Antecedents of Social Capital in Offshore Business Process Outsourcing: An Indian Field Study

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Abstract

Offshore Business Process Outsourcing is a major enabler of E-business strategy in many Western firms. However, due to geographical separation, offshore Business Process Outsourcing faces difficult task particularly transferring process knowledge from the client to the vendor. The BPO vendor firms also face the challenge of combining the knowledge gained from the clients to come up with effective solutions for the clients. Social Capital that exists between the client and the vendor teams and also amongst vendor team members is one important factor that facilitates knowledge transfer and combination. However, not much is known about the antecedents of social capital that facilitate knowledge transfer and creation. In this paper we describe a field study conducted among BPO vendors in India to identify antecedents of social capital. Four factors, viz. Process Structure; National Culture; Fear, Resistance & Top Management Involvement; and Employee Age, emerged as antecedents of social capital. Implications of these factors for theory and practice are also discussed.

Keywords: Team Social Capital, Alliance Social Capital, Knowledge Creation, Knowledge Combination, Effective Client Solutions.

1. Introduction

Offshore Business Process Outsourcing is a major enabler of many Western firms' E-business strategy (Kim, 2008; Robinson & Kalakota, 2004). Offshore Business Process Outsourcing (BPO) is a relatively new phenomenon and has been defined as the migration of part or all of the value chain activities to a low cost location (Robinson & Kalakota, 2004). The trend of outsourcing business processes by the Western firms to low wage and high skill areas like India, China, Ireland, Vietnam, Russian, Israel, and Philippines was started by pioneering companies like General Electric and it gained traction during the nineties. NASSCOM and McKisney estimate that the potential market for global offshoring is close to USD 3 trillion (NASSCOM-McKiney, 2005; NASSCOM, 2009). India is the #1 destination for offshore BPO and according to Gartner, a research firm the BPO market in India was worth $1.14 billion in 2010, up by 28.6% from the previous year (NASSCOM-McKiney, 2005; NASSCOM, 2009). What started off as an offshore migration of low skill, noncore operations like call centers and transcription services is gaining importance as more and more Western firms offshore their strategic business processes like market and equity research and research and development (Bhardwaj et al, 2010; Engardio & Einhorn, 2005; Roy & Sivakumar, 2010; Kumar &Puranam, 2012; Engardio& Weintraub, 2008).

Initially, companies focused on the outsourcing of information technology (IT), which transferred the responsibility of delivering IT from internal IT functions to thirdparty vendors (Hirschhiem and Lacity, 2000). Pioneered by Kodak in 1989, this trend of IT outsourcing has grown in scale and scope since then. Companies are reportedly outsourcing a wide array of IT functions, such as application packages, contract programming, telecommunications, systems integration and systems operation, to low cost locations in order to gain operational efficiencies (Grover, Cheon and Teng, 1996). Furthermore, companies now are not only outsourcing operations of their business processes to BPO vendors, they are also using outsourcing as a strategic tool and the outsourcing event as a strategic opportunity to bring about radical change in their business processes (Greaver, 1999; Linder, 2004). As a result, in many cases, BPO vendors are engaged in rejuvenating and redesigning relatively complex business processes that involve a lot of tacit and sticky client specific process knowledge (Economic Times, 2012; Engardio & Weintraub, 2008; Lewin et al., 2009; Malek, 2000). This requires a tremendous amount of knowledge acquisition and knowledge transfer activity, a problem that gets exacerbated in the context of offshore business process

outsourcing due to the geographical distribution of client and vendor teams. Research suggests that knowledge exchange and knowledge creation activities are greatly enhanced by social relationships and the processes of social exchange (Nahapiet and Ghosal, 1998; Yli-Renko et al, 2001). However, not much is known about the factors that create or deplete social capital between clients and offshore BPO vendors. Our research fills that gap in literature.

We conducted a field study to answer the question: What specific factors contribute to creation or depletion of social capital in offshore BPO engagements? It is important to answer this question because social capital enables knowledge transfer and only successful knowledge transfer will lead to successful offshore BPO outcomes. While researchers have studied the role of social capital in facilitating knowledge transfer between offshore client and vendor teams (Rottman, 2008; Zimmermann and Ravishankar, 2014), to our knowledge, no study has attempted to specifically identify factors that enhance or diminish social capital in offshore BPO engagements. We are able to identify four factors that are significant enablers or inhibitors of social capital in offshore BPO. This is the contribution of our research to the social capital as well as to the BPO literature. The rest of the paper is structured as follows: In the next section we discuss the theoretical background of our research. This is followed by a discussion of our research methodology. In the subsequent section we discuss our research findings and conclude the paper with a discussion of our results.

2. Theoretical Background

As mentioned, focus of this study is on antecedents of social capital in the context of offshore BPO. Theories on knowledge based view of the firm and social capital are particularly relevant in this context. We use these theories as the starting point of our investigation. Additionally, we reviewed a number of articles on Information Technology outsourcing, which, as mentioned in the introduction, precedes BPO and thus provides an insight in to the latter (Ang and Straub, 1998; Di Ramuldo and Gurbaxani, 1998; Elango, 2008; Hirschiem and Lacity, 2000; Kishore et al, 2003; Lacity et al, 2008; Lacity and Wilcocks, 1998; Palvia, 1995).

