



## CULTURAL DILEMMAS ASSOCIATED WITH TRANSITIONING GLOBAL SOURCING PROGRAMS

Culture plays a critical role in determining the success or failure of a large-scale global sourcing program. The way business gets done – the shared values and how people interact by solving issues and reconciling dilemmas – is a deciding factor. We look at how corporate identity influences transition programs and the cultural nuances your organization experiences to fully achieve the benefits of global sourcing.

## The cultural element

Successful large-scale global sourcing programs must consider price, access to leading-edge technology and service maturity levels. The cultural element, however, is too often overlooked or underestimated. Our experience demonstrates that corporate culture is a critical factor in selecting a sourcing partner and effectively adopting and managing that partnering relationship.

Cultural considerations can add operational value to your business, improve user experience, strengthen customer satisfaction and build a stronger, mutually beneficial relationship, one that enables your organization to operate more effectively in your sourcing ecosystem.



Your sourcing journey begins with a vision of your idealized organization and becomes a reality when you understand the actions that need to be taken. This journey reflects your company's values and beliefs — your cultural identity.

Culture is the way people interact and work together to solve problems and reconcile dilemmas

All companies share certain defining characteristics, such as their bureaucracy, authority, creativity, gender neutrality, good fellowship or accountability. These traits, which support corporate identity, are unique to each organizations' culture and may not be universal. Companies in other parts of the world may have their own distinct values and approaches. One set of cultural biases and conventional psychological behavior may not be shared or even applicable in every region.

Companies are well aware that global sourcing operations can generate a treasure trove of innovative ideas and broader technical and business

expertise. The challenge, however, is how best to take advantage of and leverage these ideas and capabilities as part of a global sourcing strategy.

Single-location transition programs can draw on large reservoirs of trust and shared tacit knowledge. And when problems arise, senior management is there to provide direction and support, and to aid decision-making. In contrast, a transition program that spans multiple regions and time zones can lose many of these synergies and lack cultural fluency. Teams traditionally supported by local heroes and influencers, who share common language, norms, values and ethnic alignment, create a comfortable working environment. A challenge of distributed working is how to replicate the positive aspects of co-location while harnessing the unique benefits of globally managed initiatives.

## Why care about culture?

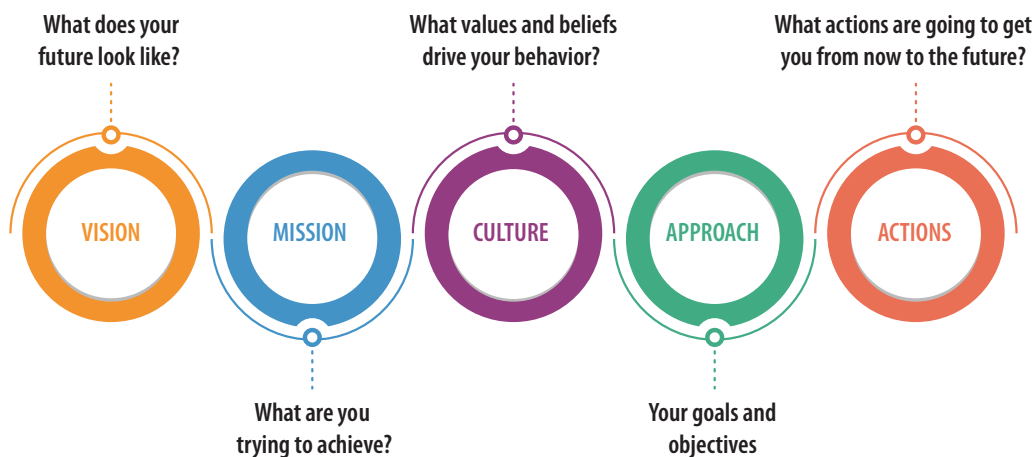
Organizational culture highlights how people experience, understand and interact with an organization's values. The culture also reflects the interplay among three levels: visible artifacts and products, norms and

values, and the often invisible implicit assumption.<sup>1</sup> The definition of culture is, therefore, the way people interact, work to solve problems and reconcile dilemmas. These cultural values are a mix of personal values (experiences growing up in a specific region) and professional values (ones exposed to at work).

