also, the CCF owns several other businesses areas apart from civil engineering and offshores programming tasks as well. From a team of four engineers in 2013, the offshore civil engineering group grew up to a team of twelve (for a total of three hundred offshore employees in all disciplines as the firm deals with other business sectors as well). Besides, it is worth mentioning that the firm does not work for domestic businesses located in India due to previous experiences linked with corruption when dealing with local business partners.

3.2.2 Service offshoring

In respect to offshoring drivers, the CCF's motivations for offshoring are not mainly based on cost savings. Indeed, the interviewee mentioned that there are other aspects to value such as knowledge, the ability to communicate and the available pool of resources. India offers a large pool of knowledge and competences, composed of newly graduated well-educated engineers. Therefore, the large supply of skilled engineers combined with the low hourly rates represent an important opportunity which led the CCF into choosing India for the offshoring of service tasks related to civil engineering. In addition, by recruiting in India, the CCF seeks knowledge, competences and skills that are not as available in Sweden. As well, as a globalized firm, the CCF desires to expand its market and possibilities and use its full potential. For instance, the CCF aims at growing from offshoring through knowledge exchange,

learning from the Indian engineers' expertise and important academic as well as technical education.

After recruitment, the first task for Indian teams consists in learning and adapting to the Swedish team members as well as to their working methods. Further, adapting consists in getting accustomed with specific terms, Swedish standards and other specific matters related to the Swedish market. The interviewee explained that the offshore teams are firstly assigned simple tasks for their first project, which allows the firm to identify new employees' strengths and weaknesses. It is true that there exist differences between Swedish and Indian engineers in their ways of working concerning details, as for instance in relation to detail designing. Thus, the firm strives to provide training and develop the areas and skills individuals are lacking. Also, in contrast with the telecom industry, there are differences in construction legislation and standards between countries, which require extra time for the Swedish and Indian engineers in order to adapt. Thus, through the aforementioned evaluation, the firm is able to train the offshore Indian engineers in order to increase the level of uniformity and cohesion in relation to their Swedish colleagues. Furthermore, it is important to point out that the CCF retains team members, which enables further growth and personal improvement through the provided training. The Swedish employees also benefit from the learning process as they obtain knowledge from working with their Indian counterparts. For instance, during the interview, cases were pointed out relating to how the onshore teams benefited from special knowledge possessed by the Indian engineers. Thus, the final aim of the firm is to achieve that employees collaborate together towards a common goal through the use of special competences as well as the support and improvement of each other's weaknesses.

3.2.3 Essential activities

The construction consultancy firm offshores high value creating essential activities. More precisely, in regards to the offshored tasks, the functions relocated by the CCF concern engineering and design for construction projects. After recruitment, new employees are firstly assigned easier tasks in regular projects and then the amount of work and the degree of tasks difficulty are successively increased. Offshored tasks mainly consist of basic work while the managers in Sweden bear the role of deciding what kind of activities must be offshored to India. Indeed, high value creating activities that belong to the true-core of the firm, such as management and decision-making, are kept in-house. While the offshored tasks involve a certain amount of routine, the firm provides the Indian engineers with latitude, encouraging them to use their creativity.

The CCF strives to introduce standardization in its processes. However, the firm is aware of inherent obstacles. Indeed, given the fact that the firm belongs to the construction sector, it was admitted that the uniqueness of projects in term of characteristics brings limitations concerning how far tasks can be standardized.

3.2.4 Trust

Through the interview, the different aspects and factors of trust were discussed:

3.2.4.1 Communication

The organizational design, in terms of hierarchy, is rather flat in order to encourage direct communication and trust as well as to provide the possibility for onshore groups to become operational managers for projects.

Daily meetings take place between the CCF and Indian engineers through the use of the Link software, a videoconferencing tool. During the interview, Link was reported to have enabled important cost savings as it allows virtual teams to collaborate from distance and frequent travels are no longer needed. Due to the four and half-hour time difference between Sweden and India, meetings are planned in the morning in order to allow efficient coordination. As well, during meetings, tasks are attributed to the offshore team in such a way that they are completed when the Swedish employees start to work in the morning and another meeting can be organized for follow-up. Indeed, continuous projects meetings between Swedish and Indian teams are planned to control the outcome of task execution and avoid misunderstandings and errors. Indeed, the construction consultancy firm believes in working step-by-step, in a more structured way. For instance, offshored tasks are divided into sections and sent to the Indian engineers for execution. As a portion is completed, it is delivered back to Sweden for quality control. Then, after having provided feedback, the onshore team assigns another part of the task to the team located offshore.

The interviewee added that Swedish is the contractual language used on projects. As there are twenty-two official languages in India and English is not among them, Indian engineers are allowed to use English when interacting with Swedish teams. Furthermore, the firm provides opportunities for Indian engineers to learn Swedish.

3.2.4.2 Initial meetings and socialization:

The CCF strives to promote communication and facilitate the implementation of a sustainable trust between team members. Each project is preferably started with face-to-face meetings through the travel of either Swedish managers to India or Indian employees to Sweden. However, initial meetings can be judged unnecessary in the case where the onshore and offshore employees are already acquainted with one-another beforehand or in the situation where the project's size is not considerable. As it was previously mentioned, all projects however are handled with I.C.T., preferably through Link and video calls. Indeed, it was explained during the interview that the use of I.CT is encouraged and enabled throughout the organization.

