

# Information systems outsourcing: Replicating an existing framework in a different cultural context

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## Abstract

In order for any field of study to refine the promising concepts and weed out the weaker concepts it is necessary that researchers revisit earlier studies from time to time and evaluate their general applicability to new contexts. Replication is an important technique for researchers to embrace in order to achieve this goal. In this study, we test one of the frameworks of technology outsourcing developed in the West, by changing the cultural context. Following Kodak's historic outsourcing decision, technology outsourcing has assumed significant importance among researchers and practitioners. Most of the research in relation to technology outsourcing has been conducted in the Western culture (including the USA and the UK), so our goal in this study is to extend the understanding of technology outsourcing research conducted in the West to another culture—that of Korea, through replication.

We focused on information systems (IS) outsourcing decision making as a case in point and found both similarities and dissimilarities in relation to the current understanding of the same. These similarities and differences in turn, reveal the distinctions between the Western and the Korean approaches toward achieving outsourcing success. The similarities are the partial preference for short-term contracts and contracting out to external vendors. However, the two cultures differed in their decision making in the way they pursue contractual completeness, whether in-house departments competes or not, design of contract to include partnership measures, criticality of tasks outsourced, familiarity with the outsourced task, postponing a few outsourcing decisions, and withholding a piece of a contract as bait. We also found “trust” and “task partitioning to gain advantage of varied expertise” to be important for achieving outsourcing success in the Korean organization. In addition, we observed that outsourcing success is achieved by maximizing reliability and relationship in the Korean context rather than by maximizing flexibility and control, as was observed in the Western context. We argue that this difference is a function of cultural diversity.

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“A little experience often upsets a lot of theory.”  
Parkes S. Cadman

## 1. Introduction

The goal of scientific research is to study phenomena and deduce objective findings about the phenomena that

might be applicable to other situations. The word research itself implies that one goes back and looks for observations, facts and compares the current findings with previous ones. The development of a body of literature, in any scientific field of study, warrants this effort on the part of the researchers to revisit previously proposed theories and to study the effect of several variables such as time and context on the original findings. Such gaps exist in many fields of scientific inquiry, including operations management, because

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scholars have focused more on the development of new theories than the extension and generalization of existing work. In other words, theory building has received more attention than theory testing; the “search” is taking precedence over “research” (Berthon et al., 2002). Hence, revisiting theories to make them more generalizable is an important issue that needs attention.

Essentially, the findings of any study could be generalized in two ways. One way is to generalize the findings of the sample study to the population of similar subjects. The other way is to generalize the findings across populations and contexts. The latter is the object of our study (also referred as the *focal* study in the rest of the paper). The motivation for our study was to assess the applicability of one framework for technology outsourcing developed in the West to another cultural context. Such an assessment has been identified as one of the reasons for cross-cultural studies, as echoed by Martinsons and Davison (2003).

“How might prescriptions developed in the West be informed by non-Western cultural contexts?”

Replication has been identified as an acceptable method of research when generalizing across populations and contexts (Tsang and Kwan, 1999). Typically, the aim of replication research has been to determine whether the findings of one study are applicable when the study is repeated. Therefore, replication is a relevant technique when the original study is being repeated in another cultural context, as is the case with our study. To this end, we first define “target study” as the original study that is being replicated and the “focal study”, which is the replication study that aims to extend the tenets deduced by the target study to new settings. In this study, we consider the Western culture, which has been the context of the target study, as the *reference* culture (the culture that is the context of the original study) and the Korean culture as the *focal* culture (the culture that is the context of the focal study). The main idea behind this replication study is to find out if the decision making and methods of achieving outsourcing success remain consistent when moving across cultures (with the effect of culture becoming a dimension in the replication).

The rest of the paper is organized as follows: in Section 2, we discuss the background of the study in terms of the technology outsourcing framework developed by researchers in the West. Section 3 describes the cultural context of our study. In Section 4, we present the methodological approach including data collection, analysis, findings, and discussion. The final section highlights the implications, contributions, and limitations of our study.

## 2. Technology outsourcing: framework developed in the West

Organizations have had to develop responses to the changes in the environment such as increased competition, rapid technological changes, and shorter cycle times in order to maintain their competitive advantage. One such response is to outsource certain activities. Outsourcing has long been an option in make-versus-buy decisions (Platts et al., 2002), but the environmental changes mentioned above have made it much more common (Quinn, 2000). Outsourcing decisions can be characterized as being half range between the make and the buy decision, perhaps best characterized as a “leasing” type of situation because it involves a semi-permanent relationship with a vendor.

Focus on core capabilities is one reason that organizations are increasingly outsourcing non-core activities to external vendors (Krause, 1999). For a traditional manufacturing organization, the development and maintenance of new technologies that do not directly support manufacturing activities can be too great of a drain on company resources, and thus, become a good candidate for outsourcing. In this study we, focus on information systems (IS) outsourcing, which is one form of technology outsourcing.

### 2.1. Same cultural context

The decision by Kodak, to outsource its information systems was a watershed event. Many other major companies followed suit (Lacity et al., 1994). In the wake of this act, numerous studies have investigated the IS outsourcing phenomenon from various vantage points. Some of these studies concentrated on the degree of outsourcing (Ang and Straub, 1998). Others measured outsourcing success (Lacity and Willcocks, 1998); and yet others studied the pre-event firm characteristics (Smith et al., 1998) or antecedents of outsourcing (Grover et al., 1996; Lee and Kim, 1999). The commonality, however, is cultural context—most of these studies were carried out by researchers in the United States of America (USA) and the United Kingdom (UK), and thus, have a Western cultural context. Studying IS outsourcing in other cultural contexts is necessary to know if the current Western approaches to IS outsourcing are applicable outside of that context. The absence of any culture-specific work in understanding the IS outsourcing decision-making process draws attention to the validity of the Western approaches to IS outsourcing decision making in the context of non-Western culture. Recognizing that the terms Western and non-Western encompass a

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