2.1 Knowledge Based View

BPO vendors that focus on developing effective solutions for their clients primarily rely on their ability to generate new knowledge - i.e., new know-how in terms of products and components, market research, and software solutions(Clegg et al., 2006). This view is consistent with the research that looks at a firm as a knowledge integration institution (Kim et al., 2012). In order to generate new knowledge, firms need to (a) acquire new knowledge and (b) combine acquired knowledge with their existing knowledge resources in innovative ways. BPO vendor firms primarily acquire knowledge from their clients very much like firms forming alliances to acquire knowledge-based capabilities (Cohen and Levinthal, 1990; Hamel, 1991; Hamel & Prahalad, 1989).

Knowledge acquisition is also a social process - i.e., individuals acquire knowledge by relating with other individuals in social settings. Cross and Sproull (2004) have established that people cultivate different kinds of information relationships, which in turn, contribute to useful knowledge transfer. Borgatti and Cross (2003) have theorized that the probability of an individual seeking information from another person is a function of knowing what that person knows, valuing what that person knows, being able to gain timely access to that person's knowledge, and perceiving that seeking knowledge from that person will not be too costly. Thus it is easy to see that social capital that exists between a client and their BPO vendor is an important factor in knowledge transfer.

2.2 Social Capital

Business process outsourcing projects typically involve (a) a critical evaluation of client's business processes (b) their improvement/redesign jointly by client and vendor teams, and (c) development and implementation of IT solutions to support the redesigned business processes by the vendor firm(Carmel and Tija, 2005; Freidman, 2007). These projects are knowledge intensive and require the vendor firm to gain a substantial amount of knowledge, both domain specific and process specific, about its client firm's business processes (Subramani,

2004; Subramani & Venkatraman, 2003). Given that social capital enhances knowledge transfer and creation, it is reasonable to expect that the social capital that vendor teams possess with respect to a particular BPO project should help them learn about their client's specific knowledge, which in turn should help them create effective business process solutions (Orr, 1990; Starbuck, 1992; Subramaniam & Youndt, 2005; Tiwana & McLean, 2005; Yli-Renko, et al., 2001).

Nahapiet and Ghoshal (1998) argued that the intellectual (or knowledge) capital of a firm is created through complex social processes of knowledge exchange and combination(Heene et al, 2008). These authors defined social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghosal, 1998). Nahapiet and Ghosal have identified three dimensions of social capital, viz. structural, relational, and cognitive. The structural dimension refers to the overall pattern and configuration of connections between actors. This term describes the pattern of connections between actors - i.e. to whom can an actor reach and how to reach them (Nahapiet and Ghosal, 1998). It is easier to create social capital when actors interact with each other frequently and face-to-face. In offshore BPO arrangements, this possibility is severely restricted as the client and vendor team members are thousands of miles apart and mostly interact virtually.

The relational dimension of social capital refers to assets created and leveraged through personal relationships (Nahapiet and Ghosal, 1998). Relational social capital is built through trust and trustworthiness, norms and sanctions, obligations and expectations, and identity and identification (Nahapiet and Ghosal, 1998). Trust is easier to develop among members of the same organization due to homogeneity of norms and where competition and opportunistic behavior are lower (Nahapiet and Ghosal, 1998). In offshore BPO engagements these factors are largely absent and therefore it is difficult for actors to develop trust. This problem is further acerbated due to fear in the minds' of employees at the client firms that their own jobs will be lost to a lower paid worker at the vendor firm (Carmel

and Tija, 2005; Freidman, 2007). This results in their mistrusting members of the client teams and withholding information from them.

The cognitive dimension of social capital refers to the resources within relationships that provide shared representations, interpretations, and systems of meanings (Nahapiet and Ghosal, 1998). These may arise from shared visions and mission of an organization as well as from the common organizational culture and vocabulary that employees share in a firm(Schulz, 2009). Shared understanding among people is especially critical for exchanging tacit knowledge (Nonaka, 1994; Camarinha-Matos et al., 2011). In offshore BPO relationships, opportunity to develop cognitive social capital is restricted as the client and the vendor team members do not share the same organizational culture and vocabulary and are rarely in close physical proximity to pick up tacit knowledge through non-verbal clues (Vlaar et al., 2008). Furthermore, communication patterns are culture specific (Carmel and Tija, 2005; Hall and Hall, 1990; Hoecklin, 1995). Hence it becomes even more difficult from different national cultures to come to a shared understanding. Studies have alluded to miscommunication between offshore vendor and client teams, especially in the context of Indian vendors and Western clients (Carmel and Tija, 2005; Rottman, 2008). Thus creation of social capital in offshore BPO engagements offers unique challenges.

Not much work has been done in establishing the antecedents of social capital. In a recent study, Lawson and colleagues (Lawson et al., 2008) examined the antecedents of social capital on buyer performance improvement. Their study concluded that the range and intensity of integrated activities between a buyer and its key suppliers and the closeness of key suppliers as reflected in their willingness to respond to a buyer's needs build social capital between the buyer and the supplier. Through their empirical study, Parzefall and Kuppelwieser (Parzefall and Kuppelwieser, 2012) concluded that in an intrafirm setting, job security builds social capital, while workload and likelihood of organizational change deplete it. Presutti and Boari (2008) did an empirical study of factors that affect creation of social capital at a new firm within a cluster

of firms and concluded that while the embeddedness of a startup inside a cluster has a positive influence on the relational and cognitive dimensions of social capital, it negatively influences the structural dimension. Juliana Sutanto's study is on the effect of network ties on relational social capital and knowledge contribution in virtual communities (Sutanto, 2013). This empirical study concludes that formation of weak ties has a significant influence on the members' sense of identification with the community, which in turn positively affects their volume of knowledge contributed in the community. To our knowledge, no one has yet studied the antecedents of social capital in the context of offshore BPO.