3.2.4.3 Team creation and organization

The construction consultancy firm's strategy is based on constant teams of Indian engineers, which allows Swedish onshore employees to collaborate with the same Indian individuals over time. As offshore teams are given new projects or tasks after completion of a current assignment, the group lasts for the duration of a project and onwards. Therefore tacit knowledge is transferred and trust can be established and sustained through the use of the right tools and methods.

Furthermore, the firm spares no effort in treating the Indian engineers on the same level as Swedish engineers, applying a humanistic approach towards its employees in general. For example, the CCF manager seeks to ensure the existence of a balance between professional and private life for the Indian offshore employees by not exerting too much pressure but rather emphasizing efficient planning. As well, the CCF aims at retaining offshore employees within the firm as it offers possibilities of growth as well as career development. The final goal is to achieve that the only difference between onshore and offshore employees would be found in the location from where they execute tasks. However, from the interviewee's statements, it came as a first priority to make sure that Swedish and Indian teams are on a common ground regarding technical matters.

3.2.5 Culture

Indians are said to be fast learners but require time for adaptation due to cultural gaps. The CCF recognizes cultural differences between India and Sweden when it comes to how tasks are handled and managed. These divergences in behaviour affect how individuals behave towards task execution and therefore influence the way they interact with each other. For instance, when asked to describe the employees located offshore, it came to the observation that Indian engineers are very task-focused. Indeed, they are said to execute what they are appointed to do. However, it was noted that Indian engineers, despite being ambitions, hardly take initiatives or think outside the box in the meaning of analysing tasks requirements or results. By contrast, Swedish and Western employees tend to be more analytical when they are unsatisfied with results and seek to find possibilities for improvements. Furthermore, there are also important differences when it comes to how much of detail is put into design tasks. Indeed, it was explained that in Sweden a natural focus is generally set on details while Indians are able to design extensive projects in a shorter time since they put meaningfully less details into the design.

These differences in behaviours and working patterns have led the CCF to implement a tighter report schedule where all projects comport more follow-ups exchanges with smaller project parts being done without communication and feedback.

3.2.6 The implementation of trust

From the interview, it is clear that the CCF manager firmly believes that trust is essential and that specific concepts shall be used as tools for its successful implementation. Such conviction is revealed in practice as the firm relies on culture, communication and team identity in order to establish a sustainable trust. Moreover, the use of permanent teams supports the firm's strategy, as employees are able to overcome differences and barriers. For the future, the CCF aims at improving communication and promoting trust even further.

3.2.7 Future

The firm is quite satisfied with the results of offshoring and plans for further expansion and growth and reach 10% of offshoring in 2018.

3.3 Summary

Below are presented tables providing a summary and comparison of the findings resulting from the interviews:

TOPIC	Construction Consultancy Firm	Service Firm
REPUTATION OF THE FIRM:	One of the world's most important companies in the construction engineering field	Market leader in the field of the telecom industry
NUMBER OF EMPLOYEES WORLDWIDE:	30 000	120 000
WORLDWIDE PRESENCE:	Present in most geographical areas	Romania, Chine, India and Mexico

Table 1- Interview-based comparative chart, providing a general description of the involved firms

TOPIC		Construction Consultancy Firm	Service Firm
IMPLEMENTATION/STRATEGIC ASPECTS			
Demands:	*Origin of the demand:	• Clients for the delivery of services	
Background:	*Experience in offshoring:	• Since 2012. 12 offshore engineers in civil engineering (300 in all disciplines)	• Since 2010. 12 000 offshore engineers in service delivery
	*Location of the offshored activities?	• Noida, located near New Delhi (India)	
	*Offshoring drivers:	• Reduction of costs • Recruiting skilled engineers in a pool of knowledge and competence • Offshoring as part of a strategy of expansion	

Table 2- Interview-based comparative chart applied to the case study, concerning implementation and strategic aspects

TOPIC		Construction Consultancy Firm	Service Firm
FUNDAMENTAL ASPECTS			
Communication:	*Computer mediated communication tools:	• Firm uses the software Link as a communication tool for videoconferencing	
	*Meeting frequency:	Project meetings are executed daily by video or phone, to avoid errors	• Project meetings are executed once a week by video or phone in combination with slides
	*Transfer of managers:	• Managers are sent from Sweden to India in order to create social bonds,train and supervise execution	• No face-to-face meetings between Swedish managers and the teams that are located offshore
Cultural differences:	*Cultural behaviours of Swedish employees at work:	• Swedish employees are said to be more analytic and effective at planning. As well, they are used to think outside the box; seeking improvements	

	*Cultural behaviours of Indian employees at work:	• Indian employees tend to be more focused on plain task execution, not taking distance to reflect. They are also reported to be shyer and more introvert than Swedes, being more reluctant to ask questions to their hierarchic superiors	
Language:	*Language differences:	• Indian employees do not speak Swedish	
	*Used language:	• English is the contractual language for documents. Communications are made in English	
	*Willingness to learn:	• Indian employees are given the opportunity to learn Swedish. Learning efforts are made and attempts are made to communicate in Swedish	• Indian employees are not given the opportunity to learn Swedish
Trust:	*Firm strategy:	• Firm strives to establish trust between onshore and offshore teams as it is believed to be crucial for team performance and successful task completion. Teams are retained through projects, which constitutes a foundation for the establishment of trust	• Firm does not pay attention to establish trust between onshore and offshore teams due to the fact that team are temporary and trust is not considered as needed. Also, team members are reallocated at each start of a new project. Thus, is it difficult to build trust as so there is no team consistency

