Strategic Factors Enabling Effective Offshore Relationships;
A Model from the Vendor Perspective

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Abstract - Outsourcing is one of the emerging and most profitable business activities in the global market. It is with that interest this research is focused on identifying strategic factors facilitating effective offshore relationships. The research analyzed the complexities of these factors using a hybrid research methodology (mainly qualitative and use of quantitative techniques) and resulted factors are categorized into primary and supportive strategic factors. The primary factors include; professional values, strategic drives, supply & delivery management, service marketing capabilities, value-creation approaches, innovation management, client segmentation & alignment, personal relationships, dealing with management theories, and sustainable development. The supportive factors are; business nature, planning & control, knowledge management, CSF awareness, offshore effectiveness, team management, governance, PEST factors, risk awareness, and Sri Lankan offer/branding. These factors are then used to craft an effective offshore relationship model while introducing Offshore Relationship Index followed by 3-Step policy undertaking process to support strategic offshore relationship management.

Index Terms - ITO, Consulting, Offshore Relationship Index, Strategic Factors

I. INTRODUCTION

Information technology outsourcing (ITO) & consultancy is emerging and profitable business phenomenon in the modern business context. However, the decision of making ITO investments is becoming increasingly challenging for the strategic management.

The term outsourcing is defined as "the act of transferring the work to an external party" by Power et al. [1] and it has three components in nature; the client, the vendor, and the project. The focus of this research lies in the area of 'the vendor' with adequate emphasis on the client as well as projects towards establishing effective offshore relationships.

Sri Lanka has been achieving significant growth since its inception in outsourcing business and Information and Communication Technology Agency of Sri Lanka (ICTA) identified six reasons as the country's attraction for outsourcing business [2], namely; lower labor cost, lower operational cost, tax incentives, time or distance advantage, duty exemption on capital goods, and cultural similarity. Its performance was enough to reserve the 29th position in the 2007 Global Service Location Index (GSLI) proposed by A.T. Kearney [3] - a survey conducted by A.T. Kearney on the basis of corporate input, current remote services activity and government initiatives to promote the sector. However in view of global perspective, India for instance, is a strong competitor in hardware, software, and business process outsourcing with a market growth of 29% in 2006 [4].

Whilst USA and UK are on top of IT services growing & demanding countries, developing countries such as Sri Lanka and India are becoming the choice of destination for offshore initiatives. The need to analyse various factors ranging from financial attractiveness to operational excellence has become crucial and this demand has set Sri Lankan vendors with tremendous pressure to cope up with challenging business environments and hence, the need to establish effective relationships with clients as well as other industry players is crucial in achieving business goals. In order to facilitate this 'need of the hour', this research emphasises on identifying strategic factors enabling effective offshore relationships of Sri Lankan ITO and consulting companies in view of achieving operational success and strategic growth.

II. BACKGROUND

Outsourcing is a matured business practice in global business context and Sri Lankan offer is in par compared to rival nations in Indian sub continent [3]. However,

35

there are diversified factors to consider and selection of relevant supportive characteristics towards effective relationships is essentially important.

ITO includes both product and service offering for clients. Although product offerings need a carefully designed plan and resource management towards the delivery, the service offerings seem more complicated. Frei [5] highlighted four things that a service company should get right in the journal of Managing Uncertainty published by Harvard Business Review in 2008. Firstly *the offering*; the emphasis is to determine how customers define "excellence" when it comes to the service offering and then plan to deliver the same. It is equally important to understand things that shouldn't do in the process of delivering the same. Secondly *the funding mechanism*; it's the cost factor incurred in the process of delivering 'the offering' and the decision whether to charge the client or not. If the client is to be charged, then the decision for the exact figure is crucial. Thirdly *the employee management system*; here the focus is on the process of recruiting, selection, training, job design, and retention while empowering employees to deliver 'the offering'. Finally *the customer management system*; the idea here is to understand the customer behaviour and manage the relationship when attributed to offshore business. It includes diversified factors both from strategic and operational management point of view.

A. Strategic Insights

It is essential to understand what is meant by 'Strategy' and how it dealt in offshore business in particular. Davies [6] has the following opinion in view of the word 'Strategy' and its use in today's business context.

"Strategy is from the Greek strategos, which means general. In the Greek city-states, the military general was responsible for formulating a plan for bringing the legislature's policy decisions to fruition and for implementing that plan. In business, strategy is a design or plan for achieving a company's policy goals and objectives. Whereas, policy defines the company's goals and objectives and its operational domain, strategy decides how the company's goals and objectives will be achieved, what operational units will be used to achieve the company's goals and objectives, and how those operational units will be structured. Strategy also determines what resources will be needed to achieve the company's goals and objectives and how these resources will be acquired and used. Strategy is a design or plan that defines how policy is to be achieved."

Moreover, from the general management point of view, strategy is about defining/redefining company's position, making trade-offs where necessary, and forging fit among activities. Strategic positioning and operational effectiveness together with an intense focus on innovations, is the key for consulting and outsourcing companies to become a success [7]. In order to achieve this objective, an organisation needs to possess competent workforce, healthy business processes, products, and services along with strong financial structure in a business friendly economic and social environment. Therefore, a smart company always has the right offshore strategy, the process, the country, the firm for the job or the right ownership option, and the governance structure [8].

