MANAGING CROSS-CULTURAL DYNAMICS IN IT OFFSHORE OUTSOURCING RELATIONSHIPS: THE ROLE OF CULTURAL INTELLIGENCE

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ABSTRACT

Purpose – The purpose of this paper is to better understand how cross-cultural dynamics can be managed effectively by individuals in IT offshore outsourcing relationships.

Design / methodology / approach – The research approach was an in-depth exploratory single-case study. The concept of cultural intelligence formed our theoretical foundations. A total of 15 semi-structured interviews were conducted and analyzed in an interpretive fashion along the three dimensions offered by the cultural intelligence concept.

Findings – In this paper, we contribute to the cultural intelligence theory by offering empirical evidence that particular communication, conflict resolution, and trust-building techniques are the most important individual-level skills for successful cross-cultural interaction. We thereby extend the behavioral dimension of the cultural intelligence framework. Furthermore, we found that motivation for cross-cultural adaption can be achieved by overcoming negative forces, such as the fear of job loss, and enforcing positive forces, such as curiosity for the other culture, trust-based relationships and clear articulations of expectations. The latter two concepts extend the motivational dimension of cultural intelligence.

Practical implications – This study helps to understand how effective cross-cultural interaction is driven by a person's ability to adapt to new cultural settings. For each cross-cultural problem identified in the project, strategies and techniques employed to overcome the cross-cultural differences are presented. We also found that personal site visits and face-to-face interactions are most effective for developing cultural intelligence.

Originality / value – This is the first empirical study to apply the concept of cultural intelligence to the context of IT offshore outsourcing. Furthermore, there have been few empirical studies in IS that analyze cross-cultural issues at the individual level.

Keywords Cross-cultural dynamics; Outsourcing relationships; Intercultural interaction; Exploratory research; Cultural intelligence

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INTRODUCTION

As the world becomes 'flat', the nature of competition is changing and being leveraged on a global level (Friedman, 2005). More services are being disaggregated globally and delivered from multiple places around the world (Apte and Mason, 1995; Mithas and Whitaker, 2007). With continuing globalization of knowledge-intensive work, information technology (IT) offshore outsourcing and global information systems (IS) development projects are receiving increasing attention and importance (Carmel and Tjia, 2005; Dibbern *et al.*, 2004; Heeks *et al.*, 2001; Sahay *et al.*, 2003; Willcocks and Lacity, 2006). IT offshore outsourcing projects bear some additional cultural risks – compared to domestic IT outsourcing projects – which make them especially susceptible to failure (Rottman and Lacity, 2004). Thus, the intercultural dimension adds severely to the complexity and risk and can "make or break an offshore project" (Gupta and Raval, 1999; Nicholson and Sahay, 2001).

Research on cross-cultural issues in IS has focused mainly on national and organizational level cultural differences (e.g. Couger, 1986; Jarvenpaa and Leidner, 1998; Keil *et al.*, 2000; Tan *et al.*, 1998; Winkler *et al.*, 2007). For example, Hofstede (1980) and House *et al.* (2004) deliver sets of cultural dimensions describing the main differences across cultures. However, more recently scholars have been searching for new ways of studying culture at the individual level due to significant within-culture variations, including techniques and strategies for successful cross-cultural interaction (Ford *et al.*, 2003; Weisinger and Trauth, 2002). We adopt the concept of cultural intelligence (Earley and Ang, 2003) in our research to analyze cross-cultural dynamics and their management at the individual level. Moreover, we view culture as a dynamic open system that is changing over time and spreading across space (Hong and Chiu, 2001; Myers and Tan, 2002). There has been little research on cross-cultural issues in IS that treats culture as a dynamic concept and which analyzes cross-cultural dynamics at the level of individual interaction (Molinsky, 2007).

