Attributes of Communication Quality in Business Process Outsourcing Relationships: Perspectives from India-Based Insourcing Managers

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ABSTRACT

In the past decade, offshore business process outsourcing (BPO) has gained considerable momentum within the global economic landscape. Western companies tend to outsource their business processes to emerging economies, such as India. Research indicates that high quality communication is a crucial element in the success of outsourcing relationships. However, in practice, communication is a problematic factor. In this paper, the authors analyse this complexity by developing and applying a theoretically based BPO-communication quality model. In the empirical part of this study, communication attributes associated with business process outsourcing are investigated through semi-structured interviews with Indian insourcing managers. Multiple communication issues are identified and categorized into several main attributes of communication quality. The model and the findings can be used for further research in the field of BPO. In addition, practical suggestions are provided to resolve the current communication problems and improve outsourcing relationships.

Keywords: Business Process Outsourcing, Communication Quality, Information Management, Project Management, Service Management, Service Provider

INTRODUCTION

Western companies outsource a wide range of business processes to developing countries, such as India. According to Mickoleit et al. (2009), India’s business process outsourcing (BPO) market is growing by 20% a year, thereby doubling every four years. As Gartner (2009) reports on the BPO industry in India: “By the end of 2008, the top 20 India-centric BPO providers accounted for $4 billion in revenue, representing 5 percent of the $80 billion revenue of the top 150 BPO service providers.” Gartner (2009) also “expects this trend to accelerate because of economic pressures that are leading to demand...
for low-cost BPO.” When looking at the future of India and its position in the BPO industry, Joshi & Madigonda (2008) suggest that “for the next 8-10 years, and possibly even beyond that, India is likely to retain its number one position in offshoring of services” (p. 224).

Advantages of outsourcing mentioned in the literature are cost reductions, improved focus on core competences, access to better resources and technology, increased flexibility, and more predictable cost structures (Ghodeswar & Vaidyanathan, 2008; Gonzales et al., 2005; Gottschalk & Solli-Saether, 2005; Joshi & Madigonda, 2008; LaMonica, 1998; Lee & Kim, 1999; Nair & Prasad, 2004; Winkler et al., 2008). However, BPO also has its downsides. Tafti (2005), for example, describes contracting processes as a risk factor, arguing that services are often difficult to define in perfect detail. Other common problems of BPO are related to cultural differences, difficulties in assessing the costs of outsourcing projects, privacy and security issues, difficulties related to trust, and dependency on the external service provider (Collet, 2004; Gottschalk & Solli-Saether, 2005; Rao, 2004).

Overall, the many disadvantages might outweigh the advantages. Kakumanu and Portanova (2006) claim that user needs are occasionally “lost in translation”, referring to the general problem of communication difficulties associated with outsourcing arrangements. The issue of communication problems has been identified by many other researchers. Shelby (1994) reports on communication problems causing differences in expectations regarding technical, functional, and aesthetics specifications. Lee and Kim (1999) emphasise the accuracy of communication, also often an issue in outsourcing arrangements. Although communication may not be a goal in itself in outsourcing arrangements, many researchers point to the prevailing effects of communication on the success of outsourcing deals (Grover & Cheon, 1996; Lee & Kim, 1999; Mohr & Spekman, 1994; Winkler et al., 2008).

There are many definitions of communication, for instance differing in level of abstraction or including normative judgement (Littlejohn & Foss, 2008). “Scholars have made many attempts to define communication, but establishing a single definition has proved impossible [...] A definition should be evaluated on the basis of how well it helps scholars answer the questions they are investigating” (Littlejohn & Foss, 2008, p. 3). For this research, definitions of communication by Miller (1966) and Hoben (1954) seem useful. Miller (1966) states that communication refers to “those behavioral situations in which a source transmits a message to a receiver(s) with conscious intent to affect the latter’s behaviors” (p. 92). And Hoben (1954) states that communication simply is “the verbal interchange of thought or idea” (p. 77) and that the communication process includes “the inter-related sending skills (speaking and writing) and receiving skills (listening and reading)” (p. 77). Accordingly, for this research communication is defined as sending data from the sender to the receiver. The communication quality depends on both the skills levels of the sender and the receiver, and the quality of the communication channel. According to Winkler et al. (2008), communication evolves through time and is deeply rooted in the different cultures. We may therefore expect communication problems to increase whenever significant cultural differences are involved.

Although many researchers identify the influence of communication quality on the success of outsourcing, the number of subsequent studies on what drives communication quality seems to be limited (Grover & Cheon, 1996; Mohr & Spekman, 1994; Winkler et al., 2008). Lee and Kim (1999) identify communication quality of crucial importance to the success of outsourcing arrangements, because only through mutual understanding can the activities required be defined (Lee & Kim, 1999). Furthermore, Kakumanu and Portanova (2006) identify communication problems as one of the most predominant factors of failure in outsourcing arrangements.

Therefore, the aim of this explorative research study is to develop, validate, and apply a model of the influence of communi-
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