Similarly, in view of global business focus, Porter [9] highlights two fundamental factors; industry structure and sustainable competitive advantage, which determine profitability of a given organisation. However, in customer perspective, he argues that outsourcing can reduce near-term costs and improve flexibility while eroding company distinctiveness and increasing competition by lowering barriers to entry.

Outsourcing needs to be looked at differently than traditional service oriented business. It is important to understand the players the organisation needs to deal with as well as proper strategies in order to successfully position in the global market. Brandenburger and Nalebuff [10] introduced a value net concept based on game theory which consists of five players – the company, customers, suppliers, substitutors, complementors – together with added values, rules, tactics, and scope emphasising strategic management not just to play the game right but also to chose the right game to play.

Sustainable business strategy needs focus on critical success factors in positioning the company in the value net. Gottschalk and Solli-Saether [11] in their research identified that core competence management and stakeholder management are on the top of the critical success factors list of forming a best outsourcing partnership framework. Using a similar model, Webb and Laborde [12] highlight that successful relationships lead to successful outsourcing arrangements which gives long-term favourable results for stakeholders. When seen in this light, A.T. Kearney [3] suggest a strategic framework namely, 'clustering' strategy, to benefit the organization in the long run where the service providers are able to focus on their competent market segments leveraging core competencies.

Conceptualising strategic issues is also important as highlighted by Pati and Desai [13]. Hence critical evaluation of both client and vendor strategies towards relationship management is essential to derive any sustainable long-term relationship model. In view of the vendor, Knights and Jones [14] discuss how India leverages core business competencies towards evaluation of the global offshore phenomenon to uplift the country's positioning as an offshore destination. On the other hand, Currie [15] highlights that it is equally important for the clients to understand the strategic positioning of IT suppliers and vendors to focus their business segments towards delivering unique results in view of establishing strong relationships. Gallivan and Oh [16] identified a very comprehensive analytic framework in visualising these relationships. This approach suggests a focused categorisation of relationship types using four cells. They are; Simple

outsourcing (One Client, One Vendor), Multi-Vendor (One Client, Many Vendors), Co-Sourcing (Many-Clients, One-Vendor), and Complex (Many Clients, Many Vendors). However, in a more theoretical context Yao and Murphy [17] discuss how traditional outsourcing and recent application service providers (ASP) differ when the focus becomes relationship development. In modern context, it is also equally as important as other business strategies to consider value capturing and networking strategies in order to further strengthen business success and West [18] explores different business models against the free and open source software (FOSS) development strategies. Adding further to client perspective, Erickson and Ranganathan [19] identified offshore project management capabilities in line of offshore outsourcing effectiveness, project planning and control, project governance, and team management capabilities to achieve a successful offshore initiative as a common goal.

The economic factors could also play a major role when it comes to outsourcing business management and execution. The World Bank [20] survey on "Building the knowledge economy" highlights these needs attributing and aligning towards four pillars; the business environment, information infrastructure, an innovation system, and human resources. The business environment is the focus on private sector to be innovative and establish entrepreneurial initiatives using legitimate incentives. Information infrastructure is an essential factor in establishing a liberal regulatory structure that allows for competition and private sector participation towards to developing high quality and low cost networks. An innovation culture with the use of R&D and available technology resources is also important while developing life-long, demand-driven, and quality education system.

A.T. Kearney [21] highlights the importance of supply management as a general strategy for an organisation and identified seven key strategies to pursue in order to bring in more agility in to day-to-day business. Offshore service providers also benefit from these strategies with necessary customization in line with service offerings. Strategies in brief: *Develop category strategies*; focus not only internal functions, but also across service providers. *Develop and managing value-adding relationships with suppliers*; focus on developing and managing suppliers. *Design and operate multiple supply networks*; leveraging multi-company capabilities in new ways. *Leverage technology*; focus on enhancing productivity and effectiveness. *Collaborating internally and externally with clients and suppliers*; consider it as a strategic drive to enhance quality of business operations. *Attracting and retaining supply management talent*; focus on satisfaction and retention of resources. *Managing future supply management*; focus on tailoring the functions to facilitate future needs.

The delivery management aligned with other factors is also considered a key drive in achieving client delight and exceed expectations. Hence, a methodology is needed to follow and control the delivery. Meso and Jain [22] discussed leading agile development methodologies towards fulfilling this need. The methodologies include; Extreme Programming (XP), Adaptive Software Development (ASD), Feature-Driven Development (FDD), and Scrum. These methodologies would bring vast range of benefits towards delivery management with agile practices such as frequent releases and continuous integration, demanding frequent feedback, proactive handling of changes to the project requirements, loosely controlled development environment, adequate planning instead of extensive planning, enhancing continuous learning and continuous improvement, and emphasis on delivering working software products.

Innovation is another key aspect which brings uniqueness to the service or product delivery in ITO operations. US organisations those are accountable for tremendous growth in the period of 1995 to 2000 introduced significant innovations in business practices [23] and ITO is a major contribution in achieving the same. Thus, it is crucial for the vendor to focus on latest, perhaps appropriate technological aspects in achieving delivery excellence.

