Offshoring to India – the New Silicon Valley?

– a Research Study about Capgemini

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Abstract	
Title:	Offshoring to India – the New Silicon Valley – a Research Study about Capgemini
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Authors:	Heini Kukkohovi, Ann Persson, Honghong Wàng
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Five key words:	Knowledge Management, Core Competence, Offshoring, Outsourcing, Consultancy Firm
Purpose:	The purpose with our study is to investigate why Capgemini adopts the Rightshore strategy, how they implement this strategy and how it affects Capgemini's core competence. We also aim to look at how the company's knowledge management is supporting the offshoring strategey, in addition to how Capgemini "keeps control of" its core competence in following the trend of offshoring to India?
Methodology:	Abductive approach, qualitative study and telephone and personal interviews.
Theoretical perspectives:	A knowledge management perspective, as well as theories and models connected to the KM, CC and offshoring area.
Empirical foundation:	Interviews with top managers, middle managers, project leaders as well as Indian and Swedish consultants within Capgemini.
Conclusions:	Our conclusions are the following: * The Rightshore strategy established by Capgemini, do not give the company the kind of competitive advantage in the market, that the managers are expecting to achieve. * The Rightshore strategy does not currently support Capgemini's core competences, as it is presumed by the management in Capgemini. * The knowledge management applied by Capgemini, does not sustain their Rightshore strategy, as it is not presently being used in the most optimal way.

Sammanfattning:	
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Fem nyckelord:	Knowledge Management, Kärnkompetens, Offshoring, Outsourcing, Konsultföretag
Syfte:	Syftet med vår uppsats är att undersöka varför Capgemini använder sig av Rightshore-strategin, hur de implementerar denna strategi samt hur strategin påverkar Capgeminis kärnkompetens. Vi har också för avsikt att studera hur företagets knowledge management stödjer offshoring strategin, samt hur Capgemini "behåller kontrollen över" sin kärnkompetens genom att följa trenden med offshoring till Indien?
Metod:	Abduktiv ansats, kvalitativ studie, telefonintervjuer samt personliga intervjuer.
Teoretiska perspektiv:	Ett knowledge management-perspektiv, samt teorier och modeller kopplade till KM-, CC- och offshoringområdet.
Empiri:	Intervjuer med chefer på topp- och mellannivå, projektledare samt indiska och svenska konsulter inom Capgemini.
Slutsatser:	*Våra slutsatser är följande*: * Den etablerade Rightshore-strategin inom Capgemini, ger inte företaget de konkurrenskraftiga fördelar på marknaden som cheferna inom företaget förväntar sig. * Rightshore-strategin stödjer för tillfället inte Capgeminis kärnkompetens, som den idag förväntas göra från chefernas sida. * Det existerande knowledge management som finns inom Capgemini, stödjer i nuläget inte företagets Rightshore strategi, eftersom det för tillfället inte används på mest optimala sätt.

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1 Introduction

1.1 The Birth of Offshoring

Around the Millennium shift, many companies considered it necessary to update and do preparations on their business systems and programs, since they were still working in the old systems (coded in Cobol). Everyone working in these systems had a tough deadline to reach - the updates were to be done before the millennium shift. This made that the demand for IT-support to accomplish these updates, started substantially increasing towards the millennium shift.

Western countries, in fact, did not have the kind of capacity to supply the labor force and costs which were required in these large projects; companies were forced to seek for alternative ways of responding to the market demand. Clearly, more labor force at lower prices was desired, and companies started consequently seeing new possibilities in the Asian countries, where the population is large enough and the wage level still remarkably low. A lot of companies started shifting the actual production location of services to low cost countries, mostly in the Far East and later even in other destinations (for instance the Eastern European countries), and establishing their activities in places that would provide companies with better cost efficiency. This type of activity is entitled as offshoring; a transfer of a business process previously done at a local company to a foreign country. Offshoring typically implies a relocation of business processes to a lower cost foreign location.

India currently being the most attractive offshoring destination, first benefited from the offshoring trend as big companies started to set up so called Cobol factories in India. From this point the Indian people, in turn, started to build up a big labor force/delivery capacity to be able to deal with this challenge. When the Millennium shift had been passed and the previous demand for updating the old business systems decreased, the Indian people started actively searching for new assignments in the European market.

Offshoring has since late 1980s and 1990s been a strategy established mostly by manufacturing firms, "*but the new millennium has seen a dramatic rise in the*

movement of white-collar jobs to countries with highly educated, English-speaking labor forces, who will work for a fraction of the pays of U.S. or other European workers" (Babcock, 2004, pp. 52). Nevertheless, offshoring is not a new phenomenon; already in 1970s a lot of companies in the United States moved jobs out of the country to new established factories in Mexico. However, the service offshoring, in turn, linked to the telecom and internet expansion, is relatively new as it was launched in the late 1990s.

1.2 The Increase of the Offshoring Trend

The years 1999-2001 were tough for the Swedish IT-service firms; the competition in the market was intensifying since companies implementing the offshoring strategies, were forcing down the price levels in the whole industry. Due to the enormous cost pressures in the IT-consulting industry, companies had to start focusing on cost efficiency in terms of decreasing expenses, reducing staff and internal services, while optimizing the supply chain and guaranteeing quality improvements. IT-service suppliers were simply being forced to follow the offshoring trend. Offshoring therefore became a global trend among IT-consultancy firms, because of its cost and quality benefits.

United States and Great Britain, had for several years been implementing strategies including offshoring to India and other Asian countries, and these strategies seemed to have gained a lot of popularity among the companies in the IT-industry. Northern European companies started supplementary following the model of the pioneers in offshoring, like UK, although much later in time and with considerably smaller volumes.

Some people, the critical side of the debate, say that the white-collar offshoring trend will hurt the countries and their economy (lose countless high-paying jobs, technical knowledge and innovative capacity by employing and training workers in foreign countries, rather than advancing the nation's own workforce), while the other side of the debate, argue that the offshoring trend is a natural evolution of the global economy that will help, not hurt, the affected countries and their workforces.

According to many debaters, there might be a risk that India and other places (attracting for companies to offshore to) will become a new Silicon Valleys, as it was in the 1990s. The Indian consultants (and others), will know that they are

attractive, and that they will have lots of options to choose from regarding consultant jobs. This in turn will most probably increase the wages for the Indian consultants to the level of the consultants in the country of the "head company" – what will then be the reasons for offshoring to other countries in the future, if any? Will it really be profitable to offshore to countries like India in the future? How to preserve and secure the profits for the offshoring companies in the future? Connected to that are also all the risks and offshoring "backlashes" that are tied to offshoring (places attracted for companies to offshore to – different parts of the world, different cultures et cetera), such as instability or military tensions, variable labor costs, legal framework, cultural compatibility, cultural misunderstandings, inadvertent knowledge transfer, reduced quality in service et cetera.

1.3 The Choice of Topic

1.3.1 Offshoring – a Long-Lasting Tendency in IT-Industry

We find offshoring as an interesting research topic since it seems to have become an inevitable and probably long-lasting tendency in the IT-industry, as well as it still involves remarkable risks. The offshoring strategy appears to be increasing and spreading to several business areas, while companies are as well searching for new destinations for offshoring. We aim to look at why and how an IT-service supplier is implementing its offshoring strategy, in addition to how the future for these kind of company's might look like.

We will in our thesis focus on India, as it has become a favorable target in IT-offshoring due to its high-educated, English-speaking labor and its stable democracy. *"The largest offshoring market remains India which accounts for as much as 90 percent of the industry"* (Babcock, 2004, pp. 52).

We also aim to investigate what kind of core competences an IT-consultancy firm has, and to compare these values to theories that we find essential for our study. We believe a company's core competence can be affected by the offshoring trend, both in the short term and in the long run, and therefore we intend to find out what kind of role offshoring has in a company, and how it is impacting the company's core competences.

1.3.2   Focus on Knowledge Management

In consultancy firms the business knowledge resides within the individuals working at the company, as they are the ones who develop client solutions and applications. This means that the company's competitive advantage relies on expertise, and in that way is many times substantially depending on individual performance. Offshoring involves the process of moving a company's business knowledge outside the company, so that the knowledge is transferred from an individual/a team to another. The company's future competitive advantage might be risked, if the company does not manage to remain control over its business knowledge, or cannot guarantee that the offshored activities will be performed in a way that still meets the service quality criteria demanded from the clients.

Many consultancy firms claim to have established great knowledge management methods, and based their business processes in the knowledge capture process in the organization. We find it interesting to investigate how a company, which is considered as a knowledge intensive firm, is implementing and accomplishing the knowledge management connected to its offshoring strategy.

1.4 Rightshore – an Application of Offshoring

We have contacted a large, international IT-consulting firm, Capgemini, in order to study the subject discussed above. We find the company as an interesting study object, since it is a highly knowledge intensive firm, and is at the present time implementing the offshoring strategy, which involves offshoring several IT-processes and activities to India. Managers at Capgemini believe that offshoring IT and business processes, is a subject the company must address by developing a strategy that evaluates both the capabilities and risks. The central idea of the offshoring process at Capgemini is as follows: "*We believe that offshore is only part of the answer, performing the right work in the right place at the right time for the best economic value, is really a matter of getting it to the right place*" (URL: http://.www.uk.capgemini.com). Thus, Capgemini has expanded its offshoring strategy to be more flexible and applicable in all kinds of circumstances, independent from possible political or legal restrictions as well as client limitations. Capgemini call this strategy: Rightshore. According to managers at Capgemini, Rightshore as a part of the company's business strategy, will not only provide lower cost of delivery and improved quality, but also lead to improved predictability and enhance the risk mitigation.

1.5 Research Question

Why does Capgemini adopt the Rightshore strategy, how do they implement this strategy and how does it affect Capgemini's core competence and is supported by the company's knowledge management? How does Capgemini "keep control of" its core competence in following the trend of offshoring to India?