Today's leaders understand that the business landscape has changed greatly as a result of the dynamic, highly-interconnected global marketplace. Go-to-market life cycles are shorter, and global teams work more remotely on client needs, while Agile methods accelerate the development of more effective products and services. Therefore, understanding and managing culture must become an integral part of any transformation journey.

A managed service model<sup>2</sup> can be as broad or as narrow as needed. However, culture remains a dynamic force in advancing or hindering new ways of working. A successful sourcing partnership requires cooperation and collaboration; and this means evolving, adapting and reconciling work values that support the new operating model.

Figure 1. The culture change journey in a managed services program



Source: Infosys



## Avoiding risks from poor change management

When organizational behavior and cultural change is poorly managed or even ignored, program risks and higher operating costs often result from:

- Resistance (both active and passive).
- Obstacles from unexpected areas or sources.
- Increased attrition of key resources.
- A lack of engagement.
- Reluctance to share knowledge among partners.
- Cross-cultural divisions.

Ultimately, these can result in the following consequences:

- Strained supplier relationships.
- Negative customer impact through reduced service quality.
- Lower morale across operations.

- Staff anxiety and disorientation.
- Misunderstanding among team members.

## Cultural nuances

Values are particularly noticeable in uncertain times, when individuals often act on instinct. The cultural causes and effects of program risks and challenges are not always known to the clients. The first step is awareness of these hurdles. The key question is: What cultural nuances will we, as clients, experience in the successful adoption of a managed service sourcing program?

## Collaborative relationships

A successful sourcing partnership requires that everyone cooperate fully and openly to ensure that all partners benefit. That means collaborating on the strategic agenda, driving

and building trust and maintaining operational relationships with all sourcing partners. The correct integration structure is critical to easing concerns and lessening resistance. Role and responsibility matrices are required to define who is responsible for delivery at all levels. Unverified assumptions here can lead to misunderstandings and failures.

## Global balance

When multiple countries are involved in a global transition, the integration layer becomes critical. The optimum outcome features a global operating model that is replicated in each relevant location. That approach leverages standardized tools and ways of working while retaining elements such as diversity, language skills, knowledge of regional customs and time zone variances.

## Knowledge transfer, attrition risks

Transferring services to an external partner is likely to generate a mixed reaction from employees. Some workers will embrace it as another step in their professional evolution. For others, it will create fear and uncertainty about future employment.

Knowledge transfer is a key stage in the transition process, however, it can be endangered by attrition and poor cultural awareness.

Attrition is a concern both for those who will be transferred and those who will be retained or redeployed, and therefore, communication must be tailored for each group.

For those being transferred, the communication and transfer should be handled in partnership by both organizations, and it should be transparent and include the involvement of sponsors and leadership. The attrition rate can be dramatically reduced in transition programs that create a positive work climate.

Where there is knowledge transfer, there is also a risk of unexpected attrition. This can be mitigated by focusing on key activities, using reverse engineering and digital tools, and promoting incentives to retain employees throughout the transition.

## Supportive leadership

Not surprisingly, there are emotional behaviors that must be addressed to manage employees toward the new ways of working, leaders included. Those leaders stand at the forefront of developing and executing strategic sourcing initiatives and must be visible sponsors of the effort.

## Problem-solving

Changes to organizational values lead to new ways of working and problem-

solving, which historically have been supported by unwritten rules and local methods. These approaches – often established at the unit and team levels – must change if they are to meet the demands for faster delivery models. Organizational bonding around different functions, which already presents a considerable cultural challenge, becomes even more difficult when managing major staff turnover and change. The challenge for any organization is to effectively integrate disparate traditions while also promoting global ways of working.

## Cross-cultural communication

The exchange of messages, ideas and information is primarily culture-specific, therefore, an understanding of an organization's communication style, as well as nuances of non-verbal communication, is critical for the successful adoption of change. It is important to clarify underlying assumptions of attitude and beliefs (will this transition bring us benefits? what's in it for me? etc.) in various communications to highlight cultural norms and work values.

Once the sourcing program is announced, employees will have high expectations but may also begin to feel uncomfortable with the changes and associated uncertainty.

Above all, cross-cultural communication is critical to the program and one of the most important activities to get right. Success will minimize misunderstandings or mistakes.

