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This paper reports on a longitudinal study of global software outsourcing study of a North American multinational corporation (MNC) with four Indian partners. The initiation and development of these relationships is described and some key changes in the nature of work and associated management practices are highlighted.

INTRODUCTION

Global software outsourcing (GSO) market refers to the offshore development of software by personnel outside the client's home country. The GSO market was estimated at US$50 billion in 1994, with an expected growth rate of 15% (Kumar and Willcocks 1996). This paper reports an ongoing case analysis of a North American telecommunications MNC ("Global") and their GSO arrangements with two leading and two startup software houses. The processes of initiation and evolution of these GSOs over the past five to seven years is described and some underlying challenges presented.

This longitudinal (1996-1999) research involves a multidisciplinary team of North American and Indian researchers. The primary method of data collection is semistructured interviews. To date, 45 interviews have been conducted with senior managers, line staff, developers, and programmers of the four Indian partners and seven interviews have been conducted at Global.

CASE OVERVIEW

Software development is a "core activity" in the development of Global's telecommunication product and services. As such, its outsourcing strategy, which started in 1991, has included the development of GSO arrangements with four Indian software houses using a vendor-contract legal form. Spearheading this initiative at Global was their international R&D group that included two senior staff of Indian origin. Different software projects were allocated to each of the Indian firms with the aim of building niche expertise in specific areas of telecommunications.

The initial period of the relationship involved a period of learning: Indians learning Global's technology and work processes and Global understanding the challenges of doing business with India. By 1993, increased confidence in the partnership led to an evolution in the nature of work—from a low-level, stand-alone kind to more complex and integrated projects. Global increased their investment by enhancing their technical infrastructure through the installation of communication links with more bandwidth and the transfer of switches and software libraries to India.

These investments symbolized an increased commitment by Global and reflects Heeks' (1996) finding of an upward movement on the "trust-curve." The Indians reciprocated this commitment by building independent partner facilities in prime real estate areas of Bangalore and Bombay.

KEY CHALLENGES

Evolution in the partnership has not been without problems. For example, Global's attempts to introduce more "objective and accountable" metrics systems to monitor productivity has not been easy to implement in the Indian firms, which are more informal and people-based. The Indian firms, which have grown up in a "body-shopping" and "project-contract" type of environment, have relatively different views about attrition than Global, who operates with a "research lab" culture that is more long-term in nature.

A further challenge relates to the continued applicability of a vendor-contract arrangement in a situation where the Indians are taking on greater ownership responsibilities. However, alternative organizational forms, like joint ventures, raise other complex issues of intellectual property and profit sharing and place additional pressure on the Indian managers to deal with new issues such as coordinating global work arrangements. Attrition of Indian employees is another key problem affecting the relationship. This problem has to be examined in the context of the shortage of software personnel worldwide.

This study emphasizes the *processual* nature of GSO relationships and the role of trust in its development. Moving up the "trust curve" may ironically involve tighter and more subtle forms of control through the incorporation of new work systems and an increased interaction facilitated by information technology.

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