1.6 Research Purpose

Our thesis objective is taken from a knowledge management perspective to investigate why Capgemini adopts the Rightshore strategy, how they implement this strategy and how it affects Capgemini's core competence. We also aim to look at how the company's knowledge management is supporting the offshoring strategy, in addition to how Capgemini "keeps control of" its core competence in following the trend of offshoring to India?

1.7 Target Group

The target group for this thesis is both students, teachers, researchers, consulting practitioners, and others who are interested in the offshoring strategies.

2 Keywords

Here we are to introduce the central keywords that we are using in the text and within our thesis.

Knowledge management – knowledge management is the process of capturing the collective expertise and intelligence in an organization, using them to promote innovation through a continuous organizational learning (Nonaka, 1994). According to Nonaka, two types of knowledge reside in any organization – tacit and explicit knowledge. Tacit knowledge consists of mental models, beliefs and persuasions of each individual employee that are so ingrained as to be taken for granted. It resides within the individual, and is difficult to express in words. Every employee has a wealth of tacit knowledge deeply rooted in his/her actions, and his/her commitment to a certain profession, technology, a product market or activities of a work group or a team (Nonaka, 1991).

Knowledge management and the abbreviation *KM,* will be used synonymously in our thesis.

Core competence are the kind of characters that make a disproportionate contribution to ultimate customer value, or to the efficiency with which that value is delivered – core competences thus provide a basis for entering new markets (Prahalad & Hamel, 1992).

Offshoring – offshoring can be defined as a relocation of business processes (including production/manufacturing) to a lower cost location, usually overseas. Offshoring can be seen in the context of either production offshoring or services offshoring (http://en.wikipedia.org).

"Offshoring is a subset of outsourcing because it represents an evolutionary step in the process of turning over the operation of services to an outsider" (Berry, 2006, pp. 11).

Offshoring – the delegation of ownership, administration, and operation of a process to a third party (From outsourcinginterests.org, www.sourcinginterests.org/research_reports.htm)

Rightshore – Instead of using the concept "offshore" Capgemini, calls the company's reorganization "Rightshore", i.e. offshore in the right place. "*We believe that offshore is only part of the answer, performing the right work in the right place at the right time for the best economic value is really a matter of getting it to the right place*" (http://.www.uk.capgemini.com).

Outsourcing – "outsourcing…describes procurement of a domestic third party to run some operation on a its behalf." (Berry, 2006, pp. 11).

3 Methodology / Research Approach

3.1 Personal Reference Frame

The authors of this thesis have a different understanding, pre-understanding, knowledge, education and experience regarding the chosen subject area and have therefore also had heterogeneous starting points in carrying out this research study. It is very important that you as an author are aware of the influence that your interpretations can cause to the writings, at the same time as it is very difficult for an author to exactly say how the pre-understanding is affecting the writings. But by telling the readers that we as the authors for this thesis in a way are subjective to the subject area and in our writing, we give the readers a chance to read our thesis from a critical point of view and thereinafter being able to create their own understanding about the matters in fact.

3.2 General Approach

This study has been based on a mixture of the deductive and the inductive approach: the so called abductive approach ("*a weaving back and forth between data and theory*, Bryman & Bell, 2003, p. 12) – as our study includes parts from both of the approaches mentioned above. In our research we intend to apply existing theories with empirical findings (deduction) as we are comparing the collected data with established theories, at the same time as our objective also is to find new applications for the existing theories (induction). We believe the abductive approach is most suitable for our research, when looking at the complexity of our research problems - *Why does Capgemini adopt the Rightshore strategy, how do they implement this strategy and how does it affect Capgemini's core competence and is supported by the company's knowledge management? How does Capgemini "keep control of" its core competence in following the trend of offshoring to India?* – as it gives us the possibility to alternate between the theory and the empirical study (Rienecker & Jörgensen, 2004; Andersen, 1998). Being able to combine theories and empirical findings in a favorable way, can

also bring you a much larger understanding of the problem or topic being researched (Alvesson & Sköldberg, 1994).

3.2.1 Theoretical Research Design

As our knowledge about core competence, knowledge management and offshoring strategies was fairly limited in the beginning of the process, we started off by reading available material and information about these subject areas. Some of the theories that we found and studied will be used in this thesis, while others have served more as a useful framework in developing an understanding the topic as a whole. This thesis builds on a theoretical framework constructed by theories connected to knowledge management, core competence and offshoring. Our research objective has been to explore why and how Capgemini is implementing the offshoring strategy and how it affects the company's knowledge management and core competence.

We are aware of the fact that the analysis and the conclusion of this thesis have been influenced and angled by the theoretical choices we have made. Thus, by discussing and studying different theories and sources, we believe that we in the longest have been able to reduce the participation of irrelevant theories.

3.2.2 Qualitative vs. Quantitative – The Research Design

The qualitative as well as the quantitative method are two different approaches in conducting scientific studies and to process and collect sources of information (Bryman & Bell, 2003). The use of a quantitative approach means that you in a wide range are using math, arithmetical formulas, statistics et cetera in the research, as the data you get through the quantitative approach is of such a nature making this possible (Holme & Solvang, 1997). The use of a qualitative approach in turn, is characterized by that the researcher wants to reach a deeper knowledge about and understanding for the complexity of the research problem being handled (Holme & Solvang, 1997).

We decided to limit our study to only one research company, Capgemini, as this made it possible for us to explore and analyze Capgemini in a more extensive way regarding the chosen topic. As the intention of our study is not to measure any phenomena, but instead to reach a deeper knowledge about and an increased understanding for the phenomena being research - *Why does Capgemini adopt the*

Rightshore strategy, how do they implement this strategy and how does it affect Capgemini's core competence and is supported by the company's knowledge management? How does Capgemini "keep control of" its core competence in following the trend of offshoring to India? - we find the qualitative method most suitable for our study as it gives us the possibility to collect both broad and deep data.

The reasons for choosing the qualitative research method for our study are also based on other factors such as: that our purpose is to investigate reasons for and to create a deeper understanding of the subjects being investigated, that our purpose is also to explain and to understand different phenomena, that we aim to generate an understanding for the offshoring strategy as a part of a company's business strategy and how this strategy is affecting the company as a whole - and the qualitative method is from our understanding *the* method, that will provide us with this in-depth analysis and understanding for the phenomena being studied.

After mentioning the factors above, we do not find that the quantitative method can support our study in that same way as the qualitative, since the quantitative approach from the beginning is build on a very clear and stable structure. While we, with our research problem, pretend to go deeper into some areas, which are not totally visible from the beginning, the quantitative approach would not have brought us the same depth, variety and nuances to our analysis as the qualitative approach now has given us (Bryman & Bell, 2003).

Elucidation to this, is that our purpose is not to generalize our research results and conclusions for other organizations, but rather to understand what is going on in a particular organization and why (and to analyze the consequences of actions being taken). Thus, we do hope that our thesis can give rise to other consultancy firms about risks, success factors, obstacles and suchlike that might serve as a directory in their work with the offshoring processes and strategies.

3.3 Information Sources

To be able to conduct our study in an adequate way, we started looking for relevant information within the research topic we were interested in. This we conducted by looking among different published books and research articles covering, or sort of tangled, the information we "were looking for". We started out by taking on a broad perspective, covering articles of various kind of contents.

We found a lot of interesting articles covering topics such as offshoring, outsourcing, India, core competence, knowledge management globalization, risk factors et cetera. As our pre-study progressed, our knowledge within the subject area naturally increased as well, which in turn raised more and other kinds of questions for us. This ongoing process finally forced us to start focusing on a more narrow approach to the information being available.

Going back and forth the offshoring topic and research articles written within this area, we came across that there seems to be an empirical gap in the research area covering implementation of offshoring and its affect on a company's core competences, as well as how offshoring is supporting a company's knowledge management. Thus we did not find any information covering this specific angle in detail, we decided that we wanted to investigate this research topic in further detail – that will constitute as *our* contribution to the science.

3.3.1 Primary Sources

Our primary data has been based on the data coming up during our interviews with the different contact persons at Capgemini. The interviews have taken place at Capgemini in Malmö, Sweden, both via telephone interviews (via a phone speaker system) as well as in person. As we did not have the possibility to do most of the interviews in person, we have not evidently been able to observe the interviewees personal behavior or their natural environment, and have therefore had to rely on the information coming up during the interviews. Thus, we still think that the interviews have provided us with the kind of information that normally could not have been received through secondary sources or suchlike.

3.3.2 Secondary Sources

The secondary sources that we mainly have taken part of and used in our study have been collected from sources like research articles, books and company information. These particular sources have been a great help for us in getting a broader view regarding the topic being studied, as well as in substantiating the information coming up during the interviews.

3.4 Interview Method

3.4.1 Research Method

Our decision in choosing semi structured interviews for our research study, is largely based on the fact that we from start have a rather good idea about what topics and phenomena we are interested to study, at the same time as we very much are open for other directions and angles that might arise during the interviews (*compare*, Bryman & Bell, 2003). We find that the design of semi structured interviews both serves as an important base for the direction of our interviews, as well as it is stating as a help in securing that the most critical and important questions will be asked (and not forgotten) during the interviews. The same time, this particular research method, still opens up the possibility for the interview to develop into a different direction, and that the interviewee him- or herself is able to affect the structure of the interview and to provide detailed answers to the questions. On account of the flexibility that the semi structured interview provides us in asking complementary question, but still giving some kind of a structure to the interview as a whole (as our time with the respondents have been limited to 1-1½ hour), we believe that this approach is the best choice for our research.