Table 3- Interview-based comparative chart applied to the case study, regarding fundamental aspects

TOPIC		**Construction Consultancy Firm**	**Service Firm**
ORGANISATION			
Hierarchical configuration:		• Flat hierarchical design in order to promote communication and trust	• Vertical hierarchical design in order to maintain the level of control
Offshored tasks:	*Type of activity:	• Essential activities	
	*Nature of tasks:	• Engineering tasks (design of civil engineering projects)	• Engineering tasks (software design and programming)
	*Level of control:	• Task execution involves creativity and a defined amount of latitude	• Task requirements involve plain task execution and a restrained amount of creativity and latitude
Team building:	*Initial face-to-face meetings at project start:	• Scheduled between onshore and offshore teams	• No face-to-face contact between onshore and offshore team, except in case of issues
	*Amount and frequency of face-to-face meetings:	• Frequently, even though no standard is specified	• No face-to-face contact between onshore and offshore team, except in case of issues
	*Amount and frequency of computer-mediated meetings:	• Daily	• Regularly, even though no standard is specified
	*Transfer of managers:	• Managers are regularly sent from Sweden to India in order to create social bonds, train, supervise.	• Managers are not sent from Sweden to India, except in case of issues
Coupling:	*Level of coupling:	• Activities are tightly coupled	

	*Reason for the level of coupling:	• In order to maintain offshored high value-adding activities under control and reduce uncertainties	
Integration:	*Integration strategy:	• The integration strategy is people-based	• The integration strategy is information-based
Virtual teams setup:	*On what criteria are employees recruited?	• Employees are recruited among the top within a pool of knowledge. Selection is based on skills and competences	• Employees are recruited among the top within a pool of knowledge. Selection is based on skills and competences as well as experience, according to the requirements of new projects
	*How are offshore employees recruited?	• Employees are recruited and kept within the firm through projects	• Employees are recruited for the duration of a specific project. At project completion, employees are either reallocated to a new project or dismissed
	*How are teams built up?	• After creation, teams are maintained through the different projects: at project completion, teams are retained and assigned a new project. Thus, teams are created for a long lifetime	• Teams are created for a specific project. At project completion, teams are dissolved. Thus, teams are created for a short lifetime
	*Tacit knowledge:	• As teams are retained, tacit knowledge is transferred and benefits to team performance	• As team are restructured for each project and members are not always retained, tacit knowledge is lost
	*Are offshore employees trained?	• After an assessment of skills on a live project, training is provided to palliate the lacks and perfect the skills	• No training is provided as offshore employees should be ready to execute tasks.
	*Is there a reward system?	• Rewards are expressed through opportunities of growth within the firm	• Rewards are expressed through opportunities for growth within the firm, with a certain limitation. On a ranking growth scale of 9 within the firm, each higher step corresponds to a higher position and salary. Offshore employees are not allowed to exceed ranking number 5
	* How do offshore employees integrate with the rest of the organization?	• Offshore employees are kept on the offshore location.	• Offshore employees are kept on the offshore location
	* What is the rate of turnover?	• As team members are retained, they have the possibility to grow within the firm. Thus, it results in a low rate of turnover	• Teams and employees vary for each project, which limits possibilities for growth within the firm. Therefore, offshore employees resign when there is no possibilities for further development, which results in a higher rate of turnover

Table 4- Interview-based comparative chart applied to the case study, in regards to organisational aspects

TOPIC		Construction Consultancy Firm	Service Firm
PERCEIVED RESULTS			
Comments, vision and mission:	*Comments on the output:	• The firm is satisfied with the results	
	*Strategy for the future:	• Continue with the same offshoring strategy	• The vision for the future is to increase offshore team lifetime, to implement more social aspects (initial meetings and frequent face-to-face meetings as well as trust). This new priority is believed to bring cost savings in the future when it will be implemented
	*Plans for further development:	• Increase the number of offshore Indian employees	
		• Extend the range of core activities that are offshored	

Table 5- Interview-based comparative chart applied to the case study, in regards to organisational aspects

4 Discussion

4.1 Drivers

As it is argued in the theoretical section, the main motivation for companies to offshore is to reduce cost, retain and gain skills and expertise as well as make use of offshoring as part of their expansion strategy (ORN, 2007; Bunyaratavej et al., 2007; Doh et al., 2009; Youngdahl and Ramaswamy, 2008). Such concepts will be reviewed in the following paragraphs, through a comparison of the results with the theoretical framework.

Concerning cost reduction, the interviews, confirming theoretical findings, underline that it represents a main driver for the two firms involved in the thesis work. In practice, financial savings were said by both firms' interviewees to be achieved through the execution of the same task in a country characterized by lower wages. Empirical findings confirm that India is considered as a low cost country (Farrel, 2005) and especially the city of Noida, where both companies have decided to reside, given the important amount of well-educated workers.

Furthermore, although in the interviews cost reduction was the firstly mentioned reason for offshoring, the criteria used when assessing whether a certain area is adequate for offshoring suggest an interest in values such as skills and expertise. Indeed, as it was revealed during the interviews, both companies try to combine low wages with highly technical knowledge when taking the decision to offshore to a specific area. Thus, the fact that skills and expertise represent another important driver for offshoring tasks is in consent with academic literature.