However, there are several risks associated in ITO business. As Tafti [24] highlighted, an offshore business needs to possess a risk assessment framework by considering factors such as privacy & security, contracts handling, technical returns, loss of IT expertise, hidden cost, outsourcing scope, and the decision process in order to formulate a strong strategic partnership. It is also important to consider the strategic fit towards the given country and Jayakody and Sanjeewani [25] has identified best practices of Sri Lankan firms which are important to consider when the focus becomes long-term smooth operations while reaching the globe. Franceschini et al. [26] identified outsourcing as an excellent way to improve processes and grow businesses, but at the same time, improper use might lead to companies losing their skills and knowledge, which are difficult to recover.

B. Expert Views

It is very important to understand the service oriented business as it involved the 'People' factor. The vendor needs to be focused as well as transparent in dealing with business relationships. The future demand for organizations seems obvious and Harvard Business Review (HBR) has below to quote [23]:

"The dissemination of business best practices means survival today requires speed and innovation-and greater adoption of information technologies"
— Paul A. Strassmann, Executive Advisor, NASA

However, there is another aspect to it. Even though vendor's objective is to promote businesses and attract customers, there needs to be a significant focus on

client's priorities. HBR [23] has below to quote towards this line of thinking too:

"Rather than help companies understand that IT is only a tool, technology vendors have tended to present it as a panacea. "Buy this technology and all your problems will be solved.""
— John Seely Brown, Former Chief Scientist, Xerox & John Hagel III, Management Consultant and Author

A comprehensive and a good quality Service Level Agreement (SLA) would also lead to a successful offshore operations and client-vendor relationships. Niranjan et al. [27] identified that good SLA should incorporate different metrics and continuous process related measures. These metrics mainly include parameters in the lines of output, quality, responsiveness, efficiency, risk management, reporting, and incentives.

Risk management is another key strategic factor when dealing with global businesses. "Risk management is not about not taking any risks. Rather, it is the capacity and the organisational capability to asses the risk and return of each business decision" – A.T Kearney, Management Agenda, 2008. A.T Kearney [28] proposed a risk management framework highlighting key components namely; people and culture, systems, tools, indicators, organisational model, process, and strategy towards managing risks.

Theories, sometimes called as 'sophisticated explanations', originated from concepts and it is very import for strategic management personnel to make sure effective use of these concepts in the practical use. Kurt Lewin once said "There is nothing so practical as a good theory". Hatch [29] identified different applications of organisation theory in the modern business context. When it comes to strategy and finance, the theory come into picture in structuring activities and designing organisational processes towards improve value of a company and monitor and control performance. Marketing management is also important and it is applicable in aligning the organisation and its brand strategy towards the corporate objectives. Designing and promoting the use of information systems while supporting value chain management towards operations is also crucial. Furthermore, the fundamentals of general management function such as providing sophisticated content in HR practices and managing communication systems across the organisation are also considered practical application of such theories in business management.

C. Summary

It is clear at this stage that strategies would have diversified impacts and strategic nature does not allow logical grouping under specific characteristic type. Hence, it is the convergence of these factors which makes effective offshore relationships.

Professional values (Skills, Capabilities, & Values); unlike other industries, especially when compared to manufacturing, ITO is highly revolves around professionals who are directly involved in the business process and software development lifecycle (SDLC). These professionals are to deal directly with customers when performing daily operations and their skills, capabilities, and personal values (values) are significant factors towards effective relationships.

Supply & Delivery Management; when considering the vertical dimension of business relationships, where the company transact and interact in daily operations, it is crucial to make sure proper management of supply (any service to support core business) and delivery (the output) for a successful client-vendor relationship.

Strategic Drives; vendors may adopt many forms of strategies to facilitate smooth and profitable business execution. Some organisations benefit by adapting to onshore-offshore operational models whereas other companies may adapt different strategy to deliver products or services for clients. This is a vital factor and proper use would lead to amazing results towards implementation of effective offshore relationships.

Client Segmentation & Alignment; it is sometimes wiser to become specialised in limited number of domains rather than tapping in to range of possible domains. This is to provide focused and customised services towards exceeding client's expectations.

Service Marketing; the 'people' factor involved in service marketing is an important factor and aligning rest of the marketing components is considered important in outsourcing business operations.

Innovation Management; the dynamic behaviour of the offshore industry is important to consider in service offerings. In order to survive and be competitive in the global markets, it is essential to distinguish the company's service offering from rest of the players.

Value-creation approaches; value-creation needs to be a focus in overall delivery functions not limiting to releasing software products or services. The emphasis needs to be at a broader level covering all the aspects of business operations.

Sustainable Development; business continuity in view of identifying potential risks and risk management is a critical factor in dealing with long term relationships with clients. Both client and vendor have to be aware of the need of long term planning and growth potentials of both the entities.

Implementation Capabilities of Management Theories; bridge the gap between business management theories and practical scenarios is also a key in business success.

CSF Awareness; awareness of both the client's and the given vendor's critical success factors would bring a competitive edge for both the entities. This would further strengthen the company's strategic management effort towards successful business initiatives.