If we instead were to choose the approach of unstructured interviews for our research, it would probably have taken us much longer time in conducting our interviews (and we knew that we were limited to the 1-1,5 hour per person mentioned above), as well as raising the eventual problem with loosing the structure towards our research problem as a result. Choosing a structured approach for our interviews in turn, we believe would definitely had limited us in getting and collecting important information that was not quite visible for us from the beginning (Bryman & Bell, 2003).

Before each interview took place, we send out an information letter to the interviewees containing a presentation of us (the authors), the purpose of our study, how much time we were asking for regarding the interviews and what our forthcoming result might offer the interviewees and Capgemini in the end.

3.4.2 Interview Guide

Prior to the interviews, we compiled two well suited interview guides with carefully prepared questions – thus we did not want to forget any of the cornerstone-questions that we absolutely wanted to touch and bring up during our interviews (see interview guide in appendix, one interview guide for the top/middle management and the project leaders, and one for the consultants). We also prepared one of the interview guides (the one used for the consultants) in two versions – an English version and a Swedish version. The interview guide was sent out to the interviewees in advance (see explanation to this in next section). Connected to this, also has to be mentioned, as our interviews went along, we adjusted some of our interview questions to be more suitable to the person we interviewed, as well as to narrow our research focus, to fit the research areas we chose to highlight after doing our first two interviews – i.e. knowledge management, core competence and offshoring. For us, in the longest, to avoid steering or affect the interviewees in any way, we used rather open questions with the opportunity for the respondents to speak very openly around each question, as well as we (the interviewers) tried to take on as a natural position during the interviews as possible (no personal opinions or suchlike). Nevertheless, we still naturally attempted to "guide" the interviewees with complementary questions, if the respondents' answers in some way circumvented/bypassed the intended question too much, or if the answers became too broad or just got lost to the subject.

3.4.3 Interviews - Personal or by Telephone?

Our interviews were conducted either by telephone, in person (face-to-face) or by e-mails (e-mail was mostly used for complementary questions). The difference between a telephone interview and a personal interview is not that meaningful, as you have the opportunity in adding complementary questions in both cases – which definitely was a very vital cornerstone in our study. Our main reasons for choosing interviews (personal and telephone) as our research method, is connected to the eventuality for us in clearing up possible misunderstandings occurring while asking questions during the interviews, as well as us being able to use "probes"[1] during the interviews (Dahmström, 2000). While most of our interviews took place over the telephone, we unfortunately did not have the same possibility to observe the interviewees during the interview, as we would have had

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[1] The possibility for us to stimulate and support the respondent to give us as a complete answers as possible.

with personal interviews. Facial expression and body language (that might had provided us with "more" information) therefore went lost. Thus, we do not consider this as something critical for our study, as our focus and purpose is not to *study how* the different individuals feel or react, but rather to *engender an understanding* for the offshoring strategy that Capgemini as a company is adopting. Connected to the issue mentioned above, and us possibly missing out on facial expressions and body languages, is in fact that you quite much can "observe" the interviewee's "behavior" just by listening to the interviewee's way of talking, the conversation as a whole and how he or she actually are talking about issues and questions being brought up.

Our opportunity to "observe", to use probes and to clear up possible misunderstandings during the interviews regarding questions and suchlike, had not been possible if we instead had decided to use questionnaires for our study. The qualitative approach and our nearness to the information sources and the subjects being researched within Capgemini, have provide us with a very good foundation "to stand on", in making both relevant and interesting interpretations regarding our research problem.

All the interviews made by telephone or in person were recorded; in addition the interviewers took notes. We accomplished the interviews in Swedish for the Swedish interviewees and in English for the Indian consultant. The reason to apply interviews in both the English and the Swedish language was highly depended on the kind of interviewees that we got access to at Capgemini. English is naturally a very widely accepted and understood language; however, as we did not want to miss any kind of nuances or important information regarding the interviewees' answers, we strived to eliminate these "linguistic obstacles" by accomplishing the interviews in Swedish and in English. We believe a good way of eliminating linguistic obstacles, is to communicate with the interviewees in their native language. As none of us in the group can speak Indian languages, we had no other choice than to accomplish our interview with the Indian consultant in English.

After each interview we both "analyzed" and discussed the performed interview within our group, as well as transcribed all of the information collected during the interview (to our help, we had the complete interview on a tape recorder) – that way we instantly shared our views among each other, and "secured" that upcoming thoughts were not missed or forgotten to be printed down. If needed complementary answers to our questions, we conducted additional interviews via telephone or asked complementary questions via e-mail.

3.4.4 The Quality of the Report?

During each interview, always two (out of three) of us attended, as we wanted to secure that all important information were covered, and that we afterwards always could compare our interpretations of what had been said and discussed during the interview. Connected to this, we always had the opportunity to go back to our tapes, listening to what had been said during the interviews, if now turning out that we had different opinions regarding something. As most of our interviews were done in Swedish, we translated and transcribed those interviews into English. We are aware of that this "translation process" might have caused an unwanted effect regarding our used quotations in this thesis – but as we after each interview did send the interviewee the transcribed interview for possible correction – we believe that we in the longest have minimized the unwanted effect. For the interviews to carry on as smooth as possible, one of us took the roll of "leading" the interview by asking the questions and keeping the interview "alive", while the other ones took notes of what was said. We are very much aware of that our own understanding to, and interpretation of the interviews, can have led to somewhat misleading results. Have we really interpreted the interviewees in a "correct" way? Are we sure that all answers and angles connected to those, really have been understood and gathered - for us to be able to complete our discussion in a good and qualitative way? Mentioned problems we have tried to conquer, by always being at least two interviewers presence during each interview, using a tape recorder (us being able to go back listening to the answers one more time…) as well as our standard procedure in "analyzing" and discussing the collected information after each interview – on those accounts we believe that possible misunderstandings and erroneous interpretations (done from our side) have been minimized.

Before each interview we asked the respondents if we could use a tape recorder during the interviews (telling them the reason for this – us being able to go back if something did not get written down during the interview et cetera), and all of them approved of it. We are obviously aware of that the presence of a tape recorder during the interviews, could have had a checking effect on the respondents' answers, but as most of our interviews took place over the telephone (and that the interviewees did not catch sight of the tape recorder), we believe that the interviewees did not even think about us using it, as soon as the interview started.

3.5 Sampling

3.5.1 The Interviewees – Why Them?

For us in order to capture as a complete picture as possible, of how the Rightshore strategy affects Capgemini's core competence and is supported by the company's knowledge management, we chose to conduct the interviews with top management executives, middle managers and project leaders in Sweden, as well as with a Swedish and an Indian consultant within the Capgemini organization (that in one way or an other connected to the Rightshore strategy). Our plan to scatter the interviews over different analysis levels within the organization, was based on our desire in gathering as much important and in-depth information about the research topic as possible, as well as to find out the recognitions from the different staff associated within the Capgemini organization. By interviewing people from different levels within the Capgemini organization, we *also* aimed to discern if the experiences and interpretations were the same. We considered it as a good mixture to interview people from different levels within the company, as the chosen people more or less are associated with Rightshore, and have been involved in the Rightshore projects from different starting points, and therefore having heterogeneous understanding and feeling for the strategy as a whole. The ones being involved from the beginning, might see the Rightshore strategy as their "precious baby", while others just are going with the flow regarding the strategy as a concept (no deeper feelings to it). To put it shortly – we wanted to get a multi-dimensional picture of the Rightshore strategy within the Capgemini organization, and therefore we deeply felt that the people we got access to, also had relevant and useful experience and knowledge about our research topic, and could so forth provide us with the kind of information we were looking for.

We are very much aware of that our proceeding in interviewing the people we got access to, might have given us distorted, advantageous or biased answers regarding the offshoring situation within Capgemini. But as we have been interviewing people from different levels (and more than one person from each level) within the organization, we believe these risks in some way have been minimized.

In this thesis we have consequently started out from the information and the interpretations that the interviewees from the different levels in Capgemini have

given us, with regards to their interference and opinions to Rightshore, the future of it et cetera.

3.6 The Research Company - Capgemini

Our choice to select Capgemini as our research company, was based on at least three reasons: first our great interest in the constantly ongoing changes within the consultancy industry (such as the phenomenon "offshoring" and everything connected to that), second that we had an excellent access to the company as one of the authors to this thesis is working part time there, and third that Capgemini is a global company that currently is offshoring (and has been since 2001) parts of its IT-activities to India. Based on the fact that Capgemini has been implementing the offshoring strategy for quite some years now, we from start assumed that there would be enough data and experiences for us to collect within the company, to be able to fulfill our research purpose. Connected to this we also find that Capgemini is serving as a very interesting and illustrating example of a company actively working with the offshoring strategy, by both showing and telling us how they adjust themselves as a company to the changes taken place within the consultancy industry, as well as how they adjust themselves in the same speed as the offshoring concept constantly is progressing "out there".

Our main reason for not studying more than one company within our chosen topic, is based on the foundation that we wanted to construct a deeper understanding of one company's way of implementing the offshoring strategy, to be able to focus more on and to understand how this company is implementing the strategy in reality. A comparison between two or more companies, would probably have given us a more critical view regarding the implementation of the offshoring strategy, but as knowledge management and core competence can vary remarkably from one company to another, we asserted choosing a single study object to serve our research purpose the best.

3.6.1 Why Looking at the Offshoring Strategy Connected to IT-Consultants and Why India?

Our choice of investigating the offshoring strategy connected to IT-consultants at Capgemini, as well as our decision in taking a closer look at India as one of the

main countries, that Capgemini is using the offshoring strategy to in our study, is mainly based on factors below:

- Dramatic changes have been taken place in the IT-consultancy industry in the past years, as many companies have suffered from the intensifying competition and the remarkable price pressures within the industry.
- A lot of IT-consultancy firms have followed (are starting to follow) the trend in outsourcing/offshoring business processes – where will this end up in the future?
- The country always coming up while reading about, and doing research within the offshoring topic is: India.