Research on outsourcing relationships has focused mainly on an organizational level of analysis. However, an analysis at the organizational level would not be appropriate to account for the dynamics and individual nature of culture. Moreover, inter-organizational relationships emerge and evolve as a consequence of multiple individual activities (Klein *et al.*, 2000; Ring

and Van de Ven, 1994). Therefore, we analyze the cross-cultural dynamics in interpersonal relationships and project teams which form part of the overall client-vendor relationship. We chose to investigate a large IT project conducted jointly by a high-profile international bank operating from Germany and an Indian IT service provider. Our research question is **"How can cross-cultural dynamics in IT offshore outsourcing relationships be managed effectively?"**

After this short introduction we will present the theoretical foundations which guided our exploratory research by defining the boundaries of the study and offering a framework for the collection and interpretation of the data. Next, we present the research methodology including details about data collection and analysis procedures. The following section gives a brief introduction to the case study followed by a detailed section presenting the results of our analysis. The paper ends with conclusions for practice and research alike.

Theoretical Foundations

In this research paper, our focus lies on cross-cultural dynamics in IT offshore outsourcing relationships. Central to the concept of dynamics is the notion of force which has been a topic of study in ancient Greek philosophy, classical mechanics, and metaphysics. Force can be seen as the foundations of dynamics and according to Newton, force is an absolute cause of acceleration (Hesse, 1959). For acceleration, motion (senses relating to movement and change) is needed. For our research, we define cross-cultural dynamics in IT offshore outsourcing relationships as the forces produced by cross-cultural differences that produce certain behaviors, motions, or emotions in interpersonal interactions. After reviewing cross-cultural research in IT offshore outsourcing relationships and global virtual teams, we present the concept of cultural intelligence which explains intercultural behavior at the individual level.

Cultural Intelligence

Managing cross-cultural dynamics at the individual level means learning how to cope with cultural differences and seamlessly adapting to new cultural settings. Team members of IT offshore outsourcing projects need to develop cultural intelligence, a person's capability to be effective across cultural settings (Kok-Yee and Earley, 2006; Thomas and Inkson, 2004). The

concept of cultural intelligence emphasizes culture as manifest at the individual level (Raghuram, 2006).

Cultural intelligence can be defined as a person's capacity to adapt effectively to new cultural settings or contexts based on multiple facets including cognitive, motivational, and behavioral features (Molinsky, 2007). People with high cultural intelligence are able to depict the universal, group- or person-specific and culture-specific elements when observing a person's or group's behavior (Earley and Mosakowski, 2004). A person, who is able to tease out the culture-specific elements of behavior, is able to advance to the more important step of adapting him- or herself to this behavior.

Cultural intelligence has both process and content features. Its general structure is laid out in figure 1:
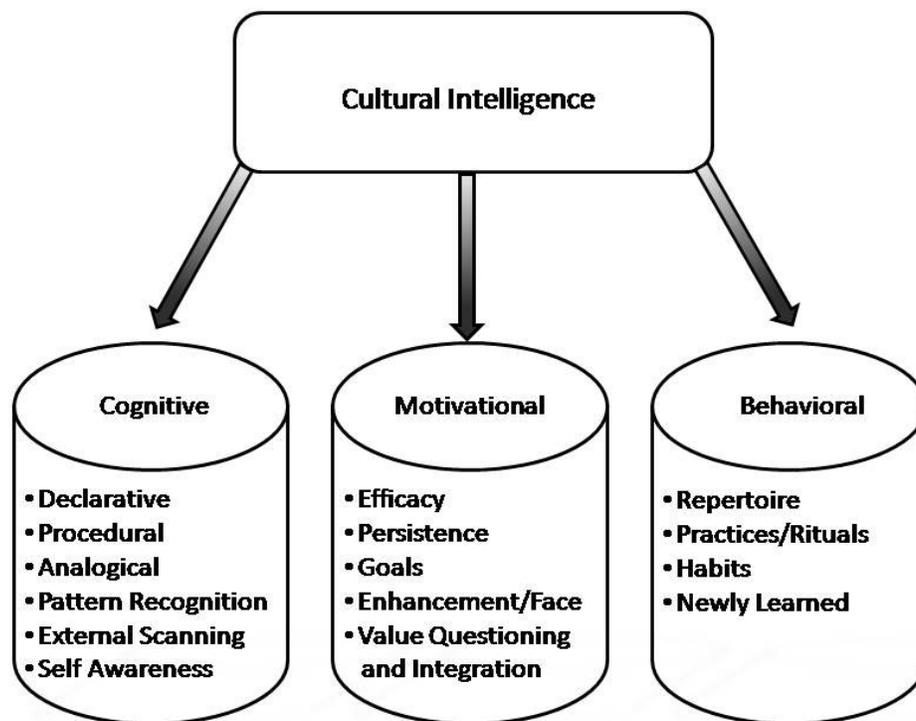