Knowledge Management; capturing, retaining, and providing sufficient access for information in line of

day-to-day business operations (both technical and non-technical) is as important as sharing knowledge in an open forum for the benefit of future business operations.

Personal Relationships; most of the business initiatives are based on personal relationships and it has major impact in business continuity. It goes beyond theoretical control but still very effective in creating and managing client-vendor relationships effectively.

Offshore Effectiveness; periodical audits and proper communication protocol is essential in delivery management in achieving goals of offshore initiatives.

Business Nature; vendors are to provide range of products and services offerings in today's outsourcing market. Strategic fit among operational and corporate objectives is essential to facilitate smooth execution of delivery.

Planning & Control; plan for the unplanned and controlling the planned initiatives are equally as important as other factors. This too facilitates smooth execution of service offerings in view of vendors.

Sri Lankan Offer/Branding; this is one of the client's criterion to choose Sri Lanka over other outsourcing destinations and it has very high impact in the procurement process from the client's perspective. SLAs are then fabricated and come to effect throughout the business engagement where maintaining proper relationships would come in handy for long-term outsourcing initiatives.

Governance; it is important to establish clear definition of roles and responsibilities while conducting periodic reviews towards smooth operational and strategic management of offshore operations.

Team Management; this is a key when it comes to people management towards successful collaborative projects and proper internal (vendor) and external (vendor-client) communication protocol is the key to drive successful offshore projects.

Risk Awareness; risks are inevitable for any business and so does to ITO. Hence, establishing a risk mitigation plan towards business continuity is essential.

PEST Factors; macro-environmental factors affect businesses in many ways. Therefore, it is essential to perform environmental scanning towards identifying long-term and short-term trends for successful business management.

III. Methodology & Design

Outsourcing business is still a growing industry in Sri Lankan context and hence, very little published research in view of client-vendor relationships. Therefore, the methodology adopted in this research is a hybrid methodology consisting both qualitative and quantitative characteristics.

A. Concept Framework

The research outcome facilitates new and existing Sri Lankan offshore service providers to make use of a methodical framework to delight the customers and obtain the strategic advantage by generating more profits and enhancing the global presence. Offshore industry consists of vendors who provide products and/or services for global clients and their demands are considered as an input for the concept framework. The contributors consist of strategic management personnel who are mostly representing policy level or senior management of a given offshore company. It is necessary for the research to focus on the process of strategy implementation and leverage the knowledge to model a relationship framework. Oracle Corporation proposed a structured framework [30] to manage strategy initiatives. However, there are multiple sources of data to support conceptualising the relationship model and these concepts are then used to craft the relationship model to facilitate effective relationship management for Sri Lankan offshore companies.

B. Design Framework

The overall research design framework consists of logically grouped activities and following is the discussion of each of the contributing elements.

Concept Paper; this activity includes research idea generation and concept validation using academic and industry feedback.

Objectives; it involves the identification of research objectives.

Literature Review; focuses on comprehensive study of published materials in the subject area of the research.

Informal/Pilot Interviews; conduct informal data gathering interviews with academic and industry professionals for concept verification purpose.

Conceptualise the Model; find the mapping of concepts towards effective relationships.

Characteristics; represent the identified set of characteristics from the literature.

Qualitative Analysis; analyse the data using decision support modelling and analysing techniques.

Quantitative Analysis; high-level quantitative analysis of data captured using a questionnaire.

Verify/Validate the Model; verify and validate the model using analysis techniques.

Strategic Factors; represents the list of most significant strategic factors facilitating effective offshore relationships.

Effective Offshore Relationship Model; represents the model based on the research findings.

Decision Explorer^{TM}; is a modelling tool as discussed in Tan and Platts [31], and Kurul [32] for analysis purposes.

Fig. 1 is the diagrammatic representation of the research design framework.

Fig. 1. The design framework

IV. DATA COLLECTION

Evidence for the study has gathered from multiple sources. Primary methods include interviews and review of documents whereas questionnaire is used as secondary mechanism to collect evidence. However, when compared to six sophisticated qualitative research data collection methods highlighted by Yin [33], observation mechanisms are excluded considering the practical use of such method towards the nature of this research.

A. Techniques

In-depth interviews and review of documents are among the primary methods of data collection techniques used in this research and a semi-structured questionnaire is used to streamline the facts gathered during these interviews. The questionnaire is also used as a tool to streamline in-depth interview discussions and it helped in accessing valuable insights from industry professionals who works on very busy schedules but willing to contribute for this research.

B. Sample Selection

Below table summarised the sampling mechanism used in this research. The stakeholders considered in the research include vendors (representing entrepreneurs and strategic management personnel) and a US based client to represent the client's view.