Additionally, the theoretical findings as well as the interviews with the CCF and SF point to the existence of a third driver for the offshoring of service-based activities. Concerning the CCF, the firm stated through the interview to be able to acquire from the offshore teams knowledge in terms of skills and competences, leading to a development of the firm's components kept onshore. Therefore, the Swedish teams are able to increase their capabilities and perform at their full potential. Moreover, offshoring provides opportunities for market development, increasing the firm's marketing impact and building new networks. In contrast, the SF perceives competences between Swedish and Indian employees as equivalent. What the firm aims at consists in increasing its efficiency as the recruitment in India is made among the best candidates in a pool of highly educated engineers. Consequently, the SF is able to increase its process efficiency and reduce lead-time for offshored tasks. Therefore, in alignment with the theoretical framework, both firms see offshoring as a strategic tool for development.

Given the concordance between theoretical observations and the firms' motivations for offshoring, it can be concluded that the area fits very well for the implementation of a resource centre. As well, the results from the interviews support theoretical findings as the CCF and SF offshore their activities with the aim of increasing their productivity, reducing costs and thus enhancing competitiveness.

4.2 Offshored activities

In conformity with the findings of Contractor et al. (2010) stating a trend towards the offshoring of high value creating activities, the interviewees from the CCF and SF explained that their respective firm offshores strategic service tasks related with engineering (design of construction projects and programming of software).

In the theoretical chapters, the concept of core activities was reviewed, providing a distinction between core-of-the-core, essential and non-core activities (Linares-Navarro, Pedersen and Pla-Barber, 2014; Quinn, 1999). More precisely, it was argued that in contrast with non-core activities, true-core and essential activities possess a high value creating potential and a strategic importance for the firm (Contractor et al., 2010). It was shown as well that the distinction between essential and core-of-the-core activities is less precise given the fact that the separation between both concepts is dependant on the level of slicing of the value chain. In regards to the outcome of the interviews, based on theoretical support, several aspects confirm that the tasks offshored by the CCF and SF pertain to essential activities. Firstly, as it was observed, the tasks are very similar in their characteristics. Indeed, being high value creating and related to services, the offshored activities consist of design work for projects such as engineering and other highly technical tasks that require adequate education and skills as well as a sufficient level of communication. Secondly, both firms offshore activities that are located closer to the core, while the inner critical structures such as decision-making elements are safely guarded onshore at the headquarters. Thus, as theoretical conclusions argue that offshoring mainly concerns essential activities, it can be concluded that the findings concerning the characteristics of the activities offshored by both firms are supported by academic research.

Following the recommendations of Gottfredson, Puryear and Philips (2005), the CCF and SF retain their true-core functions onshore. According to interview findings, the dissection of the value chain is executed so that elements such as human resources; procurement; marketing and sales as well as logistics are not offshored. Furthermore, Linares-Navarro, Pedersen and Pla-Barber (2014) argue that companies aim at narrowing their focus in order to increase efficiency. Confirming the aforementioned theory, both firms stated that the specific offshoring of knowledge intensive activities is done in order to allow the onshore employees to focus on core-of-the-core functions while highly educated and skilled offshore teams deal with task execution.

In the end, the statements coming from the CF and SF managers confirmed the theoretical conclusions of Linares-Navarro, Pedersen and Pla-Barber (2014 as well as Contractor et al. (2010) as the firms are brought to offshore activities that are located closer to the core in order to increase process efficiency and reach competitive advantage.

4.3 Integration

Coupling refers to the type of linkages between the different functions or activities of a firm. The type of coupling, distinguished by its level, describes how autonomous (loose level) or tied (tight level) the activities are to the rest of the firm (Orton and Weick, 1990).

The analysis of the interviewees' answers demonstrates that the offshored essential activities are kept tightly coupled to the rest of the respective organizations. Regarding the theory, there are several rationales for why both firms keep their offshored high-value creating tasks under tight linkages. Firstly, such practice is primarily done in order to remain in control of the offshored business processes (Orton and Weick, 1990). Secondly, the other aim is to ensure that the offshored elements are adequately integrated in the actual conditions of the environment (Lampel and Bhalla, 2010; Kim et al., 2003). Thirdly, tight coupling will reduce the possible negative impact on the organizational configuration that offshoring essential activities may have. As the strategy of both firms, according to the interviewees' answers, is in consistence with these aspects, the agreement between theory and practice concerning tight coupling can be acknowledged.

In addition, the tight coupling of offshored activities is expected to take place through the maintaining of close ties between the highly technical offshore activities and the onshore activities, allowing more coordination, as explain Lampel and Bhalla (2010). However, in contrast with the CCF, the managers from the SF stated that the firm operates slightly more autonomously towards offshore teams. More precisely, it was explained that the managers' role rather consists in assigning a task and retrieving the result, with less feedback occurring along the process.

Furthermore, it is deemed crucial that offshored essential activities are integrated to the company in the right manner. As previously reviewed in the theoretical section, Kim et al. (2003) propose four different modes of integration in relation to core functions such as R&D, manufacturing and marketing. Through professional exchanges, it was found that for both firms the offshored activities are closely related to research and development since they possess a certain level of uniqueness, showing differences in each project as well as a highly technical demand. Therefore, taking into consideration task features based on interviews' outcome as well as the academical literature (Kim et al., 2003), the engineering functions of the firms examined in this study can be characterized as part of R&D.