3. Research Methodology

The purpose of this research was theory elaboration(Maitlis, 2005). We drew from theories of Knowledge-based View of firms and Social Capital and extended some important ideas from that research. Theory elaboration is an appropriate method to use when preexisting ideas can provide the foundation for a new study, and thereby obviatethe need for theory generation through a purely inductive, grounded design (Maitlis, 2005).

We conducted a field study that covered fourteen BPO Vendors in India. The unit of analysis for this study was the BPO providers. We chose India as it is the #1 destination for US and the Western European firms to outsource their business processes to (Kearney, 2009; Kearney, 2007). For example, all major US corporations have outsourced some of their business processes to India and the amount of BPO to India is increasing, both in value and in the complexity of processes (Economic Times, 2012; Engardio & Weintraub, 2008; Lewin et al. 2009; Malek, 2000; Ribeiro, 2011). Furthermore, the vendor perspective in outsourcing has not been researched much (Currie &Seltsikas, 2001; Levina & Ross, 2003) and this study fills that gap as well. Initial contact was made via e-mails sent out to personal contacts and to persons referred by them. A one page summary of the background and the overall focus of the study were e-mailed to the target firms(Cooper and Emory, 1995). Fourteen companies that operate in the

BPO provider space in India agreed to participate in this study. These companies were chosen to accommodate a wide variety of BPO providers.

In each firm we selected mostly senior management and a few middle-management personnel for our in-depth interviews. The senior and middle management personnel fitted well into the role of key informants (Cooper and Emory, 1995; Strauss and Corbin, 1997) as they had the requisite seniority in their respective firm, requisite experience, and sufficient knowledge of the BPO industry to engage in detailed, in-depth discussions with us. In-depth interviews are the primary method used for data collection in qualitative research as interviews thoroughly exhaust concepts (Strauss & Corbin, 1997). Also, relying on such "theories-in-use" of thoughtful practitioners for theory building and enhancement is advocated as an appropriate and desirable method for studying a phenomenon that is new, and thereby, lacking in systematic and rigorous research (Cooper and Emory, 1995).

3.1 Data Collection

We developed a protocol for conducting our semi structured interviews. We developed a questionnaire (given in the Appendix) that focused on eliciting the interviewees' views on how social capital might be built or depleted in the engagement of their firm with the client firms. Each interview began with an introduction to the purpose of the research and some of the questions that we were going to ask during the interview. This served the purpose of establishing a rapport with the interviewee as well as it helped in creating an understanding of the purpose of the study (Strauss & Corbin, 1997). The rest of the interview was an in-depth probing of the BPO provider's views on the issues of interest. In all 18 interviews were conducted, lasting over 18 hours. Interviews were taperecorded, and transcribed. We also took field notes that supplemented transcripts. Transcribed material was independently reviewed by two researchers to look for patterns within each interview and for convergence around themes across interviews. In some cases a followup interview was conducted to clarify the interviewees' position and to dig deeper in to their thoughts. In addition to the

interviews, trade reports on the BPO provider companies of interest and their websites were examined.

3.2 Data Analysis

As mentioned, the first set of 18 interviews was transcribed and analyzed to look for patterns. Two researchers independently looked at the interview data and highlighted quotes that pointed toward some common theme. In all we identified four themes that emerged from our data. In the following table, we summarize representative quotes that helped us identify the themes/categories of factors that enhance or deplete social capital. The logic behind a category and its effect on social capital is developed in the Findings section:

Themes	Quotations
Process Structure	"For me knowing the structure of their business process - what gets done when, where, and in how many steps - is more important than knowing the person who is actually carrying out that process."
	"We have perfected processes to a science."
	"Now, that particular banking process itself doesn't require banking knowledge but it is composed of series of steps. And you need to understand those steps."
	"[Offshore outsourcing] is a learning experience for both the client as well as for us because they have not outsourced it to anybody until now, so they do not know the intricacies or the difficulties anybody might face. But when they outsource from US to India there is a time difference and face to face interaction is less, so everyone realizes that people need to rely on a more structured way of knowledge transfer."
National Culture	"My team here knows very well that at heart we are Indians - polite, respectful, and we have to learn quickly so as to keep this great job that has come to us after years of struggle. We are here to please our customers, and that's it."
	"The concept of a weekend in a Western concept. My team members are willing to work 24X7 on client problems. "
Fear, Resistance, & Top Management Involvement	"There were five of us [being trained by the Clients' employees] and they [the Clients' employees] knew that they were very likely to be shown the door once they were done. It will be foolish to expect that there will be high camaraderie [between us and them] in such a situation. It is their Top Managements' responsibility to ensure that the process [of knowledge transfer] goes forward as smoothly as possible in a very difficult situation."
	"I would say that leadership at the client companies should educate their employees about offshoring and they should show their commitment to make offshoring work in their company. This is clearly a responsibility of their top management. "
Employee Age	"We have a high level of energy here. It is always like a bunch of bright college kids working on their class project. I am 45, and sometime feel like their grandfather."
	"When Citibank came to India in early 90's, there was a joke in Citibank that at the age of 28 the only person who is not a Vice President in Citibank is the ATM."