3.7 The Interviewees in Capgemini

The individuals we have been in contact with (have interviewed) within the Capgemini organization (significant people in relation to our research aims), are the following ones:

Mikael Antonsson, a service manager at Capgemini, employed since September 2001, involved in a Rightshore project in Mölnlycke, which includes 10 Swedish and 10 Indian consultants. *(Telephone interview 2005-11-23)*

Sten-Olov Björbrand, a senior IT-consultant, a developer mainly working with programming, involved in the Rightshore projects. Björbrand has been officially working at Capgemini for 11 years, but he has more than 20 years experience in the industry. (*Telephone interview 2005-12-16)*

Andrea Filyo, knowledge management representative for the Nordic countries in the global Capgemini KM Council. She has been working at Capgemini for 11 years. *(Telephone interview 2005-12-06)*

Anders Halling, a project manager at Capgemini since September 2004. Halling's work tasks include coordination of the Rightshore projects as well as the collaboration between Sweden and India. *(Telephone interview 2005-11-15, 2005-11-16 and 2005-12-08)*

Mats Höstbo, a delivery director at Capgemini, and has a long history at the company as he has been working there since 1982. Today Höstbo is responsible for selling and supporting the Rightshore activities. *(Telephone interview 2005-11-17 and 2005-12-0)*

Sven Kallstenius, Vice President of the company, employed in November 2002, involved in the corporate management in Sweden, mainly responsible for major client affairs and the outsourcing perspective. *(Telephone interview 2005-11-23)*

Barbro Lundahl, a resource and delivery manager for the SAP consultants in the south of Sweden, also responsible for Business Solutions consultants stationed at the Malmö office and SAP Industry Solution Utility consultants. Lundahl has worked at Capgemini since April 2002. *(Personal interview 2005-12-02)*

Annica Norling, a project manager in the area of the energy industry since August 2004, involved in a Rightshore project, which includes around 30 Swedish consultants, one Indian consultant working in Sweden and 5 consultants working in India. *(Personal interview 2005-11-25)*

Prashant Upadhye, IT-consultant Capgemini India, experienced developer working with hardware interaction, involved in a Rightshore project in Sweden, has been working at Capgemini for 2,5 years. (*Telephone interview 2005-12-06*)

3.8 Trustworthiness

In our research study we have truly been striving to reach a high trustworthiness. This we have tried to accomplish first by choosing a research company that in a good way is harmonizing with the purpose of our study, and second by validating and referring to research articles, literature, company information and other kind of information being used within our study. We have also tried to "secure" the quality of our work, by interpreting and compiling the data information coming up during the process of our study according to information, material, interviews et cetera – so that all vital information and empirical work really have been visualized in our study.

3.9 Criticism of Sources

In this section we aim to present critical review of the sources in order to valuate both the primary and the secondary data collected. This will provide the reader an indication of the level of uncertainty regarding the conclusions we have drawn. As we have clarified, our conclusions are certainly angled by the chosen theoretical framework, just as well, they have been affected by the interviewees interpretations of the object studied. We aim to revise the accuracy of our sources by evaluating their concurrency (time perspective), authenticity, dependency, and tendency.

The longer time has passed the occurrence, the more likely it is that the description of the occurrence will be impaired by memory failures, or reasonings and constructions made afterwards (Esaiasson & Gilljam & Oscarsson & Wängnerud, 2002). We do not consider the time perspective being such a critical factor regarding the sources in our study, as the study object touches events and subjects that are currently occurring in the company. Also the authenticity of the secondary sources can be questioned. All of the articles and books that we have studied, are written by acknowledged writers and published by well-recognized journals and business schools. The internal documents received from the interviewees, are as well published by the company and available for all the employees and managers working there. We therefore have to trust that these documents and publications are based on authentic sources and information.

To study the dependency of the sources, three different aspects needs to be concidered, namely the possibility to verify the sources, the distance between the storyteller and the story, as well as the level of independency (Esaiasson et al., 2002). We have interviewed several persons with similar positions and work tasks at the same company, and carefully compared their answers in order to identify if there were any conflicting information regarding the occurrences and events touching the study object. Obviously we are aware of that the information given by the interviewees is highly subjective and colored by the interviewees' interpretations of the situation/event. To ensure the closeness between the interviewee and the subject studied, we chose a group of interviewees that we believed to have close experiences in the area we wished to do our researches on. In addition, we considered the fact that the interviewees might have been influenced by other persons or the circumstances, not at least us (as interviewers), but also their colleagues and managers. There is always a risk that we did not get the truthful answers if the interviewees did not dare to fully express themselves. Our apprehension is that all of our interviewees seemed to be rather openly

speaking about even the sensitive issues brought up, and could explicitly express critics towards the company as well as the managers.

There is always a risk that the interviewee deliberately has altered and modified his/her answers, so that they are not equivalent to the truth. We do not see that our study object would be that sensitive, that the interviewees should have any reason to lie about the answers, but we are aware of the fact that the interviewees can have tried to answer our questions even if they could not fully understand the question, or did not know the answer. They might also have altered their answers to match what they believed that we wished to hear. We tried to avoid this effect by asking distinct questions as well as we explained the context of the questions if misunderstood.

4 Theoretical Framework

In this section, we aim to construct a theoretical framework serving as a base in answering our research questions and to support our critical analysis. We will outline theories underlying knowledge management, core competence and the offshoring strategy. We are aware of that chosen theories might have given us a certain outlook of our research problem, and that a composition of other theories probably would have given us another perspective of our research problem. Nevertheless, by acquainting lots of theories (written by acknowledge authors) within the area of knowledge management, core competence and offshoring we consider our selections as a suitable mixture.

4.1 Choices for the Theoretical Framework

Lately, interests and investments in offshoring have been widely spread among IT-consultancy firms, as they are looking for ways to run their business processes and solutions more efficiently. With our study we aim to explore why and how Capgemini implements offshoring, as well as its overall impact in relation to the company's sustainable competitiveness. Therefore, we find it necessary to investigate a number of issues and strategies, linked with enabling a company like Capgemini to achieve sustainable competitive advantages within the consultancy industry and regarding the offshoring concept.

Drawings from strategic management literatures, "*a key common ingredient in all business success stories is the presence of a soundly formulated and effectively implemented strategy*" (Grant, 2004, pp. 4), whereas the resource-based view (Barney, 1991, 1999; Grant, 1991, 1998; Teece et al., 1997) emphasizes that a sustainable competitive advantage mainly is due to a company's resources, capabilities or competences. More specifically, Prahalad & Hamel (1992) deem that a sustainable competitive advantage is dependent on building and exploiting core competencies.

Grant (1991) in turn, is uttering that for companies to be able to maintain their competitive advantages, they need resources that are idiosyncratic (*and therefore*

scarce) and difficult to transfer or to replicate. This is attributed to the fact that barriers exist regarding transfer and replication of knowledge (Alavi, 1999), thus making knowledge management strategic significant for companies (Kanter, 1999).

Drucker (1993) states that knowledge management is a key approach for companies to solve their current problems, such as competitiveness and the need to innovate - which is faced by businesses today. Drucker also mean that the premise of the need for knowledge management is based on a paradigm shift in the business environment, where knowledge is central to organizational performance. Davenport and Prusak (1998) in turn, affirms that knowledge, as the organizational asset, is what enables sustainable competitive advantage - especially in hyper competitive environments.

In contemporary strategy literatures (in particular), competences have received attention as being the potential source of sustained competitive advantages. Some authors, especially Prahalad & Hamel (1990), have distinguished a particular competence, which they call "core competence," as being fundamental to a firm's performance and strategy as a whole. According to Prahalad & Hamel, "core competences" are the kind of characters that make a disproportionate contribution to ultimate customer value, or to the efficiency with which that value is delivered – core competences thus provide a basis for entering new markets. Pasternack and Viscio (1998) point out, that consulting firms, consider knowledge management to be a core capability in achieving competitive advantage. Alavi (1997) continue this statement, by mentioning that large consulting firms have been increasing their information technology expenditure, developing their intranets and data warehousing as well as their use of the Internet, in an effort to create knowledge management systems.

According to a study made by Forrester Research Inc. "offshoring" more or less has been brewing since a research group in the year of 2002, claimed that 3.3 million white-collar American jobs (500,000 of them within the IT-sector), would be offshored to countries such as India by 2015 (www.forrester.com). As offshoring is quite a new phenomenon, and a contemporary topic discussed around the world, the concept has also been a target for intense and emotional debates, regarding countries losing local jobs to code cutters in India. Analysts in Forrest Research, note that offshoring still remains a small fraction of the total outsourcing market, but that it constantly is growing. Remains to be seen, whether a company will be able to visibly establish a sustainable competitive advantage on offshoring.

Many authors continuously keep emphasizing knowledge management and core competence to be the key components of competitiveness - especially for knowledge intensive firms. The aforementioned views within the area of knowledge management, core competence and offshoring have been influencing us in selecting theories. Our selected theories will be discussed more in detail below.

4.2 Knowledge Management

4.2.1 The Concept of Knowledge Management

According to Alvesson & Kärreman (2001), knowledge management is a somewhat emergent concept around the rising of information technologies. Many acknowledged authors also state that knowledge management resonates with current ideas of knowledge work and knowledge intensive firms, as well as with ideas of organizational learning and organizational culture.

Alvesson & Kärreman (2001), state that knowledge management is a combination of "knowledge" and "management". In contemporary writings, researchers seem to have difficulties in saying something distinct about knowledge - many authors tend to reveal the subject either from a tacit or a dynamic dimensions of knowledge. Many scholars define the concept of knowledge very broad. Leonard and Sensiper, for example, mean that "*knowledge is a subset of information, it is subjective, it is linked to meaning full behavior and that it has tacit elements born of experience*" (1998, pp. 113), and McDermott (1999) in turn, notes that knowledge always is recreated in the present moment. An interpretation of this is that, most of us cannot really articulate what we know, as it is largely invisible and often comes to mind when we need it in answering a question or solving a problem.