Figure 1. Cultural Intelligence (Earley and Ang, 2003)

Accordingly, there are three main facets of cultural intelligence – the cognitive, motivational, and behavioral dimension. Central to the **cognitive dimension** is the self, a person's mental representation of his or her own personality, social identity, and social roles (Kihlstrom and Cantor, 1984). To adapt successfully to new cultural settings, individuals need to be cognitively flexible, which means constantly reshaping and adapting their self concept to the new situation. This may require abandoning pre-existing conceptualizations of how and why people function as they do (Earley, 2002). It also means knowing about the basic beliefs, customs, and taboos of the foreign culture, because natives may be reticent or inexperienced about explaining themselves to strangers (Earley and Mosakowski, 2004). In addition to content knowledge about cultural identities, values, attitudes, and practices of a foreign culture, the cognitive dimension also includes process knowledge about how cultural variation affects individual behavior (Cohen and Bacdayan, 1994).

Concerning the **motivational dimension** of cultural intelligence, self efficacy plays an important role which is a key facet of the self and can be defined as a judgment of one's capability to accomplish a certain level of performance (Bandura, 1997; Bandura, 1986). A person who does not believe in his or her own capability to understand people from other cultures is likely to disengage and weaken his or her motivation after experiencing early failures. Consequently, cultural adaptation will not occur (Raghuram, 2006). A further aspect of motivation in the context of intercultural interactions is curiosity – the desire to know about a foreign culture – which is essential for exploratory and mindful behavior in cross-cultural interactions (Earley and Ang, 2003; Berlyne, 1960). Although curiosity is to a large extent a personality trait (Langevin, 1971), there are certain factors that can kill a person's desire to learn about other cultures. Negative forces, such as the resistance to change, have to be eliminated by creating a stimulating environment (Earley and Ang, 2003). Another important aspect is goal setting: Specific goals and challenging objectives lead to high performance levels if accepted by the individual, and if feedback is provided (Locke and Latham, 1990). Goal setting and self-efficacy are linked through a mediating relationship. Accordingly, goal-setting can lead to higher performance only if self-efficacy is given (Locke and Latham, 1990; Garland, 1985; Eden, 1975).

Based on the above concepts, Earley and Ang (2003) present a model of building up motivation for developing cultural intelligence. They propose three steps for increasing the overall level of motivation toward cross-cultural encounters: creating a positive environment

for cross-cultural interaction; strengthening the positive forces that drive a person to engage in a foreign culture; and weakening the negative forces that inhibit such engagement.

While the cognitive dimension of cultural intelligence refers to knowing what and how to do, and the motivational dimension refers to exerting and devoting effort, the **behavioral dimension** refers to the repertoire of specific behaviors needed for successfully adapting to new cultural settings (Molinsky, 2007). An example is language skills. When Indian and German project members work across boundaries in a global virtual team, the common language which will be employed is English. If a project member lacks the necessary English skills to communicate effectively with his or her foreign team members, he will have to acquire these skills through a process of learning, including diverse intercultural interactions. But even more critical to acquire are the nonverbal language skills which cannot be studied out of a textbook. These skills can only be accumulated through experience in intercultural interactions.

Research Methodology

Our research approach was an in-depth exploratory single-case study (Yin, 2003). The reason for selecting an exploratory rather than an explanatory research design was the lack of an established theory for analyzing cross-cultural dynamics in IT offshore outsourcing. For this reason, an exploratory case study is an appropriate choice, where the goal is not to test theoretical propositions, but to lay foundations for theory development (Benbasat *et al.*, 1987; Yin, 1993). The theoretical lens through which we conducted our empirical investigations and data analysis was the theory on cultural intelligence, guiding our research as a 'sensitizing device'. The theory helped to define the boundaries and scope of our research and guided the search for relevant concepts and categories in the empirical data. The research flexibility that results from our exploratory research approach allowed us to link the theory and the data iteratively (Eisenhardt, 1989), moving back and forth between the collected data and possible theoretical conceptualizations (Strauss and Corbin, 1990).