4. Findings

Analysis of data revealed that four factors affect social capital between the client and the vendor firms as well as amongst team members at the vendor firm. These factors throw interesting light on the mechanisms which facilitate creation or depletion of social capital and, thereby, knowledge transfer.

4.1 Factor #1- Process Structure

The first factor that seems to affect knowledge transfer between the client and the vendor firms was the very structure of the business processes chosen for offshoring. Generally, more structured the business process that was to be outsourced, was the lesser the need for face-to-face interactions was felt between the client and the vendor teams and therefore lesser the need for social capital. In fact reducing the need for face to face contacts seem to be a key objective of both the client and the vendor firms as such reduction not only results in the cost of offshore transition, but also accelerates it. For example, one key informant remarked:

"Knowledge transfer is the easier part because over a period of time we have got some structured methodology for knowledge capture. It all boils down to this: If you have documented the business process well, and have used appropriate tools for doing that, then there isn't much people dependency and the moment you remove people dependency from a process, transition is successful."

"In India we are very process oriented - our motto is 'see and key' (meaning, input things exactly as you see them) - the more the things are in an autopilot mode, the better they are."

Indian BPO firms have their roots in IT Outsourcing, which by its very nature relies on a structured form of knowledge transfer. These firms seem to have successfully bridged the proximity gap with clients through structures like documentation, procedures, process maps and models when they undertake BPO work for their clients.

For example, one manager at the vendor firm highlighted the importance of process structure by claiming that the process structure was even more important than the relationship between the process transferor and the transferee:

"However, given the fact I might share a very good relationship with you or I might be in the same organization having the same views and having the same background is not all that important because for me knowledge transfer does not even begin until I know the structure in which to capture the knowledge. That is why process structure is important."

What is interesting here is the mindset of these managers: They seem to be comfortable working at a large distance from their counterparts at the client companies and didn't appear too concerned with the lack of personal contact.

The kind of process structures that the vendor firm looks for are:

"First we ask questions whether clients have any documents, if they have any process maps, flow charts and process flows."

In response to our question, "In your view what are the factors which facilitate knowledge transfer between the client and the vendor?" managers at one vendor firm gave us the following feedback:

"The first thing I think is planning. You have to first map all the things that are required to bring a process here, move the process from one location to another, basically identifying the technology requirements, like in what kind of applications will the new process be used, and how connectivity works."

Offshore BPO is now over a decade old. In this time, employees at vendor firms seem to have become savvy at nuances of BPO - what kind of process knowledge is required, and also to exigencies like time differences between clients and vendors. And they seem to have devised mechanisms for knowledge transfer which are efficient and effective. A few more representative quotes point to the same learning which seems to have occurred vis-à-vis offshore BPO over the past decade are as follows:

"It is attention to details, walking through the process

as it is now without regarding what it should be, and logging all communication interfaces that happen - those are the key parts [of knowledge transfer]"

"It [knowledge transfer] all comes down to how well defined and well documented the processes are and how well structured they are: if these three conditions are met then we can pick up that process at our end without there being much need for a face-to-face meeting with the client."

"So the trainers are training and are getting trained on the processes. If they do very good documentation of the standard operating procedures, if they document the exceptions properly, then the knowledge transfer becomes that much more seamless. However where they fail to capture the process details, or fail to do the documentation, then there is a possible knowledge loss. If the documentation is robust and if it is checked and counter checked by the clients then normally knowledge transfer is good."

In summary, regarding this emergent theme, knowledge about how business processes are structured is a key success factor for successful in offshore BPO. When the vendor team understands the structure and logic of a business process, then they are able to transfer it to their end without much difficulty. In other words, a well-structured process is an efficient and effective way of turning tacit knowledge in to explicit, which can be transferred even with low levels of social capital existing between the transferor and the transferee. Therefore we propose,

P1: Process structure affects the need for social capital between clients and offshore BPO vendor firms - more structured the process that is outsourced, less will be the need for social capital.

4.2 Factor #2- National Culture

The second factor that emerged from the interviews as being salient in building social capital between the client and the vendor firms was the national culture at the two firms. Good command of Indian vendor team members of English language was often cited as an important factor in facilitating knowledge transfer between the client and the vendor firms. But, on deeper

examination, distinct cultural factors also seem to be contributing to knowledge transfer and dissemination, especially at the vendor firms.

One important distinction between the US and the Indian culture is that the US culture is more short term oriented while Indian is more long-term oriented (Hofstede, 1983; Hofstede, 1993). Due to their long term orientation, people in India seem to value knowledge and learning for their own sake and are willing to spend extra time and effort to learn new things. This point is highlighted in the following remark by one of our interviewees:

"You have to be adaptable. The entire [Indian] culture teaches you that. You struggle all through and then you learn to adapt. This is what I have learnt - the adaptability and some such behavioral traits are taught more by the environment rather than by the business schools. There is technical competence and there is behavioral competency:behavioral competence is what the environment teaches a person."

What he meant by "behavioral competency" is an ability to be willing to learn new things. This is an important trait that seems to be helping the BPO vendor firms to become value added partners to their Western clients.

And also:

"The greatest ability or weapon which I would say Indian managers have is that we are highly adaptable. We are highly knowledge oriented; we have short learning curves, and we are highly adaptable to change. Therefore our learning is quick."

