

Cultural Changes in Total IT Outsourcing: Dutch-American and Dutch-German

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ABSTRACT

This article examines a variant of IT outsourcing. Specifically, it studies total outsourcing, which includes outsourcing IT personnel within a short-term contract between the client and vendor organisations. This study is based on outsourcing of IT activities and personnel from a Dutch oil company to American and German IT companies. Our study addresses two important issues: (1) the changes in formal structure, authority, and company's strategies experienced by the personnel due to outsourcing and (2) how this type of outsourcing contributes to changes in the employees' job satisfaction levels. Hofstede's cultural theory was used as theoretical basis for hypothesis development.

Keywords: Total IT outsourcing; short-term contract; IT personnel; organisational changes; job satisfaction

INTRODUCTION

Outsourcing has been practised by many multinational companies (MNCs) in various industries. Studies have reported that outsourcing can bring benefits such as cost reduction (Hätönen & Eriksson, 2009; McCarthy, 1996; Gonzalez et al., 2005; Gupta, 2008; Williamson, 1975; Chakraborty & Remington, 2005; Kehal & Singh, 2006), production efficiency, and an increase in performance (Maelah et al., 2012; Di Romualdo & Gurbaxani, 1998). The days when a single organisation can own an entire supply chain, like the Ford Motor Company in the first half of the early 20th century, are long gone (Mena, Humphries & Choi, 2013). There is an increasing trend among companies to outsource their non-core business activities to focus on core business activities and at

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the same time take advantage of state-of-the-art Information Technology (IT) to improve their business processes (Gurbaxani, 2007; Lacity et al., 1995; Grover et al., 1996; Hun & Mithas, 2013). In general, outsourcing is defined as “the act of obtaining semi-finished products, finished products or services from an outside company if these activities were traditionally performed internally” (Dolgui & Proth, 2013: 6770). Total outsourcing can be defined as outsourcing an entire activity, such as IT activity, to the supplier.

This research focuses on the outsourcing of an entire IT department including personnel, a variant of “complete or total outsourcing” suggested by Grover et al. (1994), within a short-term contract (typically five years). This is neither a typical ‘outsourcing’ nor a typical ‘acquisition’ approach practised by various MNCs over the years. Outsourcing usually does not involve the transfer of staff members to the vendor company. On the other hand, an acquisition usually involves a long-term arrangement where staff members may not have choice but to be transferred. The arrangement discussed in this research combines the characteristics of outsourcing and acquisition. Specifically, we address the outsourcing arrangement by a Dutch company (client-company) with its American and German vendors. The client company and the vendors are operating in Malaysia. The Dutch company, which specialises in oil and gas, has completely outsourced the non-core IT activities to two vendors — an American and a German firm. The entire IT department (along with

the IT personnel) was outsourced to the vendors for a period of five years. The desktop support activities were outsourced to the American company whereas database and storage activities were outsourced to the German company. The transfer of personnel to the vendors enabled the client company to cut costs significantly and to complete various IT projects on time. This is because the IT personnel used to work for the client company and therefore, were aware of its processes and requirements. Many researchers have established the link between IT outsourcing and its impact on cost and performance (Gurbaxani, 2007; Hun & Mithas, 2013). We deviate from the earlier studies and are specifically interested in the effect of total outsourcing on employees who are transferred to vendor organisations.

Two questions are relevant at this point: (1) What happens at the end of the contract period? One of the three following options can happen. First, a few or all outsourced activities and people can be insourced by the client company. Second, the outsourcing contract can be extended for another five years. Third, the contract may not be renewed and the personnel may be absorbed by the vendor or allowed to leave. (2) Why would a client company and its vendor companies enter into a short-term contractual arrangement such as this? We address this question by examining three issues: strategic, economic, and technical (Grover, Cheon & Teng, 1996).

According to Prahalad and Hamel (1990), it makes good business sense for

any organisation to concentrate on its core competencies and outsource non-core activities to vendor companies. The strategic value of IT is well known and some organisations have come to view it as a non-core function — a service that is best managed by external service providers (Lacity, Willcocks & Feeny, 1996). The authors are of the view that this trend is not healthy and it makes sense to identify and retain IT functions that enhance business value in-house. The temporary arrangement (short contract period) with vendor organisations may help client organisations stabilise their operations, identify key IT functions that adds business value, and selectively in-source those key IT functions.