In this context, Kim et al. (2003) recommend the use of information-based and people-based patterns for the integration of essential activities**.** Furthermore, while Kim et al. (2003) argue that both people-based and information-based modes bear a positive impact on the integration of essential activities, an emphasis is set on the people-based pattern given the needs for personal interaction within R&D. Indeed, a people-based integration - linked with trust, socialization and knowledge sharing - is considered to be more effective in the context of globally dispersed business activities in comparison with a solely information-based approach. Relating to the CCF and SF, the application of the theory of Kim et al. (2003) to interview results unveils differences in the firms' approach towards integration. More precisely, these divergences occur in the manner the four patterns are used for the integration of

essential activities. Therefore, a further examination of interview results is executed in order to provide an assessment of how much the CCF and SF use the two recommended modes of integration as well as the two remaining ones.

Firstly, in regards to the people-based integration pattern, findings from the interviews demonstrate that the SF does not use such mode of integration, as the focus is set on task execution rather than on the implementation and sustainment of communication and trust. Contrasting with the SF, the CCF focuses on a rather people-based approach as it promotes communication between onshore and offshore employees through formal and informal personal interactions. More precisely, the CCF regularly organizes face-to-face meetings for coordination, socialization as well as cultural integration. Therefore, it can be concluded that the CCF complies with the theory as it sets its focus on the people-integration pattern, relying on step-by-step follow-ups and more personal communication flows. Given the fact that Kim et al. (2003) see the people-based mode as the most effective for integrating essential activities, it is interesting that the SF, running against theoretical recommendations as such mode is used within the firm solely in rare cases, still obtains success in the offshoring of its service activities.

Secondly, concerning information-based integration, it is true that both firms implement such mode. However, practical findings also demonstrate that information-based integration is used in different proportions as the SF implements it up to a greater measure in comparison with the CCF. More precisely, within the SF, the focus is set on impersonal interaction and data exchange as face-to-face meetings occur on rare occasions and teams last only for project duration. Taking into account theoretical findings, such emphasis on information-based integration is expected to bring hindrances in terms of communication in comparison with a rather people-centred approach.

Moreover, findings resulting from the interview underline the fact that the CCF and SF use the two other modes of integration as well.

On a perspective placed on the standardization-based mode, following interview outcome, the managers from both firms stated that their respective firms strive to standardize task execution; the SF investing more effort into standardization in comparison with the CCF. However, as admitted by both firms' interviewees, there are intrinsic limitations as the related projects are linked to R&D. Indeed, as argued by Clark (1985), these engineering-related tasks require a consequent amount of knowledge and expertise and are more difficult to standardize.

The fourth mode is characterized by a centralization-based approach for integration. As shown through interview findings, both firms use such approach in practice, despite having for vision the implementation of a flat hierarchical structure in order to promote communication. Regarding the CCF, interview findings underline the fact that the firm achieved to flatten its structure in order to enhance communication and trust. Also, it is argued that there is less centralization within the CCF, as the firm puts in place the transfer of managers. Then, regarding the SF, the consequent number of layers within the firm's structure results in a rather vertical design. The fact that the majority of decisions originate from the headquarters is demonstrated through the lower latitude and possibilities for creativity given to

offshore employees within the SF in comparison with the CCF. Therefore, it can be concluded that within the SF, a more hierarchical approach is taken as decisions are rather centralized and flow through the organization in a top-down manner. Nevertheless, such organizational design fits the strategy of the SF as it participates in maintaining the desired level of control. However, it is argued that such practice may hinder communication flows and limit the implementation of a sustainable trust.

Thus, the assessment of interview results using the theory of Kim et al. (2003) reveals that the CCF is rather people-based while the SF is mainly information-based.

Furthermore, the meetings held with the CCF and SF reveal that both firms use videoconferencing for follow-ups and data analysis. As it was previously discussed, people-based approach implies face-to-face interaction while information-based integration is related to data analysis through impersonal means of communication. Therefore, communication through videoconferences is argued to be situated outside of the frame defined by Kim et al. (2003).

Moreover, Pedersen et al. (2013) match the four modes of integration with the level of activity coupling as well as the type of activity (figure 5).

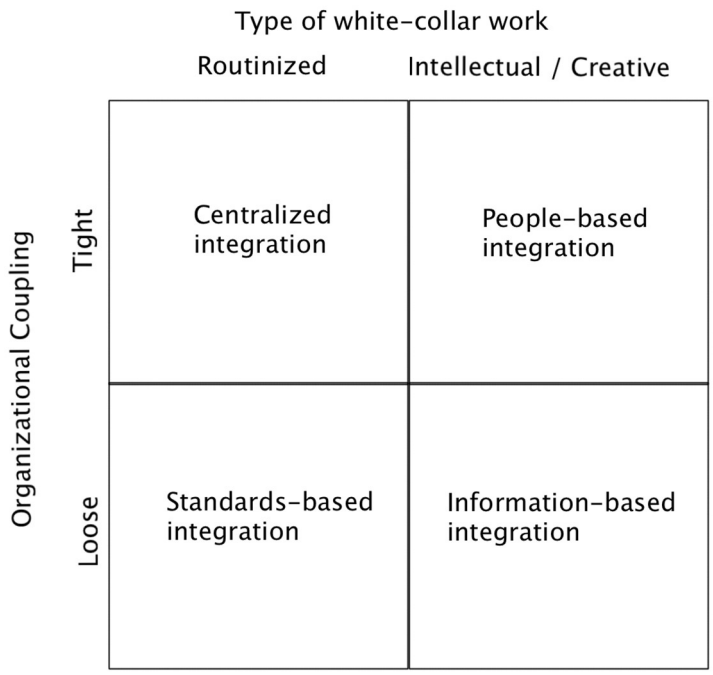

Figure 5 - Recognizing the model of integration based on the way an activity is executed in relation to its level of coupling (Pedersen et al., 2013, pp.137)

