Trust and Social Capital: Revisiting an Offshoring Failure Story of a Small German Software Company

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Abstract. While work organization and social capital are known to be important factors for offshoring success, there is little empirical evidence on how these aspects evolve in the course of offshoring projects. In the literature, trust has been discussed as a personal disposition to abstain from control in a given situation, and was found to remain surprisingly stable in some cases. By analyzing the relation between control and trust in the course of a failed offshoring project, we want to add to the discussion on social capital as a factor for successful offshoring. The results of our long-term ethnographic study are somewhat paradox: in our case, ongoing conflicts motivated attempts to strengthen control, although personal trust and social capital remained strong. Despite the fact that the confidence of the partners in their offshoring project was weakened over time, the trust among the partners prevailed. However, social capital was not only unable to save the offshoring project—it also seemed to hinder the conflict resolution in some regards. Therefore, we argue that while social capital is an important factor, it should not be regarded as a context-free asset, but rather (in Bourdieu’s perspective) as a risky investment.

Introduction

With ongoing globalization, offshore software development has become quite common. For instance, consulting agencies promote Global Software Engineering
(GSE) as a means to reduce costs and as a driver for process improvements in case activities are reengineered and streamlined as part of the move. However, while wage differences may offer options to reduce costs, the spatial, temporal and cultural issues in globally distributed cooperative work are still challenges and need to be better understood (Cataldo et al. 2006; Gutwin et al. 2004; Herbsleb et al. 2000).

Tackling these issues, it is often argued that GSE needs formalization of processes and a high level of social capital to be successful (Levina & Vaast 2008). Features such as formalization and social capital accumulation may—to a certain degree—be influenced when establishing the offshore cooperation. However, there has been little empirical evidence on this topic for later stages of offshore cooperation (King & Torkzadeh 2008). This is even more astonishing as these factors are likely to affect flexibility which is regarded as a major demand for software development in general (and especially for small enterprises). Therefore, we need to learn more about how the relationship among clients and vendors evolves within offshoring projects and which factors contribute to or oppose efficient cooperation (Fisher et al. 2008).

CSCW has a long tradition of researching problems of distributed cooperation. For example, CSCW studies have expounded the importance of awareness, tool appropriation, self-organization, behavior, interaction and communication in different kinds of work groups by means of ethnographic studies. However, there are very few in-depth studies which look at the particularities of cooperative work in off-shored software projects—specifically when small companies are involved.

In order to add to the understanding of offshoring, we conducted a long-term and in-depth ethnographic case study in a small German company between 2006 and 2008. During this time, the company developed software in an international team of German and Russian developers. In the end, the cooperation was terminated due to ongoing problems. By revisiting this failure case and the related conflicts over a longer period of time, we offer a complementary view compared to studies on best-practices. We investigate whether trust and social capital changed or remained stable over time in the offshoring project, and how these factors affected the offshoring relationship between the involved teams. In order to provide a detailed analysis, we investigated articulation work (Strauss 1988) conducted in the offshoring project.

The paper starts with a discussion of offshoring literature before it describes the research method applied in the ethnographic study. The description of the case is followed by a discussion under the perspective of articulation work. It turns out that trust and social capital indeed share some similarities, but are no guarantee for successful offshoring. Related findings are explained in the final chapter.