For many organisations, economic benefits drive outsourcing (Lacity and Hirschheim, 1993; Hun & Mithas, 2013; Lacity & Willcocks, 1998; Takac, 1994). There is widespread belief among client organisations that IT outsourcing vendors possess better economies of scale in human and technological resources (Lacity & Hirschheim, 1993; Takac, 1994). As rising IT expenditures start to get out of control, exasperated corporate executives of client organisations opt for IT outsourcing (Lacity & Willcocks, 1998; Smith, Mitra & Narasimhan, 1998). With increased business volume, vendor organisations can utilise their resources more efficiently. The short-term contract allows the client organisation to assess the performance of vendor organisations before deciding if the contract should be renewed for longer periods. Poor

performance by a vendor organisation may cause the client organisation to refuse a contract renewal.

Improving technological capability or accessing more and better technology are among the top-cited reasons for IT outsourcing (Cullen, Willcocks & Seddon, 2001; Lacity & Willcocks, 1998; Seddon, Cullen, & Willcocks, 2007). Outsourcing enables client companies to avoid the risk of technological obsolescence as vendor companies are efficient in providing IT services that utilise state of the art technology (Levina & Ross, 2003; Yesulatitis, 1997). The short-term contract may encourage vendor organisations to improve their service delivery through superior technology in the hope of securing a long-termed contract. The short-term contract will also give the client organisation adequate time to gauge the performance of vendor organisations.

Even though short-termed total outsourcing (which includes outsourcing personnel) benefits client and vendor organisations, the uncertainty of such an arrangement puts the personnel under pressure. Staff members are unsure (1) if the contract will be renewed, (2) if the salary structure will be improved/maintained/reduced, and (3) about their status if the contract is not renewed. With that in mind, this research assesses the factors that influence the satisfaction level of personnel facing such a scenario. Specifically, we study the following factors: changes in the formal structure, changes in authority, changes in the company's atmosphere, changes in the company's strategies, and

information shared by the companies with the personnel. This research tests if there are significant differences in the factors before and after total outsourcing. We study two pairs of companies separately: a Dutch-American and a Dutch-German company. The outsourcing arrangement studied in this research is new and therefore, the findings can contribute significantly to the literature.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Many theories such as transaction cost economics, resource-based view, agency theory, theory of contracts, and social exchange theory have been used to analyse and explain the process of outsourcing. Kern and Willcocks (2002) have synthesised social exchange and relational contract theories and have developed a conceptual framework to explain client-supplier relationship in outsourcing. They argue that social exchange complements the relational contract and together, they address the legal, economic, and social issues related to outsourcing. The authors have identified key interactions and behavioural dimensions that pervade the working atmosphere. The interaction dimensions include: product/service exchange, financial exchange, service enforcement and monitoring, communication/information exchange, cultural adaptation, investment in resources and time, social and personal bonds. The behavioural dimension includes: commitment, conflict, co-operation, dependency, expectations, power, satisfaction, and trust. According

to Kern and Willcocks (2000), success of the relationship depends upon customer satisfaction, achievement of expectations and objectives, and longevity of the venture. However, we submit that in total outsourcing, satisfaction of (transferred) employees plays an important additional role. The following discusses cultural differences between the Dutch-American and Dutch-German pairs before proposing the hypotheses.

Cultural differences—Dutch-American and Dutch-German pairs

The variables that are studied in this research are changes in formal structure, changes in authority (leadership), changes in the company's atmosphere, changes in the company's strategies, and information shared by the companies with the personnel as influenced by the cultural differences between the company pairs (Zheng, Yang & McLean, 2010). Low cultural differences are said to positively influence joint venture performance (Heiman et al., 2008). Therefore, it is worthwhile to understand the cultural differences between these pairs. We use Hofstede's findings (2010) to understand the differences. According to author, (1) Americans are high on individualism, moderate on masculinity, low on uncertainty avoidance, and moderate on power distance; (2) Germans are moderate on individualism, high on masculinity, moderate on uncertainty avoidance, and low on power distance; and (3) Dutch are high on individualism, high on femininity, moderate on uncertainty avoidance, and low