As discussed previously according to theoretical and practical findings, both firms keep their offshore activities tightly coupled. As well, within the CCF offshore employees are given more latitude for creativity in comparison with the SF as the tasks within the latter rather involve routine. Thus, regarding the CCF, this adaptation of the model supports the recommendations for a people-based approach proposed by Kim et al. (2003) and reaffirms the previous conclusions of the study. However, in the case of the SF, an ambiguity can be underlined as both theories enter in conflict. Indeed, in the context of core - tightly coupled- routine activities, the model proposed by Pedersen et al. (2013) argues for the use of the centralized-based integration

pattern whereas Kim et al. (2003) promote an information-based approach. Thus, based on interview findings, the model of Pedersen et al. (2013) does not strictly apply to the SF as the firm uses a centralized approach up to some extent while having a flattening of its structure as a vision for the future. The firm's activities tend to involve routine while being tightly coupled, the focus being rather set on an information-based approach instead of a centralized one as recommended in the model. Nevertheless, Pedersen et al. (2013) affirm that all four modes of integration may be used in situations where a high level of coupling is required for increased reactivity.

Finally, it is firstly acknowledged that both firms comply with the theoretical recommendations of Kim et al. (2003) as the SF rather uses an information-based approach while within the CCF mainly people and information-based modes are used for the integration of offshored activities. As it was previously discussed, the SF does not use the four modes as the people-based approach is excluded. With a perspective set on the CCF, it is true that the firm also uses the two other modes, using the four modes of integration in a simultaneous manner, which is a practice supported by Pedersen et al. (2013). Secondly, it is argued that the SF's approach towards integration contradicts the conclusions of Pedersen et al. (2013) as the firm uses a rather information-based approach for tightly coupled routine activities.

4.4 Team dynamics

4.4.1 Teams

Clegg et al. (2011) define virtual teams as a group of individuals having different competences and collaborating using information and computer technology as they are separated in terms of space and time. As underlined by the results of the interviews, as the two firms implicated in the study offshore essential activities to a foreign country, a geographical separation occurs between individuals involved in a common project. Thus, as both firms' project teams made of onshore and offshore employees present the aforementioned characteristics, it can be concluded that the CCF and SF use virtual teams for the operation of their offshored activities.

However, there are important differences between both companies in the sense of how offshoring teams are organized. As supported by research, these differences affect soft values such as trust and communication, which will be discussed below.

4.4.2 Trust

Regarding trust, the research available on the subject demonstrates that the implementation of trust through social catalysers (i.e. communication, team identification) is necessary and crucial for the success of virtual teams. As well, research demonstrates that managers may use these social catalysers in order to make sense of the organizational reality within a virtual environment (Jarvenpaa and Leidner, 1998). The final aim being to bring cohesion and trust between team members, which in turn will increase team productivity through improvements in efficiency and performance. The question-and-answer sessions with both firms provide evidence for their success in offshoring. However, it constitutes a paradox

that within the SF, in dissimilarity with the CCF, there is no emphasis set on the aforementioned social catalysers. Such ambiguity is based on the observation that a lack of focus on trust can negatively affect business processes as it may result in obstacles for problem solving and decision-making (Jarvenpaa and Leidner, 1998). Therefore, on a perspective placed on interview results, the most consequent differences between the two involved firms are expected, following the mentioned academic research, to affect trust within the organization.

As it was previously mentioned, the CCF and SF diverge in several aspects in relation to trust and its implementation. These differences will be further reviewed under the light of theoretical findings.

Available research states that virtual team members lack interaction and socialization since, being geographically dispersed, they cannot share information through traditional means. Therefore, in order to satisfy the requirements concerning the aforementioned social factors and compensate for these needs, research encourages firms to use the I.C.T tools they have access to (Jarvenpaa and Leidner, 1998). Indeed, it is argued that the use of I.C.T enables a more efficient collaboration within virtual teams. Both firms' managers explained during the interviews that their respective firms organise videoconferences through audio and video computer-mediated tools, which is in accordance with theoretical recommendations. However, it can be argued that despite the fact that both firms use the software Link for videoconferencing, the SF firm does not set an emphasis on communication in contrast with the CCF. Indeed, interview findings demonstrate that the difference between both firms rests in the fact that while such virtual meetings are organized once a week within the SF, the CCF organises them on a daily basis. Implementing daily meetings allows the CCF to increase process efficiency through frequent quality controls. In this manner the weekly meetings may bring a limitation for the SF, as a stronger emphasis ought to be set on communication and information clarity in order to avoid misunderstandings and redundant reworks.