As stated above, the concept of knowledge is rather vague, and seems to have lots of meanings, while management has quite a few meanings – so the combination of knowledge and management may seem kind of problematic. Therefore, confusion many time arises over what knowledge management is, and what knowledge management involves among academic scholars and practitioners…

Alvesson & Kärreman (2001), state that knowledge management naturally is problematic as a concept. The authors point that they have been struggling with the knowledge management concept, either by sliding to the "knowledge" or the "management" pole, otherwise kind of moved away from what may be witnessed as a typical denotation of these two labels. Perhaps the choice often is determined by the emphasis given to the concept. The authors also deem that "the more the management, the less knowledge to 'manage', and the more 'knowledge' matters, the less space there is for management to make a difference" (Alvesson & Kärreman, 2001, pp. 996).

4.2.2 Definitions of Knowledge Management

Drawing from literature reviews regarding knowledge management, there are numerous of definitions. Sarvary notes, "*There is much more to knowledge management than technology alone, knowledge management is a business process*" (1999, pp. 95). McDermott in turn, states that "*knowledge management is not a matter of building a large electronic library, but a way of connecting people so they can think together*" (McDermott, 1999, pp.104). Therefore, the concept of knowledge management could be seen as connecting people with people, as well as people with information.

Nonaka (1994) defines knowledge management as *he process* of capturing collective expertise and intelligence in an organization, using them to promote innovation through a continuous organizational learning. According to Nonaka, it is primarily important to make a distinction between "explicit" and "tacit" knowledge regarding the concept of knowledge management. More specific, tacit knowledge is the conceptual knowledge that is embedded in our minds over time - including insights, perceptions, intuition et cetera. Explicit knowledge in turn, is what can be documented on paper, in databases et cetera (Nonaka, 1991). Nonaka states that tacit knowledge could be seen as the "wisdom", that combines experience with explicit knowledge.

According to David & Skyrme (1999), the key objective of knowledge management is to convert informal personal knowledge into a formal organizational knowledge - that generally can be shared throughout the whole organization. David & Skyrme means that the real issue, surrounding knowledge management, is to actually enable the organization in taking advantage of the knowledge held by its workforce.

4.2.3 Knowledge Management – Typology of Knowledge Management Approaches

Alvesson and Kärreman (2001) remind that knowledge management is a broad concept, and can be used in diverse ways. In their model for typologies of management approaches, Alvesson and Kärreman have identified four orientations of knowledge management which are determined within the following dimensions (see figure 1):

<div align="center">Mode of managerial intervention</div>

	Co-ordination	Control
Social	Community (sharing of ideas)	Normative control (prescribed interpretations)
Techno-structural	Externded library (information exchange)	Enacted blueprints (templates for action)

*(Left axis label: **Medium of interaction**)*

Figure 1: A typology of knowledge management approaches (Alvesson & Kärreman, 2001, pp. 1005)

- *Mode of managerial intervention* (how much the managers in fact are managing and controlling their employees)
- *Medium of interaction* (the way communication and interaction is being arranged at the company)

The previous dimension has two variables, co-ordination and control, which decide whether the managers' goal is to coordinate or have a control over their employees. The latter dimension, indicates whether the interaction between the employees is taking place socially or through the company's technical structure. The approaches for knowledge management are consequently different combinations of these variables.

For example, if having co-ordination as focus in the managerial involvement and the interaction is arisen in social matters, Alvesson and Kärreman speak about knowledge management as a "*community*" - where ideas and experiences are shared between the actors. A *community* is based on the interest of being able to share the tacit knowledge among the employees. This approach is characterized by the involvement of the managers, to inspire and encourage their employees to actively take part in the knowledge sharing activities. On the contrary, if the interaction is more technostructural, the role of knowledge management will be, according to Alvesson and Kärreman, an "*extended library*". This approach includes technological solutions for practice of knowledge management, for instance, databases, search engines and other communication systems - where the internal and external knowledge can be spread and shared.

When the managerial intervention is a matter of attaining *control*, the function of knowledge management, depending on the type of interaction (social or technostructural), can be *normative control* (prescribed interpretations) or to provide guidelines and templates in a more behavioral level, in other words to offer "*enacted blueprints*". In case of knowledge management to be understood as an attempt from management to accomplish normative control, according to Alvesson & Kärreman, the organizational culture will often get a central function in KM-activities - which involves a set up of shared values, ideas and beliefs commonly spread all over the organization. With enacted blueprints, Alvesson & Kärreman mean the kind of assembly lines that provide guidelines for behaviors and actions wanted from the employee without considering what she/he actually values and believes.

As stated earlier, knowledge management can be considered as a matter of involving managerial efforts in building systems, in which the company systematically can make the present explicit knowledge more explicit, and turning the informal and personal tacit knowledge into an explicit and commonly useful knowledge.

Our chosen model, theories and statements, connected to the knowledge management topic, should serve to introduce the concept as such, give a palette of the different meanings among authors regarding knowledge management, as well as to help us explaining how knowledge management today is working/not working within Capgemini, and what changes that might be done in improving it.

4.3 Core Competence

4.3.1 The Concept of Core Competence

From a resource-based perspective, Prahalad & Hamel (1990) introduced the concept of "core competence", with the purpose of linking the corporate competitive strategy with the corporate unique and specific resource combinations. Thus resources seldom are productive on their own; Grant (1991) argues that competencies are more important than knowledge and skills for corporate performance, in creating a competitive corporate advantage. A number of theorists have provided insights about corporate strategic thinking towards the linking with corporate specific resources, i.e. firm-specific competences or capabilities. For example, Selznick (1957) names these specific competences as "distinctive competences", Prahalad & Hamel (1990) call them "core competencies " while Leonard-Barton (1992) titles them "core capabilities".

Prahalad & Hamel (1990) point out that business success only can be based on the innovative creativity, the knowledge and the expertise that an organization posesses, and that the *real* potential of an organization's success relies on its "core competences". According to the authors, a core competence can be any combination of specific, inherent, integrated or applied knowledge, skills and attitudes (Prahalad & Hamel, 1990). They continue stating, that core competence refers to a unique corporate capacity, offering corporate competitive advantage over its competitors that helps the company to make profits. Even if competitors continuously come up with new and better tactics, replication or imitation of a leader or a competitor can hardly lead to a real competitive advantage (Prahalad & Hamel, 1990).

If speaking metaphorically, a corporation can be illustrated as a large tree; where the trunk and the major limbs are the core products, the smaller branches the business units, the leaves, flowers and fruits are the end products, and the company's core competences the root system that is providing nourishment, sustenance and stability to the tree as a whole (Prahalad & Hamel, 1990).

End Products

Business Units

Core Products

Core Competences
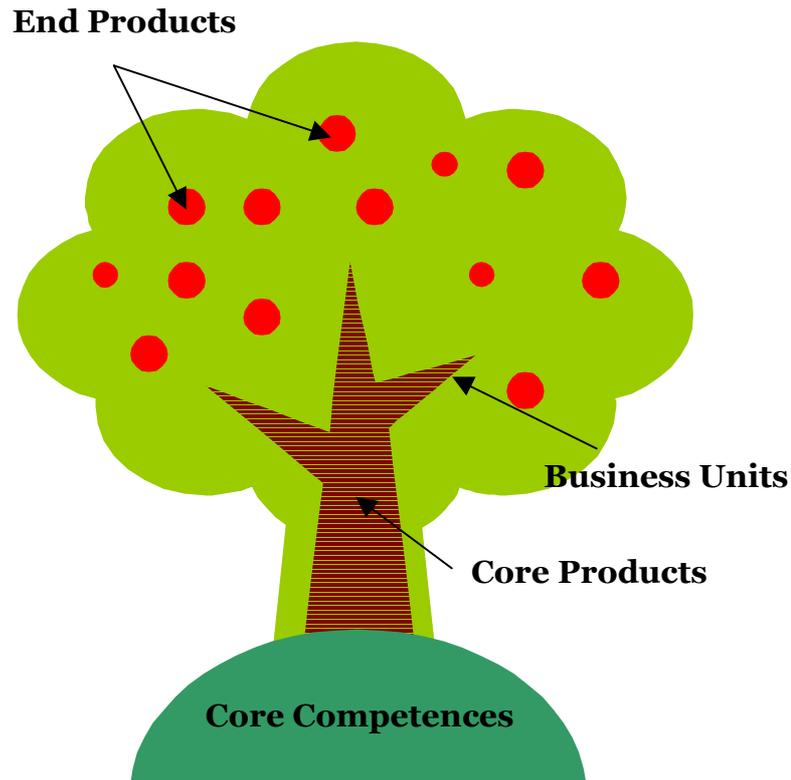
Figure 2: A company as a tree

You can easily miss to identify the strength of a competitor only by looking at its end products, in the same way you can miss the strength of a tree, if only looking at its leaves (Prahalad & Hamel, 1990). As a result to this, Prahalad & Hamel (1990) explain that core competencies are the collective learning in the organization, especially when it comes to coordinating diverse production skills and to integrate multiple streams of technologies.

When a corporation starts to concentrate on its core competences, it has to pay a lot of attention to the competences of their employees, thus personal ability, skills and quality of employees, are strategically essential in the realization of a company's objectives (Spencer & Spencer, 1993). According to Spencer & Spencer (1993), personal competences are the influential factors in acting successfully in a job or a situation. He means that managers thereby need to focus on, and adapt their managerial work to the company's core competence-approach when engaging in recruitment, selecting people, training courses and programs, appraisal, remunerations such activities.