on power distance. Hofstede has indicated that, in general, Americans and Europeans are different and within Europe, Germans and Dutch are different. The striking feature of the cultural differences is the difference in the level of masculinity/femininity, with the Dutch being high on femininity and German/American being high/moderate on masculinity. This dimension focuses on the extent to which society stresses on achievement and quality of life. Hofstede has stated that masculinity is a trait that emphasises on ambition, acquisition of wealth, and clearly demarcated gender roles; femininity emphasises on caring and nurturing behaviours, quality of life and relationship, and gender equality. We believe that this trait can make a difference in the work atmosphere and structure. In general, a Dutch-German pair of firms can be considered to be culturally 'closer' than a Dutch-American pair of firms when other cultural dimensions are taken into consideration. Therefore, the IT personnel moving from the Dutch company to German and American companies may experience a different working environment. As mentioned earlier, the Dutch, American and German companies are located in Malaysia. Scholars have indicated that host-country staff members are influenced by foreign MNC's culture and the staff members tend to adopt this culture in their work practices (Selmer & de Leon, 2002). In this study, we argue that employees moving from the Dutch company to an American or a German one will face cultural challenges.

Structural changes and employee satisfaction

According to Lee and Teo (2005), structural changes result in lower satisfaction of the affected employees because they are wary of the new situation and are not sure about what is in store for them. Batt (1995) reports that changes such as work restructuring can affect the employee's perception of well-being and satisfaction. Howard and Frink (1996) suggest that if employees see improvement in growth opportunities because of the changes, then satisfaction levels may rise. Consistent with Hofstede (2010), cultural differences may create misunderstandings that lead to lower levels of satisfaction. In this research, the contract period is short and the staff are not clear about the events that can happen at the end of the contract period. Moreover, they are joining a company with a different culture. Therefore, we propose the following hypothesis:

H1: The structural changes before and after outsourcing result in lesser satisfaction of employees.

Authority changes and employee satisfaction

According to Burke, Lake and Paine (2009) and Oreg (2006), organisational changes and resistance to change often result in employees reporting lower levels of job satisfaction. Structure and authority are inter-related. Consistent with the cultural theory (Hofstede, 2010), cultural differences

in authority may result in conflict that eventually lead to reduced satisfaction. The changes in structure due to complete outsourcing result in changes in authority which then increases the wariness of the employees (Lee & Teo, 2005). Therefore, we hypothesise the following:

H2: The changes in authority before and after outsourcing result in lesser satisfaction of employees.

Changes in the company's atmosphere and employee satisfaction

According to Baernholdt and Mark (2009), work environment (company's atmosphere) has a significant impact on employee satisfaction. There are two factors in our research context that will make employees feel uncomfortable: (1) moving from one organisation to another that has a different culture and (2) a higher degree of uncertainty because of a shorter contract. We believe that the new environment will be perceived as being stressful by the employees. Therefore, we propose the following hypothesis:

H3: The changes in the company's atmosphere before and after outsourcing result in lesser satisfaction of employees.

Changes in company's strategies and employee satisfaction

According to Zheng et al. (2010), structure, culture, and strategy are inter-related and

they have an impact on organisational effectiveness. Since the outsourced companies have cultures and structures different from the outsourcing organisation, we believe that the strategies of the companies may also differ. Employees may require time to adapt and the uncertainty element may make them feel uncomfortable. Therefore, we posit the following hypothesis:

H4: The changes in the company's strategies before and after outsourcing result in lower levels of satisfaction among employees.

Information shared by the company and employee satisfaction

Embleton and Wright (1998) in their practical guide to outsourcing suggest that it is very important for companies to share outsourcing information with their employees. This is critical to get the 'buy-in' from the employees. In the context of this research, it is even more important since the employees have to move to a new organisation. Power, Bonifazi, and Desouza (2004) believe that companies that do not communicate effectively to their employees about outsourcing stand the risk of permanently losing key employees and intellectual capital. Thus, the outsourced and the outsourcing companies need to communicate with the affected to allay their fears and concerns. We argue that the companies that communicate with their employees on the intention to outsource certain functions of the organisation will create more satisfied employees and the

outsourcing is likely to be successful. In light of the above arguments, we posit the following hypothesis:

H5: There is a positive relationship between the extent of information sharing about outsourcing and the satisfaction level of employees in both the outsourcing pairs.