The case at hand is a large IT offshore outsourcing project involving a large international bank with significant operations in Germany and an Indian IT service provider. The project started in 2004 and is still going on. We selected this project for our analysis, as it is representative concerning the cross-cultural dynamics that arise in IT offshore outsourcing relationships, and how they can be managed effectively. Accordingly, the main unit of

analysis is the relationship between the bank from Germany and the Indian service provider. A sub-unit of analysis is the individual and interpersonal relationship, where we investigate how team members cope with cross-cultural dynamics.

Data Collection and Analysis

We conducted a total of 15 interviews for our primary data collection. This sample size was chosen according to the criterion of "theoretical saturation", meaning that the last few interviews we conducted did not contribute new insights to our inquiry (Strauss and Corbin, 1998). The interview partners were selected along three dimensions. First we included interview partners from both companies involved in the outsourcing relationship, the client firm from Germany and the vendor firm from India. Furthermore, we included interview partners within the client firm from both the business and the IT department. The benefit from including all these perspectives in our analysis was to get a more complete picture of the relationship issues, as any relationship consists of at least two parties. Second we conducted interviews with the top-level management, project-level management, as well as subproject-level management. Third we interviewed mostly project members who were involved during the whole course of the project, but also included interview partners who participated only partly in the project. The first interviews were conducted between April and November, 2007. The interviews were held in a semi-structured manner. The average interview time with each partner was approximately one hour and 30 minutes, although we also had interviews which lasted up to three hours. We took notes at the sites and transcribed the interviews immediately after each interview session (Eisenhardt and Bourgeois 1988; Walsham and Sahay 1999).

In addition to the primary data, we collected secondary data for triangulation purposes. This included steering committee meeting protocols, project and status presentations, a project member matrix with information about all project members, as well as related changes which occurred during the lifetime of the project. Furthermore, we received presentation material concerning kick-off meetings and cultural workshops. We compared the primary data collected with the secondary data materials for data triangulation purposes which increased the reliability of our findings.

Our process for analyzing the collected data consisted of various steps. The interview transcriptions, personal notes, and secondary data first had to be classified and organized according to some key dimensions (i.e., company and department affiliation of the interview

partner, position in the company hierarchy, assigned role in the project). This initial organization of the data was helpful in obtaining different viewpoints on similar issues and is consistent with our interview partner selection methodology.

In the second step we coded the data along the main theoretical concepts and attributes which we derived from the theory (e.g., goals and objectives, self-efficacy, and curiosity for the motivational dimension). We alternated back and forth between the data analysis and possible theoretical conceptualizations and through an iterative process ensured that our interpretations fit with the theoretical definitions (Eisenhardt, 1989). We found many issues in the data which supported the theory. However, we also noticed that the theory we included for our investigations did not explain all phenomena which we observed. Therefore, in our coding process, we generated new concepts which we included in our data analysis (e.g., trust and clarified expectations for the motivational dimension). We see this research flexibility as a main advantage of the selected exploratory research approach.

The third and last step consisted of integrating the diverse interpretations of the data by different researchers in the team and documenting the case for the presentation of the analysis results in this paper. The identification of critical issues and incidents was guided partly by the theory and partly by the real-world observations. In that sense, we present interpretations of various issues found in the data, including those which are related to the theoretical concepts presented in this paper. This is consistent with the exploratory and interpretive research design chosen for this study (Walsham, 1993).

THE CASE STUDY AND ANALYSIS

<u>Introduction to the Case</u>

The case upon which our analysis is based comprises a large and technically complex software reengineering project. A large-size bank with significant operations in Germany had two separate IT systems in operation for several years to handle the bank's current accounts. One of the two systems was a legacy system from the 1970s which the bank wanted to integrate into the other system, which was newer and more suitable for future demands. The bank decided to integrate the older system into the newer one and merge the joint functionalities onto one single architectural platform.

The reengineering of core systems, while they are running day-to-day operations, bears extremely high risk, since the main business processes of the bank – financial transactions – are totally dependent on them. A shutdown time of only a few hours would cost the bank tremendous amounts of money and would severely damage the bank's reputation. As the project leader stated:

> We expose the heart of the company, take it out and put it back in. In the meantime, the patient is not in a coma, and there is no narcosis for this surgery.

