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Outsourcing and Customer Service – Cultures & Competencies

Abstract

Outsourcing requires staff from two organisations to work together to achieve sometimes conflicting ends. Practitioner advice suggests a matching of organisational cultures; however, whilst there is some research on the impact of national culture in offshore outsourcing, little attention has been paid to the issue of organisational culture, nor the type of interventions that may be useful. This paper discusses research on differences in organisational culture between suppliers and clients in outsourcing, and potential best-practice in staff development to reduce problems.

Introduction

Outsourcing is increasingly popular as a strategy to reduce costs and enable focus on 'core competencies'. Continued growth is likely during the current global recession, as organisations strive to achieve financial balance. The National Outsourcing Association (NOA) defines outsourcing as "*The provision by a third party organisation of services or a bundle of business processes that historically have been performed in-house.*" (NOA, 2009). Research suggests that 30% of outsourcing contracts do not achieve their goals and that up to 60% are not fully satisfied with their supplier (Deloitte, 2005; Logan, 2000), with a number referring to their relationships as 'difficult and uncomfortable' (Harris et al., 2005). Core issues include the development of strong and trust-worthy relationships (Beaumont, 2006; Johnsen et al. 2006).

One of the reasons given for relationship and performance issues is the difference in organizational culture between client and service 'outsourced' staff. Assessment of cultural match is often recommended as part of an outsourcing contract yet there is little advice on how to achieve this (e.g. Corbett, 2004). The people managing the bid from the outsourcing supplier are rarely the ones who will manage the project, meaning that advice to 'analyse the match with people' (see e.g. Bray, 2009) can be problematic. Furthermore 'cultural match' may not be considered important, with cost savings driving negotiations. Although a number of studies on offshoring have indicated national culture as an issue (see e.g. Avison & Banks, 2008), very little attention has been paid to organisational culture. Organisational culture can be viewed as a pattern of basic assumptions, values, norms and artefacts, which are shared by organizational members and which help them to make sense of events (Schein, 1992). Measuring culture is problematic, and it has been argued that understanding deeper levels of culture takes time (Schein, 1992). Cultural differences can lead to misunderstandings and lack of trust (Johnsen et al., 2006).

With outsourcing contracts it is not a question of merging two cultures, or developing outsourcing staff to be similar to their client - sooner or later the outsourced staff will move on to another contract. It is also important for them to maintain their identification with their employing organisation and ensure they represent their employer in negotiations. However, if the cultures and related behaviours are too different the client is less likely to trust the supplier and there is also an increased likelihood of misunderstandings (Lander et al., 2004). The competencies of staff from both organisations, including their awareness of cultural differences and their impact, may influence the extent of this problem. Suitable interventions to reduce such issues may include an audit of client culture and training for outsourced staff to improve their understanding of differences and their implications, although there has been little research on this. Johnsen et al. (2006) touch on issues of aligning cultures but highlight the need for research on the subject.

Objectives and Research Questions

This ongoing research aims to gain an understanding of the impact of differences in organisational culture on outsourcing contracts, and best practice for staff development to reduce issues. Research questions include understanding of the impact of cultural differences on client satisfaction in outsourcing contracts, which aspects of culture are most likely to create issues, and assessment of staff development to reduce related problems.

Design

Initial interviews with senior executives from both sides of outsourcing agreements indicate substantial cultural and behavioural differences and misunderstandings between the parties. Further ongoing research to assess the implications of differences in organizational culture between outsourcing companies and their client is currently taking place. A mix of semi-structured interviews and a survey developed for this research, using samples of staff from both client and outsourcing companies, will be used. Current interventions and training given to staff on both sides will be analysed, and a longitudinal control study is planned to assess which type of development activity is likely to improve relations and client perceptions of trust and competence.

Analysis of Data

Thematic analysis (Boyatzis, 2008) of the qualitative interview data will be used to aid understanding of key differences between the two types of organisations, and ideas for best practice. The survey results will be analysed to assess frequency of and any statistically significant differences between staff from both client and outsourcing organisation, across a range of variables linked to organisational culture, trust, communication, training interventions, and identification and engagement with both parties.

Potential Implications

This study will increase our understanding of the cultural and related behavioural issues that arise in outsourcing contracts, where staff from two, potentially opposing, organisations work together. The research should throw light on development of best practice to inform the type of interventions both parties can use to improve relationships and build trust.

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