METHOD

Primary data was collected through questionnaires from targeted respondents. The respondents for this research were IT staff members that were transferred from the Dutch parent company to American and German companies operating in Malaysia. The research instrument used for this study was a softcopy version of a self-administered questionnaire distributed via email. One hundred and forty questionnaires (70 questionnaires each for American and German vendors) were distributed and 66 and 55 completed questionnaires were returned by the respondents of the American and German company respectively.

Some Prefatory Remarks on the Client company (Dutch)

The client company (Dutch), with headquarters in Netherlands, is in the business of oil and gas. The company has been operating in Malaysia for more than 100 years and its activities in Malaysia include IT operations (besides Amsterdam and Houston) supporting internal IT needs globally. Due to stiff competition and globalisation, the company decided to

jump onto the bandwagon of outsourcing non-core business activities, such as IT, to focus more on its core business activity, which is oil and gas. However, this is not a typical outsourcing strategy, as besides outsourcing its IT functionalities, the company selected 'complete outsourcing' by outsourcing its entire IT department to several IT vendors along with its staff. A unique arrangement for this outsourcing activity is the multivendor situation where several IT vendors were selected to perform different IT functionality.

The American Vendor Organisation

The American IT vendor is one of the major IT players in the world with award winning IT standards and practices for IT activities. The company has been in operation in Malaysia for more than 30 years and the company offers a wide range of IT services such as consulting, maintenance, product integration, and support. The client organisation outsourced its desktop support services and related personnel to the American IT vendor company.

The German Vendor company

The German IT vendor is considered new in the IT business in Malaysia. However, the company has been operating in Malaysia in the energy, healthcare, and infrastructure sectors for the past 40 years. It company provides a variety of services including database and storage facilities. The client organisation outsourced its database and storage support services and

related personnel to the German IT vendor company.

Measures

Data from the questionnaire, highlighted two primary issues: (1) organisational level factors – structure, leadership, strategy, atmosphere, and information sharing and (2) individual level factors – job satisfaction. We adopted the 13-item scale developed by Jöns, Froese, and Pak (2007) to capture structure, leadership, strategy, and atmosphere. The scale captured the four dimensions before and after the outsourcing exercise. The degree of information provided by the employees before and during the period of outsourcing was captured by the four items adapted from Jöns et al. (2007). The six items adopted from Jöns et al. (2007) were used to measure the job satisfaction of the transitioned staff members before and after outsourcing. All the items of all the variables were measured using a 7-point Likert scale. In order to capture the changes due to outsourcing, differences between the item scores before and after outsourcing for each factor were computed. A copy of the questionnaire is given in the appendix I.

RESULTS

Some salient demographic characteristics of the respondents were: (1) 90% of respondents were less than 35 years of age, (2) 69% of the respondents had work experience of less than six years, and (3) 66% of the respondents were male. The descriptive statistics of all constructs for the Dutch-American and Dutch-German

pairs are provided in Table 1. Table 2 provides the mean values of the constructs before and after outsourcing. The mean values deserve further explanation. For the Dutch-American pair: (1) structural changes after outsourcing indicate less hierarchical and bureaucratic hurdles compared with before outsourcing, (2) leadership style after outsourcing is more authoritarian, (3) company's strategy (after outsourcing) emphasises more on performance, quality, customers, and innovation, (4) company's atmosphere (after outsourcing) leans more towards enhancing individualism and competition, (5) information shared with the employees is moderate, and (6) satisfaction level after outsourcing has reduced and is low. For the Dutch-German pair: (1) structural changes have not been significantly different after outsourcing, (2) leadership style after outsourcing is more authoritarian and the leadership engages less in decision making, (3) the company's atmosphere has not changed significantly after outsourcing, (4) the company's strategy (after outsourcing) puts more emphasis on performance, quality, customers and innovation, (5) information shared with the employees is moderate, and (6) satisfaction level has not changed significantly after outsourcing and is moderate.