The point here is that the employees at vendor teams are willing to make the extra effort to capture knowledge about client's business processes although there may not be much opportunity for them to work alongside their Western counterparts. In other words, to an extent employees' willingness to go the extra mile in their job is helping them learn about client's business processes.

Another clear distinction between the Western culture and the Indian is along the dimension of individualism-collectivism (Hofstede, 1983; Hofstede, 1993). While the US and many Western European countries have a highly individualistic culture, Indian culture is much more collective. This collectivism shows itself at work at the

BPO vendor firms. As one key informant remarked:

"For example: In the U.S, people would come in - a person would start his work at whatever time he is supposed to start, he would go for his scheduled meetings and not to any unscheduled meetings, he would not do much of the small talk. So, he does 8 hours of productive work. While with Indian teams, other factors come into play. An Indian team might have planned 8 hours of work but there are some unscheduled things that might come up, and a team member would go for those also. He is also open to giving and taking suggestions. That is loss of his productive time. That may also be one of the reasons for him to stretch his time commitment because although he may have planned for 8 hours of work, he ends up spending 2 hours in helping somebody, getting into couple of unscheduled meetings, etc. From organization's perspective, Indian teams are much better because people are there for one another."

It is this collectivist orientation of Indians that seems to be prompting the vendor team members to put in extra effort to do things for the group and in return acquire knowledge of the client processes and improve them.

Another key informant seemed to be of the opinion that the collectivist culture of India is prompting employees at his firm to sacrifice their personal time to meet project deadline for their clients.

"In Indian companies the tendency is to be on the lower side in terms of time constraint and then pushing the people involved to their extremes. For example, people working long hours and working on weekends is quite common here."

Indians are known to mix work and personal time (Spector et al; 2007). It is a cultural trait that, in our opinion stems from the long term cultural orientation - that the time that I sacrifice now will later help me move ahead in life.

Still another key informant was of the opinion that because of the collective culture of India, employees at his firms are also more adaptable than their US and Western European counterparts:

"In Indian teams, the adaptability and flexibility of the team is a key factor. A very simple example -like if suddenly your PC or laptop computer stops working, a team member sitting in U.S. would call the tech support, while an Indian IT engineer would say - "give me a screw driver". So, even though it's not a part of his job, he would still make it happen because that is the adaptability ingrained in the person."

What is at play here is a blurring of roles. In the collectivist mindset, a problem that arises is not just 'my' problem but a problem that affects others as well; it is a collective problem. We feel that due to this collectivist mindset, there is high social capital within vendor teams and therefore there is higher knowledge dissemination and creation. Many of the members on vendor teams had never set foot on the offshore client premises. However, they interact very closely with those who have been to client firms and build up their own knowledge through frequent and close social interactions. Collectivist cultures may not be very conducive to creating breakthrough ideas and solutions (Cerne et al; 2013), but as far as offshore BPO is concerned, these cultures seem to have considerable effect on knowledge transfer and creation.

Some informants talked about the cut-and-dry approach of the Americans when it comes to knowledge transfer, which, they felt, did not provide many opportunities for informal interactions that would build friendship. For example, they described the attitude of the employees at the client firms as follows:

"I work for five days and that is my job"

"My work life and personal life are separate, and they better remain separate."

"If you guys want to work over the weekend, good luck to you… I am playing golf."

In India the idea of keeping one's personal and work life separate is quite foreign. People get involved in their fellow workers' lives and that is not considered rude or inappropriate. Such a culture, in our opinion, provides a greater opportunity for building social capital and learning from one another.

Still another distinction between the culture at US (as

well as at many Western European countries) and the Indian culture lies along the dimension of power-distance (Hofstede, 1983; Hofstede, 1993). While the US and many Western European countries are low on power-distance, India is high. This results in a higher respect for and acceptance of authority. How this dimension seems to be playing out at the BPO vendor firms is captured in the following quote:

"Indian teams are willing to stretch. They would focus on projects. It's easier to convince an Indian guy who is brought up on Indian value systems, to sacrifice his personal time for the project. There is a high degree of personal rapport and respect for authority, as we have a softer side because we have grown up in a culture where we are used to listening to our parents and grandparents. When it comes to being flexible, in the U.S, people would say "No, I've planned my weekend already."

In response to a question to a key informant: "How would you contrast your team with the client team you interacted with"? He said:

"Usually when we are in the US we are very conscious of their time. So if I am in India I can afford going five minutes late to a meeting. However at the Client firm, I will always be five minutes early. In India I can call a meeting at 5.30 pm; there I have to wrap up by that time or inform them ahead of the time that it's a requirement and so we have to meet at 5.30 pm. So you have to respect the cultural differences. When you conduct a meeting in the US you define it according to their style. In the US the level of interaction at a personal level is very low; here in India everyone knows about what's going on in their peer's house. I will know all about what my friend is doing. But in US that level of intimacy will be with a very few people."

Also, Indian teams work odd hours to accommodate American team's working hours:

"Our teams have fixed work timings: 2 PM to 10.30 PM. In winters it shifts by an hour - so we start work at 1PM."

Another key informant said: "Due to time difference, we will stay up till 2 or 3 am for a meeting to begin with the client, but they probably didn't realize what we were doing and would cancel a meeting by just sending an email."

Another key informant made the following comment on the flexibility of the Indian teams:

"I think people here are more into growth and are more open. I think in the US or UK, people are a lot more function specialists, their roles are a lot more defined. The attitude or drive to go across one's assigned tasks and find a solution is lot more in people in India than in the US or UK."