## Decision-making power

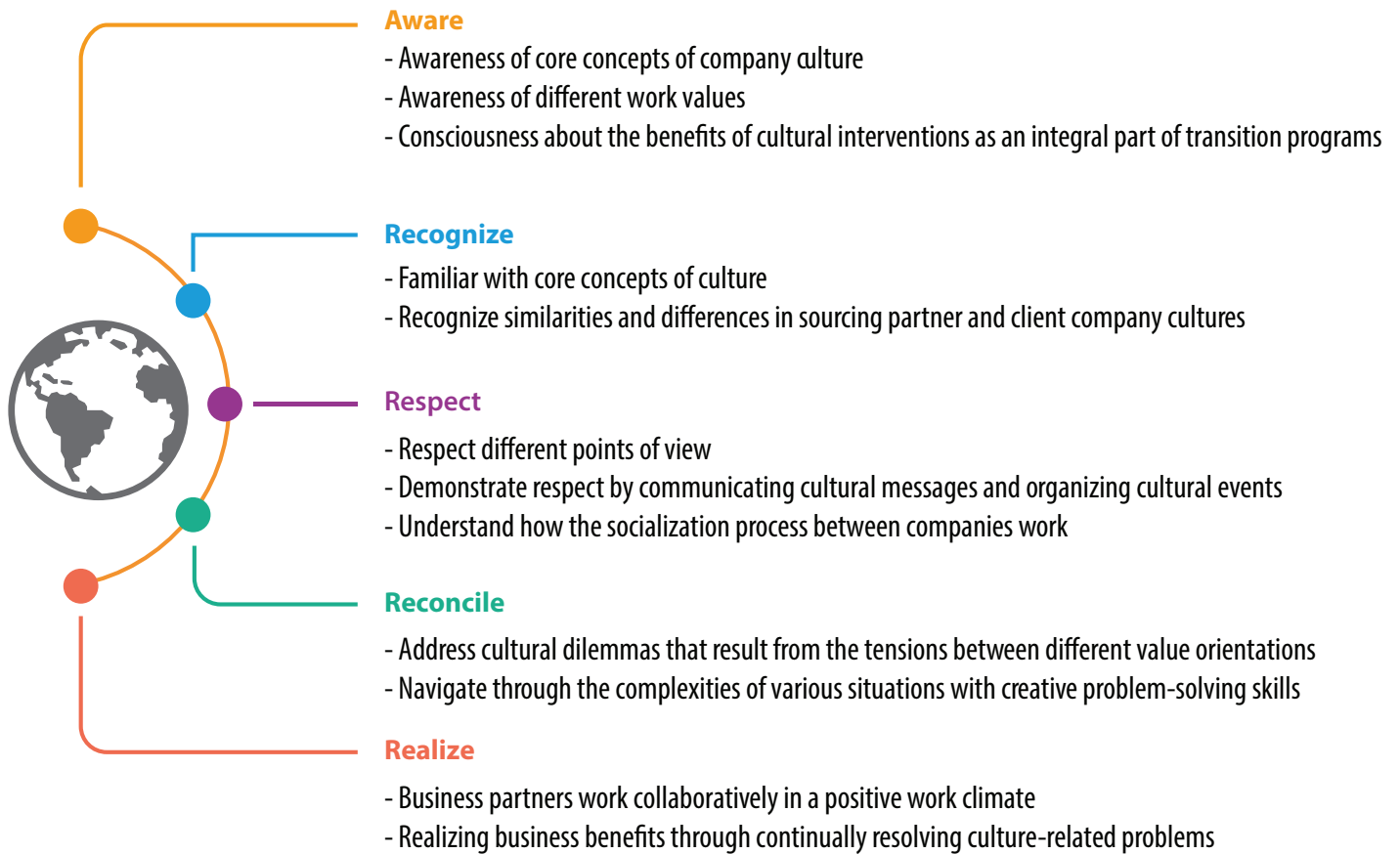
Among nationalities, there are different approaches and processes used in decision-making. Differences depend on which social partners are legally involved in the decision-making process and how much analysis is

needed to reach the right decision. Effective communication is paramount in any relationship, and consistency is key. Allowing communications to be misinterpreted, or diluted via word-of-mouth, increases the chance that individuals will read between the lines. And that can lead to disruption, either intended or accidental.