TABLE I
SAMPLE SELECTION SUMMARY

Attribute	Description
Research type	Hybrid (Qualitative & Quantitative)
Sampling method	Non-probability Purposive Sampling – [34]–[37]
Vendors (core)	Creative Search Technologies, eCollege, Infinity, Informatics, Interblocks, JKCS, Mubasher, Navantis, Sabre, Valista, Virtusa, WSO2
Vendors (pilot)	Creative Search Technologies, Mubasher, Navantis, Virtusa
Client	Siemens Energy & Automation, USA

V. ANALYSIS

World's leading businesses strive for diversified advantages using outsourcing as a strategic tool. The use of the tool is not just for cost savings, but also to use as a strategic tool to penetrate into more businesses. Better skills in specific operations, expanding into adjacent activities & markets, and other productivity & revenue generation levers as highlighted by Hagel [38], and Daga and Kaka [39] are on top of its usages. McKinsey Global Institute, a leader in business analysis, stated below [40]:

"The global market for offshored IT services and business processes has nearly tripled since 2001. However, a study finds that service providers have so far captured only 10 percent of a $300 billion opportunity.
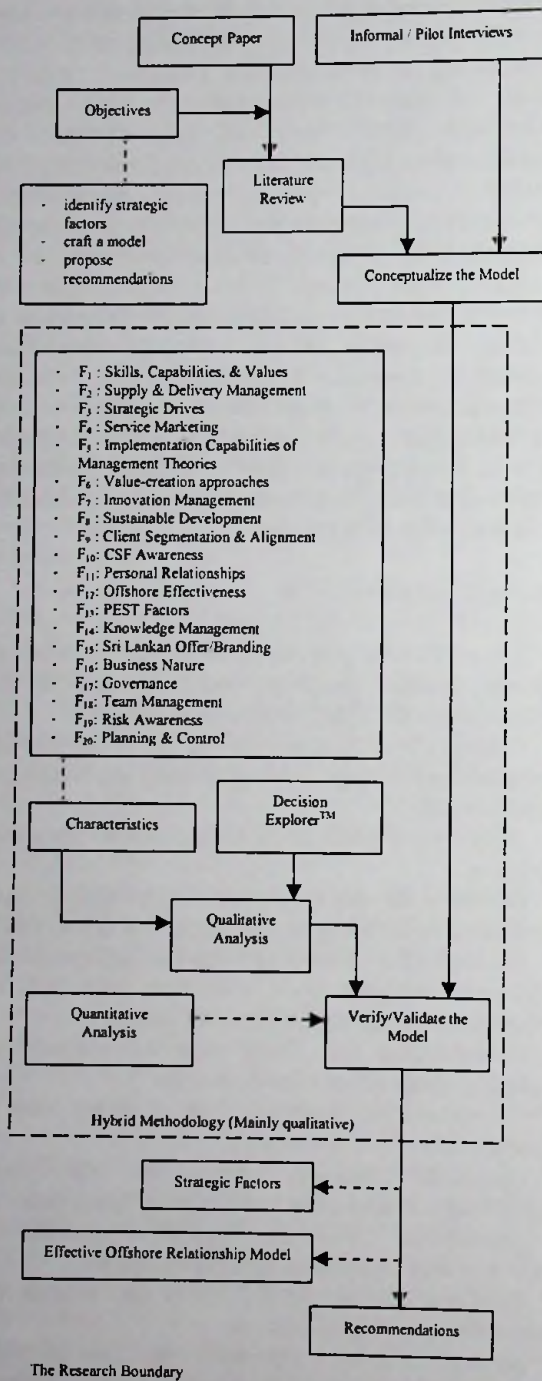
40

Over the next five years, the market will grow by an additional $80 billion."

— McKinsey Global Institute, 2006

However, from the vendor's perspective, what needs to be addressed is the readiness towards accepting this challenge and delivering ITO products or services to meet the rising demand.

A. Industry Insights

There are many dynamics within the industry and it is essential to focus on the opinion of strategic personnel towards factors affecting effective relationships. Below is the response of one of the US clients who outsourced software development project to US based Sri Lankan Advanced Technology Centre (ATC) for author's question of "What would best describe the ideal vendor for your outsourcing initiatives?":

"A vendor that goes extra mile with 'A' team to deliver the best with enduring trust is what we look for"

— Manager, Siemens E&A, USA

It is very clear that the vendor is not just looking for an outsourcing partner to fulfill the immediate business need(s), in this case the application development. The expectation is pretty much higher than what is seen on the surface and the expectation is that to contribute client's operations in diversified angles. There is another side of the statement, it is that the skills, capabilities, and the values of the professionals who provides the services. When compared to other business streams, offshore businesses involve direct exposure of these professionals and their contribution towards the business engagement is crucial.

Outsourcing has its wings in diversified areas generating many stakeholders. The business success depends not only on effective relationship between client and vendor thus, equal contribution from each and every interested entities ranging from end users to client and to vendor is needed. A Business Analyst from the same client has below to share with the author:

"What we all should look at is a cohesive approach to create a greater value proposition to all stakeholders using core competencies of both the entities"

— eBusiness Analyst, Siemens E&A, USA

Vendors possess different strategies to cater these requirements depends on various business parameters. Virtusa is a leading ITO and consultancy services provider and its strategy to achieve above demand is best described below in simple terms by its Senior Director:

"Our strategic drive lies in focused market segments to provide richer service offerings facilitated by a pool of

distinctive human capital and use of proven methodology"

— Senior Director, Virtusa

While in the discussion with the author, he also highlighted that the strategic drive of this company is to align the business strategies towards focused business domains with the use of expertise and proven software development methodology owned by the company itself. It is important to note that large organisations tend to think in this way whereas small companies with limited resource pool and diversified business focuses would think of other ways to strategically align their offering to meet customer demands.