Thus it can be seen that a firm's national culture affects the dynamics of building social capital and knowledge transfer -firms operating in more collectivist and power-distance cultures have quite different dynamics than those firm that are at the opposite end of the spectrum. Therefore we propose:

P2: National culture at the client and the offshore BPO vendor firms has impact on enhancing or diminishing social capital between clients and offshore BPO vendor firms.

4.3 Factor#3- Fear, Resistance, & Top Management Involvement

The third factor that seems to be affecting the social capital between the client and the vendor firms turned out to be the fear of losing one's job to an offshore worker. This leads to resistance to offshoring, and often requires the top management involvement to deal with such situations. What we found was that the fear of job loss is quite prevalent in the Western firms. For example, one key respondent remarked:

"Oh yes there was a lot of resistance to our [vendor] team and we never felt welcomed at the client firm. Some time we would feel like predators and it was not at all a pleasant feeling. I think the solution to this kind of a situation is that a lot of assurance has to come from their top management. I can only do my best to be courteous and non threatening. But it is their top management that has to do the bulk of the work."

Another key informant echoed similar sentiments:

"[When it comes to losing one's job] all that I can do is to be polite and courteous; but I cannot guarantee their jobs. Employees at the client firms need to accept

the reality of their losing jobs to offshoring. So even after being polite and courteous, if I face resistance, then I have to seek their top management's help in smooth transfer of knowledge."

Still another key informant remarked:

"I think fundamentally at some level people accept their situation. For example, suppose I am losing my job and you are there on site to get trained, then it is really nothing about you and it is really nothing about me - it is a decision taken at a corporate level by two decision making bodies. The top management needs to communicate well with the employees the need and rationale for offshoring, and then the resistance is less."

This issue of fear of job loss has been cited by others as well (Carmel and Tija, 2005; Friedman, 2007; Zimmermann and Ravishankar, 2014). During the US presidential election in 2004, there has been a lot of political hype that the US is losing well-paying jobs to India. The term 'Bangalored' was coined to refer to refers to people who have been laid off from a multinational because their job has been moved to India (Wikitonary). Publication and immense popularity of Thomas Friedman's "It's a Flat World" (Freidman, 2007) also contributed to creating the perception that the US (and other Western countries) will lose many jobs to workers in India who are willing to work hard and at odd hours. Senator Bryan Dorgan's book "Take That Job and Ship It" (Dorgan, 2006) is particularly vocal about the loss of good jobs in the US to offshoring. Similarly, then CNN anchor Lou Dobbs rallied public sentiments against 'dangers' of offshoring (Dobbs and Myers, 2004). However, many other studies have come to the conclusion that the fear of large scale migration of jobs from the US to offshore destinations like India is largely unfounded. For example, a study by the Information Technology Association of America concluded that offshoring has actually created more jobs in the US (Web Reference, 2004). Still, the point remains that offshoring is a sensitive topic in the US and the resistance that vendor team members experience is partly due to all the negative image of offshoring.

One way suggested to mitigate resistance to offshoring was:

"In case of resistance to offshoring, companies must go back to the principles of why they are off shoring - they need to revisit the strategic initiative and articulate that vision to their employees."

And another key informant said: "Companies that have long experience with offshoring have a five year plan. They assure their employees that they will not be retrenched, but relocated. That is a very important factor in assuaging fears around offshoring."

In the same vein, a key informant said:

"One way to handle this issue [of resistance] is to communicate to the client company employees the benefits of our efforts. For example, if the processes are E-enabled, then they will become more efficient and the employees will be able to work from home. So they should not feel that once they part with their knowledge then they will become redundant; instead they should feel that when the process will be automated it will benefit them. That's how I have worked on it. There have been a few occasions when I got 100% noncooperation. In that case I had to work with the top management."

However, in some companies, due to the company policies and practices, resistance to offshoring was not experienced. For example, according to one interviewee, the client company had created mechanisms for the vendor and the client teams to feel as being part of the same company:

"We do not become a threat to the client company as they treat us as an extension of their organization - they treat us exactly the way they treat their own people. For example, if there is a contest for their employees, then our team also participates in that contest."

Sentiments similar to the above - that if the client organization's employees are made aware of the benefits of offshoring then their resistance decreases - were expressed by another key informant:

"At some time they become aware that team built in an offshore location like India is an extension of the existing team and if they accept that fact that this team is not really taking away jobs from them and is here to support them, then the resistance is much less."

And in a similar vein, another manager remarked:

"Everybody is scared of sharing knowledge - if I pass on the critical knowledge to the other, initially I do not know how it is going to impact me. So only when they start trusting and they know that these people are here to help us and not to take away our job, then they become more open and then they share their knowledge."

Another key informant said: "I experienced a lot of resistance to knowledge sharing and transfer at the client firm. Then I went to the boss of those employees and we worked out a protocol about knowledge transfer that also involved the boss and things worked better."