The decision was taken to execute the reengineering project with an external vendor. It was the first time for some of the IT units of the client organization (i.e., the bank) not only to collaborate with an external IT service provider, but also with an international firm from India. This led to some problems due to cross-cultural differences at the national and organizational level. For example, the Indian project members were highly irritated that their client's team colleagues criticized their work frequently for not keeping up with deadlines or for carrying out project documentations in a different manner, to give just two examples. As time passed and the project moved on did they only understand that the reason for this behavior was the high degree of formality of the client organization, as well as its strong risk avoidance culture. They understood quite well that they had to adapt themselves in this respect as severe conflicts between client and vendor organization could not be avoided any more.

In summary, the most salient problems that arose from the cross-cultural collaboration are described in the following table:

Table 1. Most salient cross-cultural problems

Problem due to cross-cultural differences	Effect on cross-cultural collaboration	Dimension of cross-cultural difference
Indian project members frequently said "yes" even though they meant to say "no" German project members failed to interpret the message correctly	Disrupted communication Problems with work coordination Interpersonal conflicts	Power distance (high versus low) (Hofstede 1980) Communication style (direct versus indirect) (Hall 1976)
Indian project members did not report problems with implementation or	Disrupted trust Interpersonal conflicts	Power distance (high versus low)

timelines	Problems with work coordination	(Hofstede 1980)
German project members had very particular expectations concerning project documentations, quality issues, and testing methods	Interpersonal conflicts Problems with work coordination	Risk attitude, uncertainty avoidance (Hofstede 1980)
Some German project members were initially not motivated to collaborate with Indian service provider due to the fear of job loss	Disrupted trust	Risk attitude, uncertainty avoidance (Hofstede 1980)
Indian project members suddenly left the onshore team for personal family reasons	Disrupted trust Problems with work coordination	Collectivism versus individualism (Hofstede 1980)

Case Analysis and Discussion

In order to be successful in cross-cultural interactions and adapting to new cultural settings, cultural intelligence on the individual level is indispensable. Our following analysis and discussion of the case study findings illustrates how effective cross-cultural interaction is driven by motivational, behavioral, and cognitive factors. Some of the key findings are summarized in table 2.

Motivational Factors

Motivation regarding cross-cultural learning and adaptation is driven by different factors and it has to be distinguished between those forces having a negative and those having a positive influence. In our research and in the context of large-scale offshore outsourcing projects from the economically developed countries to emerging countries, we found the fear of job loss to be a highly relevant negative force on building up motivational cultural intelligence.

In particular, the decision to conduct an outsourcing of IT development work to an offshore service provider from India was related to the overall goal of cost savings and was part of a large restructuring and concentration process at the bank in Germany. The various company locations in Germany were examined closely for their profitability. The whole restructuring process created fears and caused resistance among many employees that they would lose their jobs as a result of the new outsourcing strategy. To the top management of the bank it was clear that the fears of job loss posed a significant barrier to successful intercultural collaboration with an Indian outsourcing provider. Thus, this negative force had to be

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overcome before being able to reap the benefits from the new outsourcing strategy. A top-level manager explained to us how the problem was overcome:

> We organized a 'smooth restructuring'. There was no firing and the only way to reduce the size of our workforce was to avoid replacements of retiring employees and release some early into retirement while receiving a one-time financial bonus. The remaining employees were most often relocated to different departments or they conducted their own search for a new position within the restructured organization. In critical cases we always decided to retain the employee for social reasons and to maintain the high level of harmony and motivation in our group. After the restructuring process all employees had a new 'home' within the new organizational structure.

Overcoming negative forces is obviously not enough to develop a high level of motivational cultural intelligence. Among the positive forces that we found to be relevant in our case study are goals and objectives, self-efficacy, and curiosity towards the foreign culture. Adding to the theory, we found that trust-based interpersonal relationships as well as clarified mutual expectations were significant drivers of motivational cultural intelligence. We will explain all drivers in the following.

What one of our Indian interview partners told us illustrates the role of goals and objectives for developing motivational cultural intelligence:

> We wanted to get this project up and running fast in order to demonstrate our capabilities and build up trust in the relationship with our client. […] Our goal was to understand their culture and adapt ourselves to them in order to create a more effective work environment and deliver high-quality results.

