In a global market enabled by the advancements of information technology, it is natural for companies to partner with each other, regardless of time difference, cultural difference, distance and so forth. Striving to sustain competitive advantage, IT companies have a plethora of benefits if they choose to outsource. However, statistics show that a considerable amount of the outsourced IT projects fail to provide any benefits. Failures are contributed largely to communication and knowledge sharing issues. This chapter tries to optimize the communication and knowledge sharing of outsourcing partners by engineering a solution for the utilization of knowledge repositories when dealing with sensitive information. It is anticipated that this solution will improve the results of the otherwise ad hoc nature of the initial knowledge sharing in outsourcing.

9.1 Introduction

Subcontracting and outsourcing are both brand-new names when compared to their common, underlying concept. Nevertheless, the introduction of the World Wide Web and the progression of information technology have shined a new light on this old business concept. Whether done in order to:

- cut costs,
- enter a new labor pool,
- enter new markets,
- increase quality of service,
- or reduce time to market

(Ravichandran and Ahmed, 1993; Krishna et al., 2004; Aspray et al., 2006; Willcocks and Lacity, 2006), outsourcing is the choice of modern IT corporations striving to maintain competitive advantage.

With the freedom IT advancements offer, contemporary companies span their business across the globe and practically create virtual companies, as many of the problems (e.g. distance) that would naturally hinder such a move fade away.
The same IT advancements encourage offshore partnerships. However, many of the outsourcing benefits described earlier depend on the choice of outsourcing destination. One out of five offshore outsourcing companies choose India (Erber and Sayed-Ahmed, 2005). Why? The author of *Outsourcing to India: The Offshore Advantage* (Kobayashi-Hillary, 2004) describes the country as leading the outsourcing revolution, and contributes its lead to the widespread use of English, population size, and world-beating expertise in quality. It seems unlikely that any of the other qualities would matter if it were not for English, which renders communication a paramount factor in this context.

Ironically, in *the era of communication*, as it is commonly referred to, communication is both an enabler and a major obstacle for outsourcing collaboration. In their recent work, Fabriek et al. (2008) point to a shocking 50 percent success rate of outsourced IT projects and argue that the low figure is due to failures in communication and knowledge exchange between the partnering companies. These two issues are central in this chapter, and this design research aims at producing a conceptual solution for assuring higher quality of collaboration in outsourcing.

Apart from the initial communication, the outsourcing partner must have timely access to the knowledge needed to tackle any problem met on the way in order to complete the project at hand. This is done through sharing of one of the most valued assets a company holds – knowledge (Rahardja et al., 2005). Several studies show high interest in knowledge sharing through outsourcing partnership and the effects it has on outsourcing success (Willcocks, 1998; Gallivan, 1999; Lee, 2001).

The rapidly –gaining –popularity field of Knowledge Management (KM), defines a concept with two major types of knowledge – *tacit* and *explicit*. As opposed to explicit, tacit knowledge is considered the most difficult to communicate by means of codifying or verbalizing. Polanyi (1966) even states that the only way to learn tacit knowledge is through apprenticeship and experience. We will ignore the issue of transforming tacit knowledge to explicit knowledge, as it is a topic for other research, and will focus on the structures and organization of the knowledge to be communicated.

Since our focus is on the technology of distributed knowledge repositories, this chapter will try to answer the following research question:

How can knowledge repositories improve initial knowledge sharing between outsourcing partners?

To answer the question, a solution for optimizing knowledge sharing between outsourcing partners is proposed, which, in return should increase the chances for successful project outsourcing. To assure the quality of the solution proposed, empirical research was conducted in the form of interviews with outsourcing