"Segmentation is in focus for large organisations where as small organisations should focus on several domains initially to build competencies within and around"

— Executive Vice President, JKCS

It is equally as important as identifying segments to analyse the intensity of competitors in the market and determine actual as well as potential customers in the global market. This could result in selecting attractive customer segments which are profitable in long term while facilitating to cater customer needs more effectively and meaningfully ensuring customer retention and loyalty. Moreover, it helps the company to target each subgroup with specific strategies and closely aligned with the strengths and capabilities of the company. It helps widen the portfolio and by doing so, competitive level of the company will also improve to meet the competition.

The quality of service offerings depends not only on measures and metrices. There is a soft skill factor which contributes a lot towards effective relationship management. The observation here is that most of the clients who deal with Sri Lankan offshore initiatives consider openness and professional approach in solving business matters as well as personal matters, plays a big role in winning customers. It helps in reducing the gap between both entities and increase mutual understanding. Hence, leading to resolve day-to-day issues as a one global team rather than operating in isolation. This would lead to help each other in dealing with issues and derive at win-win solutions. Supporting this line of thought, Navantis chair had below to share with the author:

"Integrity is the key; be open and transparent with the client. The rest can be easily resolved"

— CEO, Navantis

One could think that there is minimal impact in discussing relationships when there are uncontrollable forces such as macro-economic factors affecting outsourcing decisions. It is true to a certain extent but managers do not rely on such forces to take control over their businesses. They tend to focus on core

competencies and other alternatives to achieve final goals. eCollege Sri Lankan initiative could be considered as a very good example and its General Manager reiterate the same:

"Once you build the trust on your partner and have sufficient material to prove that you are the best to do the job, no other external factor could drastically change your relationship; eCollege is one of the best examples who went through a complete transitioning of operations under a challenging business environment"
— Director & General Manager, eCollege

When considering global positioning of Sri Lankan offer, it is important to distinguish what is unique to Sri Lankan context and then position the country's offering in the global outsource market. This is to be achieved by branding the country's offer as an alternative to other offshore giants while highlighting the values that both organisations together with human capital would bring-in to the business. Former Managing Director and now a Consultant for strategic initiatives is also in the same line of thought and has below to share with the author referring to his diversified experiences:

"Brand the Sri Lankan offer as an alternative to India and clients indeed value our human capital"
— Consultant; Former Managing Director JKCS

What would be the best offshore model to work with? This is one of the major concerns that most of the strategic level managers would find difficulties in deriving a best model suitable for given business environment. Some companies go for ratio base onshore-offshore model and some would go for fully offshore model with single or no onshore representatives. The decision is purely based on the delivery types and how the companies cost structure aligned with the corporate plan. Valista General Manager shared with the author that:

"I strongly believe in a model where highly skilled employees involved in the offshore side of the business and a involvement of client's representative from the HQ with clear understanding of onshore-offshore model is the drive for most of the successful offshore initiatives"
— General Manager, valista

There are processes and internal mechanisms to facilitate operational excellence. It is the key and could consider as an informal bench mark for offshore success. However, very less to achieve without proper communication and cohesive work culture; Director, Creative Search Technologies shared below with the author:

"There is no second thought in achieving operational excellence in delivery management. The key is the agility and cohesive approach within the team as well as

between business entities towards achieving business goals"
— Director, Creative Search Technologies

It is evident that the strategic management personnel possess in-depth knowledge and awareness of the nature of the offshore business and clearly shows readiness towards fulfilling the industry demands. However, the strategic factors influencing the given organisation are unique based on the nature of the business engagements and corporate objectives.

B. Domain Analysis

Domain analysis is one of the analysis output of Decision Explorer[TM] tool for the cognitive map given in the end of this report. The objective of domain analysis is to identify the key concepts that strategic management personnel find references with. They visualize these concepts are either more important or characterizing key concepts. Hence, lot of other concepts linking into and out of them and highly elaborated concepts possesses high domain score. Table II summarizes the domain ranks for each of the characteristics identified in the research.

TABLE II
DOMAIN ANALYSIS SUMMARY

Domain Rank	Concept
1	Professional values
2	Supply & Delivery Management
	Strategic Drives
3	Client Segmentation & Alignment
	Service Marketing
	Innovation Management
	Value-creation approaches
4	Sustainable Development
	Implementation Capabilities of Management Theories
5	CSF Awareness
	Knowledge Management
	Personal Relationships
6	Offshore Effectiveness
	Business Nature
	Planning & Control
7	Sri Lankan Offer/Branding
	Governance
	Team Management
	Risk Awareness
	PEST Factors

C. Concept Centrality Analysis

Centrality analysis is another analysis output of Decision Explorer[TM] modeling tool for the cognitive map given in the end of this report. The centrality analysis examines the complexity of the concept by analyzing the links. It

is based on the weighted value given for concepts relative to a given concept and resulting weighting leads to an overall centrality score. Hence, it ranks the concepts according to its influence to the overall model. Table III summarizes the centrality ranks for each of the characteristics identified in the research.