Besides goals and objectives, self-efficacy played an important role. On the one hand, a considerable amount of project managers from both companies showed a high level of self-confidence in coping with cross-cultural issues. To illustrate this, when one of the project managers from the client organization was asked the question whether cross-cultural differences affected teamwork and whether this resulted in any problems, he answered:

> Nothing occurred that would have surprised me. There were cross-cultural differences but they did not pose any problems as I could prepare myself to cope with them.

This statement shows a high level of self-efficacy as the challenges of cross-cultural interaction did not seem to impress the project manager. Another project manager from the Indian service provider explained his high level of self-efficacy with prior experiences he had made with multiple projects with client organizations throughout Europe. While on the one hand many project members were very self-confident due to prior intercultural experiences or personality reasons, other project members feared the cross-cultural interaction and developed the necessary self-efficacy only through a constant learning process during the project's lifetime. A project member from the Indian organization made the following statement:

> Initially, I saw myself confronted with many cross-cultural issues and particularities of the German culture. For example, I did not understand their formal approach to testing and project documentations. Conflicts occurred that affected negatively my self-esteem as I did not understand whether they were due to poor service quality or other reasons. As the project went on, I learned a lot about the German culture and reasons for their risk attitude. I started to adapt my behavior more actively.

Besides self-efficacy and goals, curiosity is a further factor that can stimulate positively the individual motivation to learn or adapt to foreign cultural behaviors and develop cultural intelligence. This was particularly the case in the project we analyzed which is demonstrated by the following comment made by a senior-level project manager from the client organization:

> In the beginning most of our project members feared to lose their jobs due to the new outsourcing strategy and we [the project management team] were faced with resistance towards our plans of running this project together with an Indian IT service provider. However, as time passed, the restructuring process was finished, and the first joint workshop was conducted together with the Indian service provider, curiosity prevailed and our project members started to develop a strong motivation for making the project a great success.

Adding to the theory, we found that trust-based interpersonal relationships and clarified expectations are vital for motivational cultural intelligence to evolve. The following statement made by an Indian project member illustrates this:

> Initially, we did not report setbacks or problems in the implementation process directly to our supervisors or our German team colleagues. They did not seem to be happy with that situation and after telling us over and over again that they wanted us to

communicate frankly and openly any problems, we realized that it was ok for them to know about implementation problems without getting upset with our performance.

This statement shows that the trust-based relationship that evolved over time and the clarified expectations of the client project members gave the Indian project members the confidence and motivation to adapt themselves and report implementation problems, knowing that this openness would not have any negative consequences for the collaboration in the project.

Skill or Behavioral Factors

The behavioral dimension of cultural intelligence refers to the repertoire of specific behaviors needed for successfully adapting to new cultural settings (Earley, 2002). There are several behaviors regarding cultural intelligence that are found to be relevant in the context of IT offshore outsourcing projects between Western countries and India. They are a result of a constant learning process and repeated experiences with cross-cultural interactions in the project. This means that in the beginning of the project these behaviors were not known by the project members and that they had to be learned through real-world experience on the job.

The first important set of behaviors we present as a result of our case analysis is related to the problem that the Indian project members always say "yes". Here it is important for the Western project members to interpret correctly answers from their Indian colleagues. To give an example, when one of the German project members asked his Indian team partner for the name of his colleague who had conducted a cultural training workshop at the German bank two years ago, in order to ask this person whether he would be available for some questions concerning our research project, he answered politely:

> There are many trainers – if there is a requirement for conducting such a workshop, we would be glad to arrange it for you.

The German project member interpreted the message for us as follows: "No, an interview is not possible because the trainer does not work with the company any more." According to the interpretation, this was an elegant way of not having to say "no". A related behavior that is useful to overcome this communication problem is avoiding to pose questions that imply a "yes" or "no" answer. For example, when German project members asked their Indian colleagues whether they would be able to finish a given task by a certain date, they frequently said "yes" and agreed to the suggestion from the communication partner without saying

directly what the problem was with that proposal. In contrast, when the German project member asked the question as to when he would be able to finish the task, he gave his own opinion and suggestions directly. The German project member might as well listen carefully to the alternative solutions offered by the Indian team colleague in addition to a "yes". Frequently, these alternative solutions are so weird that the German is able to interpret the "yes" directly as "no, it is not possible, let's search for alternative possible solutions".