It is however necessary to point out that the use of virtual means of communication only promotes the implementation of trust up to a limited extent (De Meyer, 1991). In order to implement a reliable and durable trust, firms are advised to set up face-to-face meetings. Indeed, relating to face-to-face meetings, studies show that social interaction and non-virtual reunions represent crucial factors for the implementation of a sustainable trust (Jarvenpaa and Leidner, 1998, Rocco, 1998). However, divergences appear in the way such concepts are put in practice by the two firms involved in the study. More precisely, while the CCF organizes initial meetings at project start-up and through project lifetime, within the SF such face-to-face encounters occur rarely. Thus, following the theoretical conclusions and based on interview results, it is argued that the lack of face-to-face contacts between onshore and offshore employees within the SF may constitute a hindrance for successful operation as a sustainable trust would be difficult to implement in such conditions. Indeed, it is argued that start-up meetings executed face-to-face constitute an aspect of crucial importance to the project as a whole. Interview findings demonstrate that the SF is aware of such issue and plans to develop the focus set on trust in the near future.

In addition, implementing specific tools such as providing feedback in a face-to-face manner can participate in making geographically separated team members feel

more valuable, motivated as well as trustworthy and thus may lead to the implementation of a durable trust (Saafein and Shaykhain, 2013). As stated through the interviews, feedback is commonly provided within the CCF in terms of mainly videoconferences but also with start-up meetings as well as the sending of employees to the partner country for longer periods. In contrast, the SF puts less emphasis on face-to-face feedback, even though the necessary technical prerequisites are available.

In regards to the resource allocation strategy, following the literature review, it is argued that disturbing the bonds between established working teams might negatively affect trust and communication (De Meyer, 1991). In practice, the question and answer session demonstrated that within the CCF, a specific team of Indian engineers is linked to each region of the firm - the region concerned in the context of this study being the Swedish region. Therefore, as a smaller pool of employees is involved in projects, teams are more consistent and contacts between team members occur more often. Furthermore, not only the CCF operates with consistent teams but it also strives to retain offshore members through the different projects. Therefore, following the findings of Rezgui (2007), the fact that the CCF strives to avoid staff reallocation results in a better team member consistency and promotes the implementation of a sustainable trust. In contrast, the SF creates new specific Indian teams for each project as it works with the total pool of workers available for all regions. As the SF allocates new staff at project start and dissolves teams at project completion, based on the studies of Vorakulpipat, Rezgui and Hopfe (2009) in the end it can be concluded that trust could be more difficult to establish. Despite the fact that the SF is successful in its offshoring activities, it is argued that the resulting lack of trust brings losses in terms of productivity. Therefore, the authors of the thesis propose that the SF could reduce the focus set on the reallocation of teams as the CCF demonstrates that it is possible to keep teams fixed to regional areas. The matters bears a strategic importance as numerous aspects of offshoring, such as communication and trust, are directly affected by team reallocation, as it is shown through this study.

Furthermore, Jarvenpaa and Leidner (1998) argue that a lack of trust could bring uncertainties as well as hinder decision and action-taking processes. Consequently, it would be expected, as the CCF does not focus on trust implementation and communication, that process efficiency and therefore productivity would be negatively affected through these parameters as well. And thus, the firm's success in offshoring raises the question of how it can reach satisfactory results while acting in opposition with what is prescribed by theoretical conclusions.

Such differences in strategy between the two firms also reflect themselves through the reward system in the form of opportunities for growth as interview results underline the fact that both firms offer possibilities of evolution. Hambley et al. (2007) suggest that implementing incentives through rewards participates in the creation of a team identify and thus of a sustainable trust. However, despite the reward system, the fact that the SF reallocates teams represents a hindrance for the establishment of a team identity as well as a durable trust between employees. Furthermore, the limitation in terms of evolution within the SF represents another barrier for the preserving of trust since employees might be brought to leave the firm when they reach ranking number five and cannot advance further on the hierarchical ladder.

Thus, applying the aforementioned theoretical principles to finding results, it can be expected that the strategy implemented by the CCF regarding teams involved in projects - namely employee retention, frequent information exchanges and personal contacts - would allow an increase in the level of trust, as more contacts are made between teams, ultimately leading to an increase in process efficiency. In contrast, following theoretical findings, the SF's strategy in terms of communication flows as well as the lack of emphasis set on the implementation of a sustainable trust are supposed to bear a negative impact on task execution efficiency. However, as shown through interviews results, such is not the case. It is therefore intriguing that the SF is successful in the offshoring of its activities despite the fact that its practices run against the theory, while the CCF follows the theoretical advices and meets positive results in offshoring as well,

4.4.3 Culture

In order to maximize team productivity, it is crucial to implement a common organizational culture since it affects how decisions are made and actions are taken within the organization (Clegg et al., 2011; Schein, 1997). However, there are inherent obstacles to the creation of a shared culture within a firm. Firstly, establishing a common organizational culture is a difficult and long process as employees usually show a certain level of resistance. Secondly, it is even more challenging to create uniformity in the context of a geographically dispersed organization due to differences in national culture. In relation to trust in the context of culture, as discussed previously in the theoretical part, it is argued that differences in national culture influence collaboration. From a theoretical point of view, it appears that basic assumptions, linked with the culture of origin, possess a crucial effect on the organizational culture. However, basic assumptions are difficult to shape as they are linked with the unconscious part of culture (Clegg et al., 2011).

As it was previously discussed, according to the findings resulting from the interviews, the SF reallocates staff into new teams for each new project, as part of its offshoring strategy. As argued by Clegg et al. (2011), in addition to negatively affecting communication, productivity and performance in the long run, such practice may bring difficulties in creating a uniform culture throughout the organization due to employee resistance (Clegg et al., 2011). Furthermore, implementing an organizational culture may represent a long process and its success would depend on the maintaining of working environment conditions. In this context, variations in the parameters surrounding virtual teams should act as an impediment to the creation of uniformity and cohesion.