So, in conclusion, this is a very tricky issue where facts, fiction, hype, and emotions freely mix. Clearly, the Top Management at client firms has a critical role to play in addressing the concerns of their employees. One interesting way in which client firms seem to be handling this issue of employee resistance is by relying on remote knowledge capture. Vendor firms try to capture knowledge about business processes by using tools that capture the key strokes of what the employees at the client firms are doing, and learn from such activities. This way, the client firms also avoid drawing attention to their offshore BPO efforts. Therefore we propose:

P3: *Fear of job loss at client firms is an inhibitor of social capital between the clients and the offshore BPO vendor firms.*

P4: *Top management at the client firms has a significant role in reducing the fear of job loss at client firms as an inhibitor of social capital between the clients and the offshore BPO vendor firms.*

4.4 Factor #4- Employee Age

One theme that emerged concerned the age of the employees as positively impacting the building of social capital and knowledge transfer. Our key informants talked about the average age of the employees at the vendor firms being about half that of the employees at the client firms, and how this age difference plays itself out in knowledge transfer situations. For example:

"Our team is very enthusiastic. If you look at the India BPO vendor firm's profile, most of them are fresh graduates, this is their first job and in India this industry pays well so you know they are working in an international BPO, and their needs like food and transportation are taken care of. So their salary is just pocket money… you know this is good money for their first job and their desire to do something, their age, their enthusiasm, everything kind of works together. Consequently, here you have highly motivated employees, eager to share their knowledge with their team members - very much in the spirit of students doing class projects at a college."

Another manager echoed similar views about the employees at the vendor firms:

"The average age of employees here is around 25 years. This generation is very professional and they know that their work is important to them. They are ambitious and interact with coworkers and clients professionally. This is the key factor why they are so keen on learning and sharing new things, in cooperating and thereby enhancing their careers."

Some of the vendor campuses that we visited in India indeed resemble college campuses, with free or subsidized food, free transportation, and many recreational facilities. Employees that we spoke with seemed very energetic, happy, and friendly. This observation seemed to go along with the comment from a manager:

"Environment at our firm is very much like a college campus - people here bond well and bond fast."

Regarding the attitude to knowledge sharing of employees at the vendor firms, one manager remarked:

"We have not seen any resistance to knowledge sharing. People here are also looking to move from one offshored business process to another process and learn more. Their philosophy is to learn as much as possible as it increases their market value."

How this trait of the employees at the vendor firms is affecting the attitude of their clients are borne out by the following remark of a manager at a vendor firm:

"Normally the age profile of people who are working here is much lower than at the client firms, and the effort

that they put in is very high. For example, we were recently bidding for work from one UK client and during his onsite visit he told us "It is amazing the way you do your work here and work so diligently." I knew that at that point he had taken a decision to outsource work to us. He came with an understanding that work in London is complex and could not be offshored here. However, after looking at some of our operations and processes he decided to offshore his work to us. The soft factors that helped us were the energy and the seriousness of our employees."

Another interesting dynamic on how the age of the employees at the vendor firms has a positive effect in knowledge acquisition is revealed in the following remark:

"See, if you take a person with 30 years of experience and try to teach him a different type of banking concept he will probably take much longer to unlearn his practices and then learn the new practices; so there is an unlearning and learning cycle time. While if you take a 26 year old fresh graduate who is very intelligent, who understands the rudimentary concepts, then that person's learning curve is much sharper and steep. Thus hiring a person who doesn't know ABC of merchant banking is not really scary; it is only the learning curve which is important and since he is young and malleable, he absorbs knowledge much more rapidly than an older employee."

All this discussion about how employee age at the client firms is helping them is summarized in the following remark:

"Factors that help us absorb knowledge faster are: technical competence of our firms and the amount of effort that an Indian team can put in as compared to a Western team. Number of working hours and the productivity is higher here. UK teams have not shrunk but they have stagnated as we have grown here. We have grown by 60-65 % last year and this year as well. We are handling more independent projects here and we have a strong leadership team to support the processes."

Thus it can be seen that the age of employees at the

vendor firms has a bearing on the social capital between the client and the offshore BPO vendor firms as well as in the offshore BPO vendor teams. Therefore we propose:

P5: Age of employees at offshore BPO vendor firms has an impact on the social capital between the clients and offshore BPO vendors.

5. Conclusions and Discussion

In this research we started with the theoretical lens of social capital to explore what role social capital at the alliance and at the firm level play in knowledge transfer and creation in the context of BPO. Contribution of our research is that we have identified four factors, viz., Process Structure, National Culture, Fear, Resistance, & Top Management Involvement, and Employee Age, as being enablers of social capital in the context of BPO.

Of the above four factors,as far as process structure is concerned, vendor firms are happy with well-structured business processes as it reduces their dependence on soft knowledge. They even try to capture details of the process steps by relying on software tools that capture minutest process details at the keystroke level. This allows them to transfer the process to their end without much face-to-face interaction with the clients.

While remote knowledge capture has many advantages- like reduced cost and circumventing employee concerns regarding offshore BPO - it is not suited for all processes. One large BPO provider in India classifies business processes on a scale of 1 to 5. Of these, #1 &#2 processes, like customer billing, are fairly straight forward and knowledge about such processes can be captured easily. Such processes can also be handled by relatively inexperienced employees of the vendor. Processes at level #3, like mortgage processing or customer risk assessment, require the intervention of a domain expert. Some face-to-face time is required in such cases for the vendor to capture the knowledge of the process. Still higher level processes, like medical claim settlement, require human intervention. For example, a US qualified medical professional will be needed to verify medical claims. In such cases, knowledge cannot be transferred to the vendor without face-to-face meeting with a domain

expert. Naturally, requirement of social capital will vary depending on the nature of the process. Still, better the process structure, less the need for social capital to capture its knowledge.