Another related issue for the German project workers is to learn how to say "no" to an Indian team colleague while respecting the fact that for an Indian it is important to always save his or her face and maintain a high level of harmony in the group. This implies trying to use more indirect and less direct communication, thereby reducing the potentials for conflicts between German and Indian project members.

Cross-cultural learning and adaption is always a process that involves two parties and the Indian project workers also had to learn a lot in the project to improve the quality of cross-cultural communication. For example, the Indian team members learned how to say "no" during the course of the project as their German colleagues constantly motivated them to do so and express openly any problems or critical issues that came up in the way. This was a process that took some time and included a sequence of crucial experiences, setbacks and feedback. This process resulted in a trust-based relationship that gave the Indian team members the motivation and confidence to address problems and critical issues more openly and directly.

Another issue is related closely to the cultural differences in risk attitude. Here, the Germans were reluctant to adapt to their Indian colleagues as the project was absolutely critical to the organization and was a high-risk undertaking. A failure in the rollout process of the new system would cause serious damage as millions of transactions would not be carried out and thousands of clients from the bank would be left without service. Therefore, the project members from the client organization laid special emphasis on risk management methods such as parallel testing of the old and new system before rollout and "switching off" the old one. Obviously, the Indian service provider had to adapt to the Germans in this respect and it took some time to understand the rigor, formality and detail with which the Germans operated.

In summary, we found that three interrelated sets of skills – communication, trust-building, and conflict resolution - played a role for successful cross-cultural adaptation.

Knowledge or Cognitive Factors

When the first intercultural workshop was conducted between the client and the vendor organization in Germany, both parties realized that they still had to learn a lot about the other culture respectively. For example, the Germans wondered why during the whole meeting only two people out of a dozen were talking from the vendor side and all the others were just listening. At that point in time they still hadn't realized the high power distance between Indian subordinates and their superiors and how to deal with this cultural difference (i.e. which learning strategy to apply). The initial workshop was like a "get together" and very helpful in learning the first basic facts about the other culture, both for the Germans and the Indians, by observing the individual behavior. What followed was a series of intercultural workshops. For the workshops, a professional consultant was invited who specialized in cross-cultural training. Furthermore, a benefit from the workshop was that not only the Germans participated, but also the onshore project workers from the Indian service provider. Even some of the offshore project members came to Germany for this initial phase of relationship building and cross-cultural collaboration. That way the workshops did not only facilitate the learning of cultural differences – they also helped to get to know each other and build up interpersonal relationships between German and Indian project members. That way, the workshops also helped to lay the foundations for a common project culture across organizational and cultural boundaries.

Independently from the intercultural workshops in Germany, the Indian service provider conducted a so-called "cultural sensitization program" with their designated project members. This program lasted for several weeks (i.e. once a week for several hours) and in addition to teaching basic cultural differences it offered continuous support and professional advice for onshore as well as offshore project members. For example, when an Indian offshore project worker had any questions during his stay in Germany, he could always contact a colleague from his company through the knowledge management system and get some advice, either by messenger, email, telephone, or sometimes even personal meetings, and covering topics such as language and expressions, how to behave in certain situations, the history of the country, stereotypes, and more.

Besides the effectiveness and importance of these intercultural workshops and training programs for developing knowledge about cultural differences, how they affect human

behavior and which strategies can be applied to overcome problems, site visits are a further technique that we found to be indispensable for global offshore outsourcing projects such as this one. Not only is it important that the offshore service provider sends sufficient project members to the location of the client company to assure sufficient face-to-face contact and enhance interpersonal relationships in the global virtual team. It is further important that the client organization also sends its project members to the home country of the vendor organization to see how the offshore project members work from the remote location and understand better their behavior based on cross-cultural differences. In the project we analyzed, the client organization sent all its project managers to India. The principal project manager commented it the following way:

> We sent all our project managers for one week to India. Even though it was a very expensive trip, we really profited from this site visit. When they came back from India, during the weeks that followed all status lights of our project jumped from orange to green.