For the CCF, the interview outcome shows that such aspects do not represent a limitation due to the fact that Indian engineers are involved to a level where they are able to feel integrated. The aim of such involvement is to allow Swedish and Indian teams to function and collaborate more efficiently. Findings from the interviews indicate that the CCF invests qualitative efforts, acting through the different levels of culture described by Schein (1997). Such strategy aims at integrating Indian employees, despite the existing cultural differences between Swedish and Indian engineers. However, while the CCF acts in synergy with theoretical conclusions, the SF still manages to obtain successful results in the offshoring of its activities even

though national culture represents a barrier due to the fact that the firm does not use trust and social integration as part of its offshoring strategy.

5 Concluding remarks

The purpose of the study was to research the available theories describing offshoring, regarding its methods, organisation and processes. Then, an assessment of the compliance of the firms' practice with current theoretical recommendations was executed. Such observations led to an understanding of the challenges for trust implementation and activity integration when offshoring essential activities.

Overall, the SF and CCF possess important similarities concerning the type of activities that are offshored, being essential activities requiring a high technical expertise. It can be added that goals and driving factors are also very alike for both firms. Therefore, it can be concluded that the motives of the CCF and SF for offshoring service activities are in accordance with theoretical findings.

However, the findings reveal consequent differences in regards to how the construction consultancy company and the service firm organize their activities. Indeed, the study reveals that the CCF allocates much effort for trust implementation, setting a high emphasis on communication through virtual and face-to-face means. More specifically, the firm organizes personal meetings at project start, transfers employees and plans daily videoconferences. In contrast, the case of the SF brings challenging questions as the firm sets its focus on tasks execution rather than on the implementation of a sustainable trust, as it coordinates activities through impersonal means of communication as well as weekly videoconferences. Another difference between the two firms involved in the study rests in the fact that the SF reallocates teams for each new project while the CCF implements continuous teams working with a specific region.

These differences are revealed and confirmed in the manner the CFF and SF deal with the integration of offshored essential activities. Indeed, the CCF uses the four modes of integration, with a focus set on a people-based integration. In contrast, the SF nurtures a more information-based approach while also using the centralized pattern. Despite the vision of a rather flat organizational design, the standardized pattern is present up to some extent within both firms. Thus, the main divergence between both firms rests in the fact that the CCF is rather people-based while the SF focuses on an information-based integration. It is important to note that neither of the two companies solely relies on a unique mode of integration as it is observed that there are clear tendencies. It is believed that a holistic approach towards each company is necessary in order to understand, assess and compare the respective firm's strategy in relation to integration modes. These differences in strategy reflect themselves on the different aspects of trust and communication.

All in all, these different aspects bring to the conclusion that the CCF works almost by the book according to the theory. Furthermore, the CCF, complying with theoretical recommendations, is not negatively affected by its practices. However, based on theoretical findings, a different conclusion is made in the case of the SF as the firm goes right against what is commonly viewed as best practice amongst leading theory. It could be concluded that a focus set on the information-based approach is sufficient for the SF to reach success in the offshoring of its activities, but the other theoretical aspects reviewed in this study demonstrate that trust implementation and

an adequate level of communication are necessary for the optimum efficiency of business processes. Indeed, it is argued that these differences bring limitations in terms of communication and team identification, therefore affecting the implementation and sustainment of trust. Following the theory, the offshoring methods within the SF should potentially have an important negative impact on both productivity and efficiency - even to the extent that it could become inefficient to offshore in this manner. This is however not the case as both companies perceive their results as very successful and have plans for further expansion. Thus, the difference in approach between the CCF and SF is considered as interesting as it challenges available research and proves that it is possible to obtain substantial positive results while not following theoretical recommendations.

It can then be observed that while available research argues that it is crucial to implement trust when working in a virtual environment, the results from meetings held with the SF demonstrate that an organization could choose to have a different focus and still reach success. The authors believe that such results are intriguing, adding to the fact that available academic writings do not provide an explanation for the success of the SF. Nevertheless, it is still argued that such practice acts as a hindrance and could bring limitations in terms of efficiency and growth in the near future.

Through the study, it is clear that the SF finds its offshoring successful and it seams that the firm has found a viable and sustainable way to offshore its activities despite the fact that its practices do not follow the theory. Therefore, the authors of the thesis are brought to believe that the SF could learn from the CCF in order to perform even better. Interestingly, interview results reveal that such improvements are already part of the SF's vision for the future as it plans to develop its approach towards offshoring.

Through the research process, numerous challenges were encountered through conflicts in theoretical findings. As well, the initial choices regarding the focus and theoretical framework were not appropriate and a redefinition was executed. Even though the study did not set the perspective on efficiency nor productivity or similar hard values, it is believed that the findings and results are satisfying. Indeed, it is argued that the perceived results as well as the historical extent and success of the SF's offshoring are sufficient to prove that it is possible to work differently than theory suggests while still reaching superior results. If the research work had to be made on a new occasion, the authors of the thesis believe that it would be of a consequent interest to take into account the perceptions and understandings of the employees located offshore in order to balance with the vision of the onshore employees and managers. Furthermore, it is believed that a deeper and more extensive research could be executed in this area in order to study alternative paths for offshoring.

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