4.3.2   The Main Features of Core Competence

According to Prahalad & Hamel (1990), knowledge will fade if not being used, while core competence does not diminish with use, but instead to be enhanced if it is applied and shared. Yet, this statement does not mean that core competencies do not need to be nurtured and protected. Since core competences are seen as few, tacit and rare resources (acquired by a company), Prahalad & Hamel note that core competences both need a "long term investment" as well as a "continuous development". Lei (1992) in turn, deem that the nature of core competence is such that it does not rest only on technological advances, but also on an organization's collective facility to transfer, share and integrate these advances across the organizational boundaries.

In summary, core competence is the result of a shared organizational learning process, which a company has invested in and developed over time. Core competences generate the strengths and the power, enabling firms to respond to the market. Core competence could be seen as the engine for new business developments, and once corporations can take care of and use their core competences in an efficient way, they could be guaranteed a continued lead on the market over the competitors.

The theories and statements chosen, connected to the core competence topic, should serve to introduce the concept as such, give a palette of the different meanings among authors regarding core competence, as well as to help us identify what Capgemini's present core competence is (how it is defined), and what needs to be highlighted regarding this for the company – for them to stay competitive in the consultancy industry - now and in the long run.

4.4 The Concept of Offshoring

The offshoring model has been a globally growing trend in recent years. To be able to stay competitive on the market, many companies required off-shore replacements after being downsized under the intense pressure from the fast-changing business environment – especially around the Millennium. Offshoring can be defined as the relocation of business processes (including production and manufacturing) to a lower cost location, usually overseas (Encyclopedia of Wikipedia). Offshoring can both be seen in the context of production offshoring as well as services offshoring (http://en.wikipedia.org).

According to Prahalad & Hamel (1994), an offshoring strategy for a company is about "searching for a new source of competitive advantage", to "be unique " and to "discovery wealth". An offshoring strategy is designed to explore corporate capabilities of cost efficiency, by ways of moving business processes to a cheaper oversea provider. It enables a corporate in optimizing their resources globally, and supporting efforts to reach corporate strategic objectives (Prahalad & Hamel, 1994).

Management consultant John Berry, shares his ideas of the offshoring strategy in his recently published book; Offshoring Opportunities: Strategies and Tactics for Global Competitiveness (2006). Berry states that an offshoring strategy is a set of principles and guidelines aligned with critical business goals that indicate which business processes make sense to offshore, as well as suggests the kind of relationship that should be developed to offshore, and set the direction for the ongoing management of offshoring relationships.

Berry (2006) also deems that offshoring (seen as a subset of outsourcing, and not synonymous with each other), generally is used when a company does not wish to contract a third-party provider based in the foreign country, but instead aims to set up its own business overseas, and hire local workers. Berry continue arguing that the offshoring concept normally is being used by companies in a consequence of following "drivers": cost savings, other efficiencies such as increased quality, access to qualified and English speaking workers and other strategic or operational needs that a company seeks to fulfill.

Aron & Singh (2005) stress the dilemma connected to offshoring and outsourcing, that most businesses do not consider all options being available for them, and end up using organizational forms that might be inappropriate for their purposes. They also allege that companies tend to analyze business processes too narrowly, looking only at the *direct costs* and therefore is failing to examine interdependencies, that might tip the cost/benefit analysis in favor of keeping services in-house. The authors continue pointing out, that many companies do not really spend time evaluating which business processes they should offshore vs. which they should not, as well as to really differentiate the processes – from the core processes to the most critical processes (Aron & Singh, 2005).

Many researchers (Vogel & Connelly, 2005; Earl, 1996; Tafti, 2005) have conducted empirical investigations about offshoring strategy applications, and have come up with mixed results of their observations. They mean that the offshoring strategy carries both risks and rewards. Benefits described from offshoring, are for example saving expenditures, obtaining quality services and

improvement of time to the market et cetera. According to previous authors, the benefits mentioned above may be offset by significant losses due to various risk factors, such as hidden costs, security and backup problems, IP thieves[2], loss of key employees, communication obstacles, technical returns et cetera. The authors also suggest that before moving business process thousands of miles away, a company should really evaluate the risks and benefits of offshoring (Vogel & Connelly, 2005; Earl, 1996; Tafti, 2005). They mean that companies need carefully to consider the potential risks connected to offshoring, and to be vigilant when undertaking any kind of offshoring tasks.

4.4.1 The Value Hierarchy Model

Aron & Singh (2005) are demonstrating a model, a concept they call "the value hierarchy", that a company can use when evaluating what business processes they should and should not offshore – this by figuring out how each process will help the company to create value for its customers. The method Aron & Singh recommend executives to rank their business processes, is simply by asking themselves: "*How crucial is each process (or sub process) compared with others in creating value for my company's customers?*" as well as "*...to what degree does each process enable my company to capture some of the value that it has created for customers?*" (2005, pp. 136-137). After asking these questions, Aron & Singh recommend the executives to rank each process along two dimensions – "value-creation ranking" and "value-capture ranking", add the two ranking numbers together to arrive at a total ranking for each business process. Thus by ranking all of the company's processes, the executives can create a value hierarchy, serving as guidance in the choice of offshoring specific processes. Aron & Singh (2005) stress that the higher a process is being ranked in the value hierarchy, the more crucial the process is to the company's strategy, and the less the organization should think about moving these particular processes offshore or outsourcing them. The opposite situation is due of course, if the processes are being ranked low in the value hierarchy model.

Our chosen model, theories and statements, connected to the offshoring topic, should provide an introduction to the concept as such and give a palette of the

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[2] IP (intellectual property) thief occurs because of the lax enforcement of intellectual property laws in overseas locations.

different meanings among authors regarding offshoring, as well as to help us explain how the offshoring strategy affects Capgemini's core competence. If so, in that case how the company's knowledge management is supporting the offshoring strategy as well as how Capgemini "keeps control of" its core competence in following the trend of offshoring to India.

5 Analysis

5.1 Case Description: Capgemini

Capgemini is one of the world leaders in technology, outsourcing and local professional services. Headquartered in Paris, the company operates in more than 30 different countries and has today approximately 60,000 employees across Europe, North America and the Asia-Pacific region. According to its business concept "*We contribute to our client's business success by offering them broadness and depth in competence regarding Management and IT-consulting*", Capgemini is committed to assisting and guiding both its local and international clients to develop and transform their organizations.

Capgeminis services are delivered in a number of core business areas divided within three disciplines; *Consulting services* (contributing to business transformation and economic performance), *Technology services* (integrating technology solutions and creating innovation and transforming clients' technical environments) and *Outsourcing services* (taking part of the management of client's IT-resources). As we in our study focus on the IT-industry we will in the empirical study be concentrating on the two of the latter disciplines. Technology services and outsourcing services are integrated in Capgemini and further divided in four different areas: *Business solutions*, *Technology and Outsourcing solutions*, *Telecom solutions* and *IT-architectures.*

In 2004 Capgemini launched a new business approach, The Collaborative Business Experience, by which the company stresses the importance in the cooperation between Capgemini and its clients. "*This approach is characterized by meticulous preparation, execution, and the efforts of a close-knit team working with an inspiring, highly motivated coach. Capgemini coaches the teams of many successful businesses and public-sector organizations*" (http://www.capgemini.com). Not only being the coach for its clients through the CBE-approach, Capgemini is also acting as a "team-member", and in cooperation with the client, finding the best solutions that it believes will add value for the client company and lead to success. "*That involves identifying the knowledge, skills and experience that the various parties need to contribute to achieve a*

successful result for our clients" (http://www.capgemini.com). The CBE-approach is a cornerstone in Capgemini's consulting services, and implies a strong network with Capgemini's partners, where the skills and experiences are integrated in a way that all members will benefit from it and gain competitive advantage.

Capgemini (Sweden) has since year 2003 been implementing a strategy called *the Rightshore,* which involves *offshoring* to countries where certain activities and processes can be done the most effective and beneficial way, both for the clients and for the company itself. The largest offshoring areas are at the moment application maintenance and infrastructure management with main destination in India, and business process outsourcing involving financial services with main destination in Poland.

5.2 Background

Among other companies in the IT-industry, Capgemini was experiencing tough times during the economic recession (1999-2000); it was suffering from the price dumping in the market, and due to continuous downsizing caused by this, a lot of employees had to leave the company. Capgemini was struggling and needed to start searching alternative ways of improving its cost efficiency. The offshoring strategy would offer Capgemini both cost reduction capabilities, as well as it would ensure the company's global competitiveness. For Capgemini, offshoring became highlighted as a survival strategy; the only way the company could manage the intensifying competition and to stay competitive on the market. As Mats Höstbo, a delivery director at Capgemini, states: *"This is a strategy we had to adopt... All the other companies were doing it, and we needed to follow the trend. Otherwise we would have risked loosing our contracts and affairs...*"[3] Anders Halling, a project manager at Capgemini, is also expressing it in the following: *"The offshoring strategy is adopted because Capgemini aims to achieve better cost efficiency, which means that we can offer lower prices... and in that way gain competitive advantage... I see it as a survivor strategy, and by this I do mean that it was something the company **had** to do; it was not a free choice. We want to stay competitive by being one step ahead of our competitors, if possible. Companies like IBM and Accenture are already one step ahead of us in offshoring, and we really need to keep up with the trend to be able to survive...*"[4]

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[3] Interview with Mats Höstbo
[4] Interview with Anders Halling

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The offshoring strategy would also mean a list of other benefits for Capgemini, which the company considered critical in order to strengthening its position in the market. The clients as well were growing, and implementing global strategies that would substantially increase their demand for larger and more complex projects and global solutions. The offshoring strategy would result in "*more competitive advantage in terms of being able to sell higher volumes and new kind of services... being available 24/7... creating global solutions for international customers...and having a better capacity [personnel] for larger projects...*"[5]

Offshoring would in that way, support Capgemini's global strategy. According to Sven Kallstenius, the Vice President of the company, there are principally two different types of strategies for IT-consultancy firms today:

1. Implementing an offshoring strategy in order to gain more capacity and to be able to match the clients' changing demands by supplying them *global* solutions,
   or
2. Becoming a *specialist*; acting in the *local* markets and offering highly customized solutions for the clients (as well as taking premium prices for the services).