We performed paired samples test to test if the changes after outsourcing are significant. From the results, it can be seen that the changes in all the constructs are significant for the Dutch-American pair and only the changes in leadership and strategies are significant for the Dutch-German pair.

Job satisfaction changes for the Dutch-German pair is not significantly different before and after outsourcing, and therefore, regression to identify the factors responsible for job satisfaction changes has not been performed for this pair.

However, job satisfaction among the employees of the Dutch-American pair has

significantly reduced after outsourcing. Thus, it is interesting to identify the factors that contribute to job satisfaction reduction for the Dutch-American pair. The hypotheses testing was done only for the Dutch-American pair. The correlation values between the constructs are given in Table 3.

Table 1
Respondent Profile

| | | Dutch-America | | Dutch-German | |
|-----------------|-----------------------------------|---------------|---------|--------------|---------|
| | | Frequency | Percent | Frequency | Percent |
| Ethnic | Malay | 13 | 20 | 17 | 31 |
| | Chinese | 32 | 48 | 22 | 40 |
| | Indian | 18 | 27 | 13 | 24 |
| | Others | 3 | 5 | 3 | 5 |
| Age | 20 -25 | 2 | 3 | 12 | 22 |
| | 26 – 30 | 18 | 27 | 25 | 45 |
| | 31 – 35 | 35 | 53 | 16 | 29 |
| | 36 – 40 | 8 | 12 | 2 | 4 |
| | 41 and above | 3 | 5 | 0 | 0 |
| Gender | Male | 45 | 68 | 35 | 64 |
| | Female | 21 | 32 | 20 | 36 |
| Work Experience | Less than 1 year | 1 | 1 | 5 | 9 |
| | 1 year - 3 years | 11 | 17 | 27 | 49 |
| | 4 years - 6 years | 23 | 35 | 17 | 31 |
| | 7 years and above | 31 | 47 | 6 | 11 |
| Job | Junior Executive, Engineer | 19 | 29 | 18 | 33 |
| | Senior Executive, Senior Engineer | 31 | 47 | 28 | 51 |
| | Manager, Team Lead | 15 | 23 | 9 | 16 |
| | Senior Manager or equivalent | 1 | 1 | 0 | |
| Total | | 66 | 100 | 55 | 100 |

Table 2
Mean (Standard Deviation) Before and After Outsourcing

| Organisation Changes | Dutch - American (n = 66) | | Dutch - German (n = 55) | |
|--|---------------------------|---------------|-------------------------|---------------|
| | Before | After | Before | After |
| Formal Structure | 5.18 (1.18)* | 3.98 (1.34)** | 4.04 (1.55) | 4.21 (1.75) |
| Authoritarian Leadership | 2.52 (0.80) | 4.00 (1.20)** | 3.62 (0.89) | 4.01 (1.14)** |
| Competitive and individualist Atmosphere | 2.51(0.92) | 4.27 (1.39)** | 3.55 (1.34) | 3.66 (1.40) |
| Competitive Strategy | 3.71(1.51) | 5.42 (1.09)** | 2.66 (1.08) | 5.36 (1.37)** |
| Job Satisfaction | 5.7 (0.96) | 3.94 (1.32)** | 4.21(1.26) | 4.43 (1.61) |
| Information Shared | | 5.04 (1.25) | | 5.10(1.13) |

Significant mean differences before and after outsourcing** p<0.01
*the number in the brackets is standard deviation

Table 3
Correlations for Dutch-American Pair

| | 2 | 3 | 4 | 5 | 6 |
|---|--------|---------|---------|-------|-------|
| 1 Job Satisfaction Changes (After-Before) | .332** | -.544** | -.605** | -.212 | -.018 |
| 2 Formal Structure Changes (After-Before) | | -.173 | -.445** | -.094 | .116 |
| 3 Authoritarian Leadership Changes (After-Before) | | | .742** | -.207 | .217 |
| 4 Competitive and Individualist Atmosphere Changes (After-Before) | | | | .057 | .084 |
| 5 Competitive Strategy Changes (After-Before) | | | | | -.204 |
| 6 Information Shared | | | | | |