National culture emerged as another salient factor that seems to be affecting social capital and thereby knowledge transfer. Here our findings are interesting because all the vendors in our study were Indians and most of their clients were the US firms. In terms of Hofstede's model of National Culture, India and the US are quite dissimilar(Hofstede, 1983; Hofstede, 1993). This dissimilarity was noticed in the approach of the Indian teams in relying on an affinity for the group, in their flexibility in working hours, and in their adaptability and their willingness to make sacrifices in the short term so as to achieve longer term gains, to name a few. It is also interesting to note how these cultural dissimilarities are handled in the client-vendor interactions so as to make the knowledge transfer go smoothly. Some of our informants said that they see palpable changes in the current generation of 20-something employees in India who are becoming more individualistic than their older colleagues. These employees are less enthusiastic about sharing knowledge and value personal gains over team gains. Still another insight here is that quite a few of the vendor firms have adopted practices and techniques like quality control and six sigma. For example, one key informant, when asked about the tendency of the Indian teams to miss deadlines, mentioned that at his firm deadlines are not output based but are based on activity. They also have implemented the toll-gate approach where outcomes are evaluated at each step of the project before committing resources to the next step.

 Regarding the sensitive issue of the fear of job loss at the client firms, one significant finding of our research, as discussed above, lies in the increasing reliance on remote knowledge capture. Other salient factors in this respect are the involvement of the top management at the client firm and the professional attitude of the employees themselves. It was also mentioned to us that the actuality of job loss due to offshoring is less severe than the perception thereof. This is borne out by various studies that haven't found correlation between

offshoring and reduction in employment in the US (Khimm, 2012; Ottaviano et al, 2012). One key informant told us that large US firms that offshore their business processes are not actually firing their employees but are relocating them. So, the take away here is that it is very important for the top management role to clearly articulate its vision regarding BPO, communicate it well to its employees, and thus assuage their fears and resistance to knowledge transfer.

As far as vendor companies located in India are concerned, there are some interesting demographics at play: It has one of the youngest populations in the world. Median age in India is 25 yrs. Given a population of 1.2 billion, that amounts to a population of 600 million that is under 25 years of age (Wikipedia, 2014). India produces nearly 300,000 engineers every year - that is five times as many as the US produces (Carmel and Tija, 2005). For the past decade India has shown fairly good economic growth and currently it is the third largest economy in the world in terms of purchasing power parity (Wikipedia, 2014). Because of these favorable factors, Indian youth sense good growth opportunities and are willing to work hard to pursue their "American Dream" in India itself (Freidman, 2007). In short, a combination of all these factors has made a large workforce of young, hardworking, English speaking, college educated youth available to IT and BPO firms. Some of the mindset of this workforce is reflected in the above quotes. Despite political saber rattling over offshoring of jobs, in our opinion, this is a win-win situation for both the client companies (and countries) as well as for the vendor companies (and countries). As one of our key informant (an Economist) remarked:

"Any arrangement that reduces the cost function and improves productivity has to be beneficial for all the parties."

As discussed earlier, this is an exploratory study and, therefore, is limited in its scope. Future research can build on our research and conductmore interviews to identify additional constructs that affect social capital. This can be followed up with quantitative research to understand the impact and importance of the factors identified in this and future research. Secondly, this

study was done by interviewing managers at the vendor firms in India. Similar studies can be carried out at the client firms as well as at vendor firms in other countries for better generalizability.

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Acknowledgement

Appendix: The Interview Guide

The following main issues were explored with informants of offshore BPO vendor companies.

1. Introductory remarks: Describe who we are and the purpose of our study (with reference to the cover letter already sent to the interviewees).

2. Questions about the interviewee's firm and their role in BPO: General and specific questions like whether the firm has moved higher in to the value chain of BPO work, if yes, how? What factors prompted such a move? Whether or not the BPO firm views itself as a strategic partner with the client firm? Questions about the role of knowledge acquisition from the client about their business processes, services, and products in offering innovative solutions; questions about the role of knowledge creation in enhancing client satisfaction.

3. Questions about the mechanism of acquiring knowledge from the client firm: How does the BPO firm acquire knowledge about the client's business processes, services, and products? How much of it is formal, how much is informal? How much time do the client and vendor teams spend in face-to-face communication, how much in technology-mediated communication? How do vendor teams get to understand the client business - the explicit as well as the tacit parts? How much of a role does the culture at client firms play in the structuring of their business processes?

4. Questions about the social capital at the alliance level: What formal and informal mechanisms are there for the vendor team to interact with the client? How frequently? How many contact points are there? At what level? Are there any formal/informal rules and mechanisms in place about what knowledge can the vendor team ask for? Does the vendor team identify itself with the client firm?

5. Questions about the mechanism of knowledge creation at the vendor firm: How does the BPO firm disseminate knowledge about the client's business processes, services, and products amongst team members? How much of it is formal, how much is informal? What factors facilitate and hinder knowledge dissemination and creation among the team members?

6. Questions about the social capital at the level of the vendor team: What formal and informal mechanisms are there are for the vendor team to interact amongst themselves? How frequently? How are teams structured? Is there continuity from project to project so that team members get to spend longer time with one another? What is the organizational culture? How would they describe the level of trust among team members? Will team members be willing to go an extra mile to carry another member who is lagging behind? Do team members get work done outside of office hours?

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