TABLE III
CENTRALITY ANALYSIS SUMMARY

Centrality Rank	Concept
1	Professional values
2	Strategic Drives
3	Supply & Delivery Management
	Service Marketing
4	Personal Relationships
	Value-creation approaches
	Innovation Management
	Client Segmentation & Alignment
5	Business Nature
	Planning & Control
	Implementation Capabilities of Management Theories
	Sustainable Development
6	Knowledge Management
	Team Management
	Governance
	Offshore Effectiveness
	CSF Awareness
7	PEST Factors
	Risk Awareness
	Sri Lankan Offer/Branding

D. Complexity Analysis Summary

The combination of domain and centrality analysis would lead to understand the most effective and important concepts revolve around achieving the objective of finding strategic factors enabling effective offshore relationships. Fig. 2 below is the effort to plot the combined result of both domain and centrality analysis.
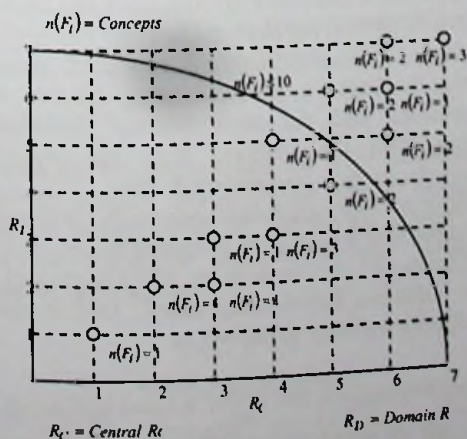

Fig. 2.   Complexity analysis

E. Qualitative Analysis

The qualitative analysis technique used here is as a supportive tool in order to interpret research findings. Table IV summarizes the overall observations.

TABLE IV
DOMAIN ANALYSIS SUMMARY

Concept	Result Interpretation
Client segmentation	The majority of the strategic personnel, 65% of the respondents, think that client segmentation could be a key strategic move whereas 35% is not too sure how it could strategically impact their businesses
Service marketing capabilities	35% of the senior managers strongly think that their competencies in the area of service marketing impacts offshore business while 41% thinks that it could really impact the offshore operations. However, 24% is neutral on that opinion due to their business nature and individual experiences
Supply & delivery management	76% of the managers interviewed and responded to questionnaire either agree or strongly agree to proper supply and delivery managers whereas the rest believes that there are several service or product offering factors to be considered prior to supply and delivery management
Skills and capabilities of professionals	Interestingly, almost all the respondents believe that the skills and capabilities of the professionals is the key strategic factor in the offshore business. Hence, 65% strongly agree and 29% accept that as a true concern
Innovation management	Innovation management seems not facilitating some respondents who are mainly involved in offshore operations as an extended office. However, the majority, the 88%, believes it is a key to become unique service or product company
Sustainable development	The long term focus and sustainable business development seems a widely accepted factor towards business continuity and relationship management. 76% agreed and the rest strongly agree towards applicability of the

	concept towards effective offshore relationship building
CSF awareness	Senior managers believe that there needs to be some sort of understanding of both vendor's and client's CSF. However, 6% of them not quite sure how it strategically aligned in achieving good client-vendor relationship based on their individual experience
Awareness of management theories	A better understanding of practical and theoretical business management concepts seems a vital factor with 77% furnishing evidence towards accepting it. However, quite large number, 24%, is either not quite sure or do not firmly agree
Value-creation approaches	Most of the strategic personnel think that long lasting relationship facilitate by focused value-creation procedures in every aspect of business operations, resulting 88% become supportive and 12% neutral towards the concept
Strategic drives	Understanding core competencies and leveraging them towards an effective relationship model is widely accepted by the respondents. On the other hand, 18% of them are neutral towards this concept when thinking inline with their respective business engagements

F. Results Modeling

This section leverages the findings of the research towards deriving a relationship management model for offshore companies. The proposed model is followed by a 3-Steps policy undertaking process which defines important steps to follow after identifying strategic factors towards accomplishing the goal.

One of the research objectives is to identify a best suitable strategic relationship management model for Sri Lankan offshore industry. Figure 3 depicts the diagrammatic representation of this strategic relationship management model.
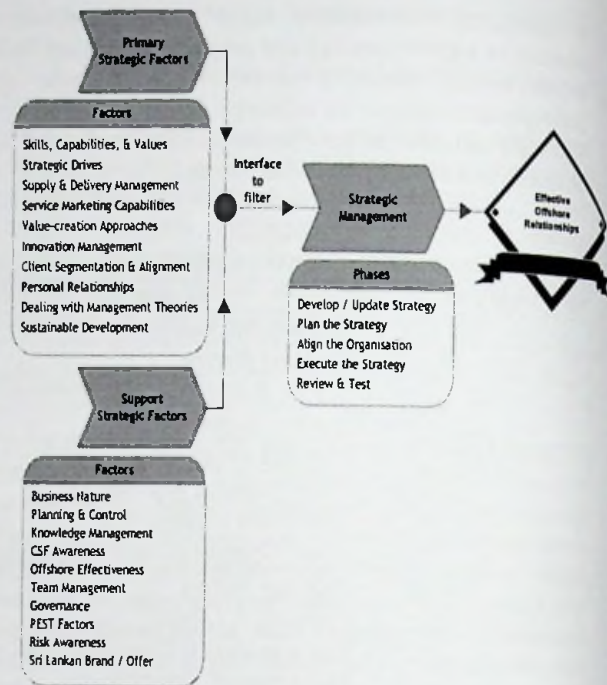