“Cross-cultural collaboration training programs are of great value,” said an executive with an international financial services company. “They help in understanding both the background of the various stakeholders in the process and where they are coming from, as well as learning to use practical tools for dealing with various situations and interactions”



Figure 2. The 5 stages of cultural collaboration and competences



Source: Infosys

## Managing culture in transition programs

There are several key points to consider while managing culture during transition.

**Leadership:** Leading change cannot be outsourced. Both parties require formal planning and execution of organizational change management efforts and the need to work in partnership. The sourcing partner will bring its change management expertise and experience working across global client cultures. Meanwhile, the clients' change management team will bring intimate knowledge of its organization's structure, best practices, communication channels, current ways of working, and just as importantly, unwritten rules.

**Transition:** People don't automatically "transition." As in-scope employees transition to new jobs or employers, many individuals might struggle emotionally. A sense of purpose, teamwork and job security are key attributes that are not always fully appreciated in basic value models. Creating open-dialogue workshops will help develop effective solutions, establish governance protocols and propagate the concept of managed services. Effective teaming can also keep individuals engaged while maintaining and enhancing service-level agreements and key performance indicators.

**Change champions:** Key stakeholders are often overlooked in this process. Engagement with executives and "change champions," representing various units, regions

and networks, will require different approaches to cross-cultural communication. Stakeholder analysis will highlight non-obvious groups and dictate the needed communications style and approach.

**Communication:** Communications should be an integral component of any transition program from the start. Key requirements include establishing the correct level of communications transparency – both globally and locally – and refining technology solutions to meet local compliance and regulatory demands. Reaching the right level of communication content is possible by understanding the stakeholder landscape, the cultural makeup of all parties and how the organizations' values need to be balanced. Communications is a full-time job and should not be underestimated.

## New ways of working

It's especially important to note that the adoption to new ways of working does not happen immediately and requires considerable effort. Figure 2 on the previous page depicts the stages at which both cultures integrate to collaborate. In the first stage, both companies become aware of the different norms and values. The second step is recognizing the different value orientations in daily practice and learning to switch perspectives, ideas and beliefs to show respect to the different viewpoints. Next, people must learn to reconcile dilemmas that result from the tensions between different value orientations. To realize the business benefits, both organizations need an embedded mindset that is able to continually reconcile diverse business issues from both cultures.

Securing the long-term success of a sourcing partnership depends on how effectively leadership and management champion the program and how effectively they meet the needs of the employees, customers, shareholders and society at large. Greater collaboration across units, teams and countries results in smoother transitions and drives increased performance. Embedding a culture that sticks will require continued investment in capabilities to resolve strategic challenges in future sourcing efforts.

## Leadership and change management

Creating appropriate measures to address culture-related business issues, irrespective of the diverse values, is key to the sourcing

initiative. Implementing effective cultural management practices in a sustainable way falls within the responsibility of leadership and change management teams of the client and sourcing partner. Leadership in both organizations play a fundamental role in effectively managing, developing and stabilizing culture, and must be committed to its development throughout the sourcing journey. Lastly, ensuring employee commitment throughout the sourcing initiative must be driven by leadership in both organizations and continuously and actively reinforced.



## Endnotes

- <sup>1.</sup> Artifacts and products are concrete factors, such as the organizational structure, systems, processes and authentic leadership. They are symbols of a deeper level of culture and visible external manifestations of an organizational culture. A norm could be “serving happy customers” or “increasing the number of electric cars to 80% in 2025.” Norms give a feeling of how to behave. Values determine the definition of the “good” and “bad” of these norms and set employee behavior: “how I aspire or desire to behave. A value could express the rule of a desired relationship e.g. “we share good news, feelings and work” or “we share successes with client” or a way to express a norm, such as “driving an electric car is good for our climate.” Rewards, common language and titles are other internal integration values. The basic underlying assumptions are the hidden, implicit assumptions that lead to routine responses. It’s culture at its core e.g. questioning meaning of time, the nature of human relationship and definition of truth.” From Carla A.J. Bastiaansen, HR-OCM client solution training, Infosys, and from Fons Trompenaars and Charles Hampden-Turner, “Riding the Waves of Culture: Understanding Diversity in Global Business,” McGraw-Hill Education, 2012.
- <sup>2.</sup> Managed services is a delivery model in which an internal or external provider – not part of the business or service group – delivers products and services to internal customers. That set of management processes and service levels are tightly defined and controlled via contractually agreed costs.

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