Kallstenius also means that offshoring is preferable if judged against outsourcing. He explains: "*Those who own the customer, also own the capacity...The minor, local, specialized companies...are digging their own graves...The service markets are nowadays global, and we need to compete under the global rules. Is there much else to say? You either go into the battle of moving your resources to low cost countries like India, Thailand, Philippines, Malaysia...or not. There is always a risk in trusting the smaller local companies as it costs more money.*"[6] Höstbo in turn, argues that not having to involve a third party in the delivery process, offshoring is a natural choice for Capgemini. "*First, it is by far, more effective when you do not have to meddle with a third party. It would complicate the process and increase the risks. Second: As we are all Capgemini employees and working within the same company, it is easier to communicate and coordinate the processes. We have the same structure, methods and working habits as we are all part of the same infrastructure. We have the same network which even makes it easier to move from place to place, as you get access to the network wherever you*

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[5] Interview with Mats Höstbo
[6] Interview with Sven Kallstenius

might find yourself..."[7] Halling is also pointing out, that it is important to have control over the processes, and explains that the offshoring strategy is a better solution connected to this than an outsourcing strategy, because it makes it possible "*…to remain the control over the whole delivery chain...*"[8]

5.2.1 The Idea of Rightshore

In search of better cost efficiency, the offshoring strategy was initiated at Capgemini Sweden during summer 2003, by a group of employees including Mats Höstbo. He explains that "*…the meaning of the strategy was to be able to sell more, even though the markets were getting tougher.*"[9] By cutting down its personnel costs, Capgemini could in this manner achieve a better cost structure and be able to offer its clients remarkably lower prices. "*We are to find the optimal solutions for our clients. Offshoring will mean lower costs for our clients as well.*" [10]

Naturally the managers at Capgemini realized that offshoring also had its legal and political restrictions, as well as they were aware of the fact that an improper use of the offshoring strategy, could as expected, lead to unwanted consequences. Annica Norling, a project manager at Capgemini, means that another kind of limitation, could be that the attitude towards offshoring is varying from client to client, which might make this strategy inapplicable in some circumstances. She reminds that offshoring is a relatively new solution, and that it in turn also implies a new way of working, both for the company and for the clients. Some clients for example, might not be mature enough for the kind of change that the offshoring strategy could mean for them.

As a consequence to this, the managers in Capgemini believed that the company needed to develop its own, tailored offshoring strategy, which would both evaluate and undertake the kind of limitations mentioned above. The idea of offshoring was expanded to be applicable even in the opposite direction, "*onshoring*" (moving or keeping business processes in Sweden) as well as geographically downwards, "*nearshoring*" (moving business processes to places that are geographically below Sweden, e.g. Spain). That way Capgemini's strategy would be more flexible than only choosing the offshoring strategy and

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[7] Interview with Mats Höstbo
[8] Interview with Anders Halling
[9] Interview with Mats Höstbo
[10] Interview with Anders Halling

tying up the company to a single track of knowledge transformation. The business processes would be located in places that would serve the client in the best way and with the best price. Thus, generating several channels for business processes would enhance the potential for high customized and idiosyncratic services, since the underlying idea of the new strategy was to perform "*the right work in the right place at the right time and for the best economic value*". Capgemini decided to call it **Rightshore**™ (URL: http://www.se.capgemini.com).

When talking to the interviewees regarding Rightshore and its utilities, we received the following explanations of Rightshore: According to Halling, Rightshore is about creating optimal service deliveries and doing things "the best way"; different business processes should be done in places (for instance, in Sweden respectively in other countries) which would guarantee the best effectiveness for the client and for the company. Halling states: "*In Capgemini our job is to find the best customer solution. The work will be done at the place where it is the cheapest (for the customers), but still being performed in a way that meets the customer service criteria.*"[11] Thus, Rightshore has two kinds of benefits: the cost perspective and the quality improvement. We were given the indication from all of the interviewees, that Rightshore both is a beneficial and good strategy, which will contribute to Capgemini's overall business success. As Kallstenius expresses it: "*We have gained competitive advantage in the markets... We have basically an instrument to be able to win more affairs with right profitability... It is very simple: We have created a possibility to survive and position us [right] in the markets out there.*"[12]

As well as Rightshore provides unbeatable advantages for the company, there are still underlying risks involved in the process that should not be underestimated. Kallstenius asserts that there is always a risk of not being able to get the process together, which could lead to a worse service quality. During the interviews we were also indicated that that there has been both active and passive resistance from the Swedish consultants, towards the company's offshoring strategy. The interviewees explained that some of the Swedish consultants were concerned about their jobs and work tasks being offshored abroad. We were told by several managers that Capgemini might have failed in engendering an understanding for the offshoring strategy among the Swedish employees, and that a lot of improvements have to be done regarding this. Halling, reflects this as follows: "*Most importantly, the company must sell the concept or the message of its*

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[11] Interview with Anders Halling

[12] Interview with Sven Kallstenius

offshoring strategy. The employees should be informed about the huge competitive advantage in the strategy, so that they understand it and accept it...It is our 'weapon' to be able to compete and sell our services... The Rightshore should be seen as a possibility, and not as threat for the company..."[13] Kallstenius expresses the same in the following: *" The bottom line is that we **need** to change, there is no other way...The whole industry is going global, and in India they have the supply of competence in volumes that we do not have capacity for here in Sweden. Capgemini needs to meet the global competition...We should work to increase the awareness among our workers; everyone should know how Rightshore can affect their work, and what kind of benefits the strategy will source...We need to engender a faith for Rightshore; make people realize that it is vital for the company. The wages in Sweden are rising and the prices are standing still. What do you think happens then? We **need** to do this!"*[14]

Looking from a consultant perspective, Barbro Lundahl, a resource and delivery manager at Capgemini, in turn, means that Rightshore can give a possibility for the Swedish consultants to move further in their careers. By this she means that if they were to get educated and start working within other areas, obviously someone else needs to take over the work task these consultants performed before. She means that this is where the Indian labor force can come in.

5.2.2 India – the Most Attractive Rightshore Destination

The current trend indicates that India has become the most popular destination for offshoring in the IT-industry. With its large population, increasing number of high-educated engineers, excellent language skills and low wage level, India provides the kind of capacity for offshoring that companies (including Capgemini) are presently looking for. According to Höstbo, India has been in the past years (and still is) the most attractive offshoring destination, since other countries cannot yet compete with the level of competent labor force that India currently can supply. Anyhow, it was pressed by all of the interviewees that there are other countries with good offshoring possibilities, for instance China and other large Asian countries, which might be the future solution, if/when the Indian wage levels start to raise.

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[13] Interview with Anders Halling
[14] Interview with Sven Kallstenius

Today the price for an Indian IT-consultant (compared to a Swedish IT-consultant performing the same work) is approximately 8-10 times lower[15], and the labor force in India is growing rapidly as around 300 000 engineers are graduated from universities every year (10 % of these graduates have a major in IT-engineering)[16]. Our findings in both research articles as well as during our interviews, indicate that Indian consultants are generally considered as extremely talented, hard-working and highly focused on their work. As Kallstenius comments it: *"The Indian consultants are spectacular! We who have been there [in Bangalore/India] know that the competence that exists in India, is higher than we have in Sweden..."*[17]

Höstbo in turn, is stressing that the Indian consultants generally are more prepared for working long days with irregular hours, compared to the Swedish consultants. He also claims that the Indian culture is more suitable for the kind of "24x7"-concept, as the Indian consultants often seem to be more adaptive to their work when it comes to family and private life. Halling explains that *"...it is kind of a tradition in India to be high-educated and good at these things India has over a long period been exporting their knowledge abroad. Companies like Intel and Microsoft have established their cooperation with India, long before other companies. For Capgemini the Indian project is relatively new compared to a lot of other companies."*[18]

5.2.3 Implementing the Rightshore in India
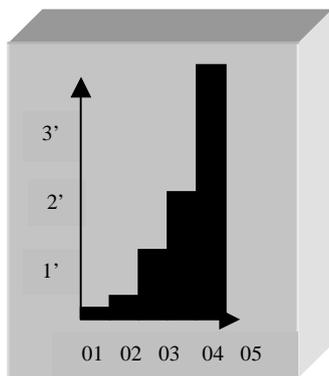
Figure 3:

The employees in Capgemini in India

Capgemini has been functioning in India since 1997. Before the Rightshore was implemented in India, Capgemini was mostly operating in local markets and the company was growing very slowly. Since Capgemini began implementing its Rightshore strategy, the number of employees in India has doubled each year. The figure to the left, shows the magnificent growth in numbers of employees

[15] Interview with Annica Norling
[16] Interview with Mats Höstbo
[17] Interview with Sven Kallstenius
[18] Interview with Anders Halling

within Capgemini in India during the past years. From only a hundred employees in the year of 2000, the amount of employees has grown to today's 3500.[19]

These [The Indian] companies are successful and growing with 50 % a year, and the profitability ratio is also growing with 30 % every year – this is something else than we are doing right now... [20]

The first activities being offshored to India were the application processes (mainly application development). Today, in addition, application maintenance processes and infrastructure management (supervising of databases and servers), are being offshored to India. Capgemini has established its activities in two locations in India; *Mumbai*, which is principally the flagship in Capgemini's offshoring race including its three centers (Accelerated Delivery Center, Applications Management Service Center, and Infrastructure Management Service Center), and *Bangalore*, the heart of "India's Silicon Valley", with a capacity around 600 seats around AM services. In Capgemini, offshoring overall is expanding into other business areas as administration/support and knowledge management. The offshored activities are, according to Höstbo and Halling, mainly non-core activities, involving both parts of processes as well as whole processes - perhaps routine-based but still very critical for the company's success. The company is also finding new Rightshore destinations, for example in Poland and in China.