This comment shows how the site visits in India leveraged the project. They helped to develop cultural intelligence in all three dimensions. The project managers came back to Germany with a higher degree of motivation, with more profound knowledge about the cross-cultural differences and with an enhanced set of intercultural behaviors. In contrast to intercultural workshops, site visits are active training methods (Earley and Ang, 2003) which are more effective in developing cultural intelligence.

Table 2. Cross-cultural problems and adaptation strategies

Problem due to cross-cultural differences	Adaptation strategy	Cultural intelligence category
Indian project members frequently said "yes" even though they meant to say "no" German project members failed to interpret the message correctly	Indians learned to say "no" and communicate ideas openly Germans learned to interpret messages by listening to alternative solution proposals Germans learned how to adequately formulate questions	Behavioral (communication) Cognitive (power distance, communication style)
Indian project members did not report problems with implementation or timelines	German project members established trust in the relationship by assuring that reporting problems would not	Cognitive (power distance) Behavioral (communication,

	have any negative consequences	trust-building)
	Indians were motivated (trusted) to report problems openly and adapted their communication behavior	Motivational (trust)
German project members had very particular expectations concerning project documentations, quality issues, and testing methods	Indians understood that for conflict avoidance and resolution they needed to adapt their behavior actively	Cognitive (risk attitude)
		Behavioral (communication, conflict resolution)
	Germans communicated clearly what their expectations were, e.g. by sending sample project documentation templates	Motivational (clarified expectations)
Some German project members were initially not motivated to collaborate with Indian service provider due to the fear of job loss	A "smooth restructuring" program was implemented in the client organization. Individuals searched for new job positions within the new department structure	Motivational (fear of job loss)
Indian project members suddenly left the onshore team for personal family reasons	New project members from India took over the task seamlessly without severe performance drawbacks. This was only possible through extensive knowledge transfer at the vendor organization and a so-called knowledge retention methodology	Cognitive (collectivism)
Language barriers	Germans attended English courses in their spare time	Behavioral (communication, language skills)
	Indians attended cultural sensitization program including German and English language courses	

CONCLUSIONS

Our case illustrates how cross-cultural dynamics can be managed effectively by cultural intelligence, a person's ability to adapt to new cultural settings. Practitioners can learn from this case by adopting similar strategies as employed and described here. A summary of the main problems and adaptation strategies can be found in table 2. Besides these practical contributions, we identified new concepts in the empirical data which we present as our theoretical contributions in the following.

In our case study, we found support in the empirical data that goals, self-efficacy, and curiosity towards the foreign culture are important drivers for motivation. Extending the motivational dimension of cultural intelligence, we found additional evidence for trust-based

interpersonal relationships and clarified mutual expectations to be important prerequisites for motivational cultural intelligence to evolve. Furthermore, with respect to negative forces of motivation, we found that in the context of IT offshore outsourcing, the fear of job loss among client project members needs to be restrained.

Concerning the behavioral dimension, we found a set of behaviors very useful in overcoming the hurdles of cross-cultural interaction between Germany and India. Germans need to adapt actively to the Indian style of communication which is more indirect and involves high context. Adapting one's communication style can be helpful in order to help Indians to preserve face and maintain a high level of harmony. Also, it is important to respect the power distance between subordinates and superiors and adapt one's behaviors in communicating problems and resolving conflicts, accordingly. These trust-building skills are vital for successful cross-cultural interaction. For project workers from India, it is recommendable to adapt actively to the German attitude to risk and formality to avoid conflicts with German project members. In summary, the cultural intelligence framework does not offer any detailed conceptualization of the behavioral skills needed for cross-cultural interaction. We extend the theory by providing empirical evidence for communication, conflict resolution and trust-building to be among the most important skill sets for behavioral cultural intelligence.

There is extensive theoretical evidence that cultural intelligence is important for individual cross-cultural adaptation. However, the theory falls short in providing prescriptions how to develop cultural intelligence effectively. We show that cultural intelligence can be developed most effectively through active training methods such as site visits and frequent face-to-face contacts. Site visits stimulate not only the development of knowledge about cross-cultural differences and learning strategies for how to cope with them. They also help to build up motivational and behavioral cultural intelligence by creating curiosity, increasing self-efficacy, and building up interpersonal relationships.

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