Getting Your Offshore Projects to Bear Fruit
Gregory, Robert Wayne; Beck, Roman; Keil, Mark

Publisher: Management Information Systems Research Center, University of Minnesota
Original document: Control Balancing in Information Systems Development Offshoring Projects
Year: 2013
Language: English

Information systems development (ISD) offshoring continues to grow across countries. Its successful implementation depends on effective control of the projects and relationships, which is extremely difficult due to outsourcing-specific challenges. These challenges are arguably greater when the outsourcing involves an offshore vendor.

In "Control Balancing in Information Systems Development Offshoring Projects," IESE's Robert Wayne Gregory, together with Roman Beck (Goethe University) and Mark Keil (Georgia State University), elaborates the various dimensions of control that need to be managed.

Based on a case study of an ISD offshoring project in the financial services sector, the authors find that the control type is only one dimension on which control configuration decisions need to be made.

Control degree (tight vs. relaxed) and control style (unilateral vs. bilateral) are other important factors on which decisions need to be made.

Types of Offshore Control

**Authoritative control:** procedural control portfolio, tight control degree, unilateral control style. This is an approach to control where the parties see themselves as client and vendor, with clearly separated roles and responsibilities. The client specifies requirements, the vendor delivers upon them, and the client dominates the relationship from a managerial perspective.

Typical control mechanisms include regular status reviews, examination of deliverables, tracking of project goals, clear definition of roles and responsibilities, and operational process documents.

**Coordinated control:** hybrid control portfolio, tight control degree, bilateral control style. This is an approach to control where the parties see themselves as partners who need to coordinate activities closely. The client and vendor work toward shared goals and collude over solutions, and neither the client nor the vendor dominates.

This may result in a joint testing approach, site visits, workshops, reflection-in-action sessions, coaching, joint communication plans, sessions on lessons learned, and feedback mechanisms.

**Trust-based control:** social control portfolio, relaxed control degree, bilateral control style. Here, the parties see themselves as part of the same team, based on mutual trust and shared understanding. The vendor delivers without the client getting deeply involved in the process, and fewer resources are dedicated to controlling the vendor.

This results in situations in which problems get solved instantly, new ideas for
improvements are generated, and the vendor assumes more responsibility in the relationship. Examples of this approach are brainstorming sessions, spontaneous communication and informal idea exchanges.

**Practical Guidelines for Control Balancing**

*Make conscious control-balancing decisions.* When a project is not meeting expectations, there is a tendency to make knee-jerk control change responses, such as increasing the degree of control in the belief that it will lead to better outcomes. This may not yield the expected benefits, and could even lead to a deterioration of the client/vendor relationship.

Project managers on both sides should regularly assess control balance and ask how good their control configurations are, in terms of control types, degree and style. Ideally, this will lead to conscious control-balancing decisions that tackle project and relationship challenges proactively.

*Leverage the advantages of a bilateral control style.* Since developing a shared understanding between client and vendor is an essential success factor in offshore outsourcing, a bilateral control style is recommended.

Client and vendor project managers should think about control jointly, avoiding the unilateral control style, which -- when used in combination with a tight control degree and procedural control portfolio -- can be detrimental.

*Balance project and relationship requirements.* Strategies for project management sometimes may be at odds with strategies for relationship management, producing tensions and undesirable reactions.

Client and vendor project managers should establish and maintain the balance between achieving short-term goals of project success and achieving long-term goals of relationship development, which are the two key elements for ISD offshoring success.

*Develop shared understanding in the relationship.* Client and vendor project managers should view critical offshoring issues -- such as project processes, business-functional knowledge, mutual expectations and social practices -- from a shared understanding perspective.

For example, the client and vendor need to accumulate joint knowledge that is embedded in the relationship. Both the client and vendor need to learn and adapt to one another to develop negotiated social practices.

© IESE Business School – University of Navarra