** . Correlation is significant at the 0.01 level (2-tailed).

A regression analysis on employees job satisfaction changes was performed. The independent variables captured information shared and changes in structure, leadership, strategy, and company atmosphere. Table 4 shows the results of the regression. The salient features of the hypotheses testing results are as follows. For the Dutch-American pair: (1) with changes in the

satisfaction as the dependent variable – 46.1% of the variance in the dependent variable can be explained (F-value = 10.277, p-value = 0.000); among the variables, change in authority ($\beta = -0.412$, p-value = 0.012) and change in strategy ($\beta = -0.267$, p-value = 0.012) are significant. Thus, H2 and H4 are supported while H1, H3 and H5 are not supported.

Table 4
Regression on Job Satisfaction Changes (After-Before) for Dutch-American pair

| | Standardized Coefficients | t | Sig. |
|---|---------------------------|--------|------|
| Formal Structure Changes (After-Before) | .132 | 1.196 | .236 |
| Authoritarian Leadership Changes (After-Before) | -.412 | -2.594 | .012 |
| Competitive and Individualist Atmosphere Changes (After-Before) | -.227 | -1.346 | .184 |
| Competitive Strategy Changes (After-Before) | -.267 | -2.585 | .012 |
| Information Shared | .021 | .2140 | .832 |
| F | | 10.277 | .000 |
| R Squared | | | .461 |

DISCUSSION

This research sets out to address a very interesting practice of IT outsourcing – total outsourcing - which includes outsourcing employees of the client company, with a short-term contractual agreement between the client and vendor companies. Specifically, we have studied two important issues: (1) the changes in formal structure, authority, and company's strategies experienced by the personnel due to outsourcing (2) the effects of these changes on employee satisfaction levels due to outsourcing. Our study examined outsourcing of staff from a MNC which has cultural roots in one country to a MNC of another. The changes were observed by comparing the levels before and after outsourcing for both pairs. The changes are significant in the Dutch-American pair for all the constructs when compared with Dutch-German pair. Our earlier contention that the cultural compatibilities in the Dutch-German pair are closer than the Dutch-American pair is vindicated.

We have identified the factors that may impact on the satisfaction levels of affected employees. The factors that have been identified are: changes in the formal structure, changes in authority, changes in the company's atmosphere, changes in the company's strategies, and information shared by the companies with the personnel before outsourcing is implemented. For reasons explained earlier, the regression model was run for the Dutch-American pair only. Of the five factors, changes in leadership style (increased authoritarian style) and strategies (increased competitive strategies such as more emphasis on performance) have been found to negatively impact employee satisfaction levels. The management of client and vendor organisations must consider these vital issues before the personnel are transferred. These issues can be highlighted by the client and vendor organisations during information sharing sessions with the personnel.

One important challenge of outsourcing is cultural differences (Kvedaraviciene

& Boguslauskas, 2010). The cultural compatibility between the client and the vendor organisations is critical. This becomes even more significant when employees are transferred from client to vendor organisations. Dolgui and Proth (2013) discuss the negative effects of outsourcing and argue that outsourcing can potentially affect well-being of employees. Therefore, it is essential that the employees of client organisation are informed of the process of outsourcing.

Limitations

This study is not without limitations. First, we could not identify other companies that do total outsourcing. Therefore, our sample was limited to a Dutch-American pair and Dutch-German pair. Second, when this study was conducted, the changes in company were already being implemented. Therefore, the responses might include some element of bias. Third, the sample size was small because we considered only employees who were transferred to the vendor organisations.

Contributions and Implications

This study makes important contributions. First, this is one of the first studies that discuss a completely different type of total IT outsourcing where the employees (along with the activities) from the client organisation are transferred to vendor organisations. Earlier studies on outsourcing have focused on outsourcing activities and not people. Our research is based

on the actual practice in an MNC firm in Malaysia and therefore, widens the scope of outsourcing literature. Our study is an extension of Grover et al. (1994) on total or complete outsourcing. Another interesting feature of our study is the short-term contract (five years) agreement between the client and vendor organizations. This is an important contribution to the literature .