Fig. 3. Proposed relationship model

Primary Strategic Factors; prioritized factors based on Fig. 2 analysis output. These factors include: professional values (skills, capabilities, & values), strategic drives, supply & delivery management, service marketing capabilities, value-creation approaches, innovation management, client segmentation & alignment, personal relationships, dealing with management theories, and sustainable development.

Support Strategic Factors; supportive factors based on Fig. 2 analysis output. These factors include: business nature, planning & control, knowledge management, CSF awareness, offshore effectiveness, team management, governance, PEST factors, risk awareness, and Sri Lankan offer/branding

Interface to filter organization specific factors; all the factors may not necessarily impact the given organization. Hence, customization to identify organization specific strategic factors is essential. The model provides flexibility to move back and forth in this exercise of identifying strategic factors.

Strategic Management; a structured process to leverage the factors towards achieving effective offshore relationships and the steps include: develop/update strategy, plan the strategy, align the organization, execute the strategy, and review & test

Effective Offshore Relationships; this is the ultimate goal to achieve by using the proposed model.

The model also leads to an identification of a new index 'Offshore Relationship Index', ORI in short, for the offshore industry. It defines as:

$$Offshore\ Relationship\ Index\ (ORI) = \frac{\sum R_i}{n(R_i)}; \quad R_i - rating\ for\ i^{th}\ strategic\ factor$$

ORI allows a given vendor to select organisation specific strategic factors from the model and rate those factors based on a similar scaling used by Liu et al. [41] - this scale ranges from 0 which is 'Not Relevant' to highest score of 5 to represent 'Exceeding Expectations'.

The 3-Steps policy framework aligned with the strategic relationship model to achieve the overall objective is as follows.

Step 1: Policy undertaking and define broad objectives

Once the objectives are set to achieve, it is important to define & identify timelines, supportive directives, and stakeholders in order to accomplish the goal.

TABLE V
POLICY UNDERTAKING DEFINITION

Goal	Establish effective offshore relationship
Milestone	<define target milestone in years>
Directives	<define action items based on factors identified in the proposed relationship model (see Figure 3)>
Stakeholders Affected	<identify the stakeholders affected for those directives identified>

Step 2: Impact Analysis

The directives would make diversified impacts in the view of stakeholders.

TABLE VI
IMPACT ANALYSIS TEMPLATE

Stakeholders	Impact
Company	<define the impact for the company>
Client	<define the impact for the client(s)>
Complementors	<define the impact for complementors>
Substitutors	<define the impact for substitutors>
Other stakeholders	<define the impact for other stakeholders>

Step 3: Action Plan

Based on the impacts aligned with the directives need to be handled effectively to achieve objectives. This effort would result in identifying action items against the respective stakeholder and Table VII summarizes the template.

TABLE VII
Action plan template

Stakeholders	Actions
Company	<define action plan for the company>
Client	<define action plan for the client(s)>
Complementors	<define action plan for complementors>
Substitutors	<define action plan for substitutors>
Other stakeholders	<define action plan for other stakeholders>

VI. RECOMMENDATIONS

Having analysed strategic factors enabling effective offshore relationships, the research recommends Sri Lankan offshore industry to standardise client-vendor relationships based on the proposed relationship model (see Fig. 3). It consists of three major processes namely; identify primary strategic factors, identify supportive strategic factors, and execute a strategic management model to achieve the objective.

The ORI, which is the derived indicator of effective offshore model, gives a formal standard for clients as well as for *complementors* and *substitutors* as defined by Brandenburger and Nalebuff [10] to benchmark among themselves. The key in this model is that a given offshore company needs to pay enough attention and adequate effort to distinguish between primary and supportive strategic factors aligned with its nature of the business environment. Upon identification of these factors, the company is required to strategically align these factors with a strategy management process for a proper implementation of policy level changes across the organisation. This could lead to complete cultural or operational changes and the senior managers need to focus on effective change management disciplines for successful execution of the new/updated strategies.

This research also paves the way for diversified research outcomes in line of offshore relationships. The significance level of a given strategic factor is not considered in this model and it would be an interesting area for future research. It is also important to test this model in a sample domain in order to arrive at a weighted average ORI for a more meaningful index definition. One of the other future research areas would be to leverage customer feedback in offshore relationship management context and consider the impact of global service locations [3] towards offshore relationships to derive a global standard for the Sri Lankan offer in the offshore business.

If reiterate the fact; ITO has already grabbed the focus of investors in the past few years and possesses the potential to sustain in the years to come. It is a timely needed demand for Sri Lankan offshore industry to focus more on building strong relationships with clients and leverage the success towards achieving excellence not only in executing individual businesses but also to position the Sri Lankan offer on top of best global offshore destinations.

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