Second, we have highlighted the important role of ‘cultural compatibilities’ between the client and vendor organisations. Culture pervades an organisation, explicitly and implicitly, and has control over structure, strategies, and the work place. Therefore, managers are encouraged to study cultural compatibility between the companies before making a decision. .

Third, our study is different from the extant studies that mainly highlight cost savings and performance improvement in client organisations through outsourcing. We do not challenge these findings but encourage researchers to address ‘human aspects’ of outsourcing, especially when it involves the transfer of personnel. Our study shows that the cultural compatibility between the client and vendor organisations can play an important role in the success of this type of outsourcing. It is important for the client and vendor organisations to obtain the ‘buy in’ from the affected personnel before implementing the changes. If the employees are not satisfied with the arrangement, the outsourcing process is bound to fail.

Fourth, our study has highlighted the option of a short-term contract that

managers of client organisations can choose if they are uncertain about the future of the IT department and uncertain of its role. This option is especially useful for companies that are inclined to scrap their IT department without considering its strategic value addition. The contract period enables the both the client and vendor organisations to understand each other. It also helps clients 'take a call' on the strategic role of IT function in their organisations.

CONCLUSION

Based on this study, it is recommended the client selects a vendor with a similar organisation culture, one in which Formal Structure, Leadership Style, Competitive and individualist Atmosphere, and Competitive Strategy differences are smaller. Our study has found that the culturally closer pair (Dutch-German where there are no differences in Formal Structure, Competitive and individualist Atmosphere) is more effective in maintaining employee satisfaction level after the out-sourcing exercise as compared with a more culturally different pair (Dutch-America in this study, where all four organisation cultural components were significantly different).

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APPENDIX

APPENDIX I: QUESTIONNAIRE

Information Shared

Using the scale provided, please SELECT one number in each line to indicate your choice. Please answer all questions.

| 1 | During pre-outsourcing process (negotiation, signing of contract) did you feel adequately informed... | NO | | NEUTRAL | | YES | |
|----|---|----|---|---------|---|-----|-----|
| a) | Your company being involved in ongoing outsourcing negotiations? | 1 | 2 | 3 | 4 | 5 | 6 7 |
| b) | The consequences/matters for your own job? | 1 | 2 | 3 | 4 | 5 | 6 7 |
| c) | The vendor company? | 1 | 2 | 3 | 4 | 5 | 6 7 |
| d) | The expected changes in a timely manner? | 1 | 2 | 3 | 4 | 5 | 6 7 |

Cultural Changes

Please indicate your opinion both **before and after** the outsourcing exercise using the scale provided. Please **SELECT** one number in each line to indicate your choice. Please answer all questions..

| | | Strongly Disagree | | | Strongly Agree | | | | |
|----|--|-------------------|---|---|----------------|---|---|---|---|
| 1 | The company is strongly hierarchically organized. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2 | The company has a formal style (bureaucratic). | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 3 | The leadership style is cooperative (in contrast to authoritarian). R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 4 | Sharing information with employees is valued. R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 5 | Leaders have trust in their employees. R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 6 | Employees are involved in decisions. R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 7 | The company has a performance orientation. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | The company has a quality orientation. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 9 | The company has a customer orientation. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 10 | The company is receptive to innovations (new ideas). | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 11 | The company is characterized by team orientation (in contrast to individualism). R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 12 | There is a cooperative (in contrast to competitive) atmosphere between employees. R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 13 | Employees have trust in their leaders. R | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

R = Reversed-coded

Job Satisfaction

Please indicate your opinion both **before and after** the outsourcing exercise using the scale provided. Please **SELECT** one number in each line to indicate your choice. Please answer all questions.

| | | Strongly Disagree | | | Strongly Agree | | | |
|---|--------|-------------------|---|---|----------------|---|---|---|
| a) I am satisfied with my job. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b) I see a lot of career opportunities for me within the company. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c) I am not worried about my professional future. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d) I get along very well with my colleagues. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e) I am satisfied with the management/supervisors. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f) I am proud to be an employee of this company. | Before | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | After | 1 | 2 | 3 | 4 | 5 | 6 | 7 |