The idea with the Rightshore is to build a front office for activities and processes, that involves a close relationship with the customer. The front office needs to be a local office that has the knowledge of the local customers. The workers in the front office are often located in the customer's locations/offices, and work very closely with the customer. The automatic processes and applications are activities that are located in the back office, and might as well be done on distance. As the Indian consultants are conducting the back office tasks they usually do not have the main contact with the client. [21]

The Rightshore strategy at Capgemini involves a practice of deciding which business processes are to be kept in the local offices, and which are to be offshored/nearshored. The processes/activities are located in the "right places", depending on the type of "office" and by project to project. The offices working closely with the client are named as the *front offices*; the company's face

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[19] Interview with Mats Höstbo
[20] Interview with Sven Kallstenius
[21] Interview with Mikael Antonsson

outwards. Thus, the knowledge about the local clients and industries is located in the front office. Kallstenius argues: "*We know the Western customers, we are already here, we have an excellent undertaking, we have a different type of maturity - we have the knowledge which those [offshore] companies do not have. We will therefore make use of our knowledge and integrate it with the Rightshoring strategy to be able to deliver at lower costs…*"[22] The more routine-based, non-core activities that follow the customization process, are to be performed in the back office, which are set up in the low cost countries.

> *There is nothing strange about it… it is just a matter of stating that we need to change the costs for the delivery to the customer… it can be done in different ways; gaining higher productivity and using cheaper labor force… Rightshore is about delivering the right services at the right price.*[23]

Another kind of perspective we acknowledged during the interview is showed in the following quotation from Lundahl: "*Some people involved/being responsible might sometimes be thinking 'within too closed frames' so to speak… – this task is about development, so we should offshore it to India when it actually can both be more time consuming or not being the most cost effective solution in doing so… You always have to ask yourself – when is a project/working task that big that the best solution for the company and for the customer is to offshore it to India?*" [24]

Our interpretation of this following: Lundahl means the risk with using the strategy without being flexible from case to case, and that the strategy needs to be evaluated separately for each project. The problem is, according to Lundahl, that if it has for example been determined those certain kinds of activities are to be offshored; it sometimes can restrict the flexibility in the strategy. In some cases it might be more efficient and profitable to hold certain activities onsite, instead of offshoring, simply because the decision taking initially and not being flexible from case to case.

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[22] Interview with Sven Kallstenius
[23] Interview with Sven Kallstenius
[24] Interview with Barbro Lundahl

5.3 Core Competence

5.3.1 Capgemini's Business Strengths

Capgemini describes itself as one of the world leaders in technology, consulting and outsourcing services. However, being a consultancy firm in the IT-industry, Capgemini is constantly facing violent rivalry as there are several serious competitors in the limited market. Capgemini's most acknowledged competitors are according to the interviewees, Accenture and IBM. As some of the interviewees were asked to describe the similarities and differences between Capgemini and these companies, we were told that Capgemini as an IT-consultancy firm was nearly identical with Accenture and IBM regarding to the companies' business knowledge and their range of services. We were interested to see what Capgemini itself thought made it compatible against its competitors. What are Capgemini's strengths according to the managers, and how (in what way) do the managers think the company stands out compared to its competitors? In other words, what are actually Capgemini's core competences?

According to Lundahl Capgemini has a strong reputation in the IT-industry, and as a European company it has also the competitive advantage in particular markets, where popularity can be more challenging for the American competitors to reach, regarding the underlying politics et cetera. Andrea Filyo, knowledge management representative for the Nordic countries in the global Capgemini KM Council in turn, explains that the company's long experience in the industry (40 years), its genuine knowledge and ability to utilize all that knowledge, as well as the company's established network with its partners, this all together distinguishes Capgemini from its competitors.

Some of the managers are saying that Capgemini intends to work in partnership with its clients, and believe the company's strengths rely on the broadness and depth in its business knowledge. Höstbo states that the company's most important competence is the ability of collaborating with the clients, and according to him, the critical part is then how the relationship between the consultant (Capgemini) and the client is being operated. The collaborative business experience (CBE), established by Capgemini is an example of the company's intention to cooperate with the clients and its partners.

Filyo in turn, is uttering that one of the most important strengths Capgemini possesses, is its broad service range and capacity to offer large projects to its local and global clients. Bringing in the Indian perspective, it should be mentioned here that Prashant Upadhye, an IT-consultant from India (working in Sweden), in turn, considered *Rightshore* as the main source for Capgemini's business success. Upadhye resonates that Rightshore facilitates the enormous capacity for larger projects. On the contrary, Filyo means that the Rightshore is a necessary *component* in many of Capgemini's projects, and within every project it is considered whether the Rightshore component can or should be utilized. She also believes that Capgemini is well suited to deal with this kind of questions, as a result of their experiences in these areas.

Based on the interviews (and the discussion above) following strengths referred to Capgemini can be identified:
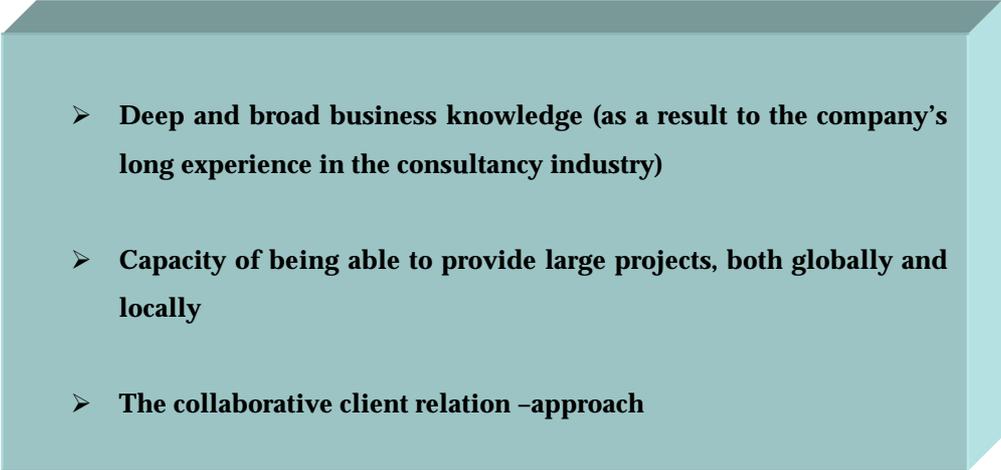
> **Deep and broad business knowledge (as a result to the company's long experience in the consultancy industry)**

> **Capacity of being able to provide large projects, both globally and locally**

> **The collaborative client relation –approach**

Looking from a client's point of view, some of the interviewees believe that Capgemini's strength relies on the company's collaborating business culture. They explain that the feedback coming from the clients regarding Capgemini's consultants, have indicated that the consultants were often considered as very humble and that they easily adopted the client's organizational culture. According to a survey made on Capgemini's clients worldwide (based on a comparison between Capgemini and its biggest competitors), the clients appeared to be particularly satisfied with the way the consultants were working with them. From the client's point of view, the Capgemini consultants were good at identifying problems, understanding the client, having a sensitive ear as well as finding the right kind of solutions for the client. Filyo presumes that from the client's perspective, Capgemini can deliver and supply what they are saying they can

supply, and that Capgemini has a genuine and a competent work force in combination with the culture of cooperating/working together within the company. Some of the interviewees explain that the Capgemini consultants are not meeting the clients as *the* professionals, *the "heroes"*, but more so as team-members at the same time as coaching the client - and as a result of a close dialog with the clients, the consultants are aiming to find the optimal solution in each case.

5.3.2 Core Competence and Rightshore

As we were indicated by many of the interviewees, the managers at Capgemini believe the company can gain competitive advantages through its offshoring strategy, and that the strategy is supporting the company's core competence. Rightshore, according to the interviewed managers, will contribute to the company's position in the market in many ways: It provides a better capacity for larger projects, as India (and possibly other countries) will guarantee more labor force with lower price. The company can through offshoring quickly have access to a large amount of competent consultants, if the client demands it. The managers also note that the Rightshore has broadened the company's business knowledge, since the Indian consultants are considered skilled and competent. Regarding the Swedish consultants, the Rightshore could offer them new kinds of positions and working possibilities within the company, since the kind of non-core activities are being offshored abroad.

5.4 Knowledge Management

5.4.1 Knowledge Management in Capgemini

According to the interviewed managers at Capgemini, knowledge management is about finding ways of administrating and integrating knowledge, developing methods and work processes as well as documenting them. In Capgemini there are several tools available for the consultants to document and share their experiences. Filyo lists a few of them:

- **K!New** (the ground/foundation of KM at Capgemini) which is available for all the employees. K!New is a matrix of a couple of databases where you can find documents, leverages and references within different areas.
- **T-room** (a collaboration platform) is accessible for the project team working with a specific project.
- **Community home space,** a series of portals, where people can look for information/discuss with each other and to exchange experiences.
- **A collection of external sources, for market & business intelligence purposes,** which is a system that allows custody the world around.
- **"DELIVER method handbook"**, the quality/method handbook available to everyone at Capgemini, with Best Practices (experiences from earlier projects et cetera).

The information regarding the use of the KM-systems is varying from an interviewee to another. Filyo, for example, declares that these systems are used in a regular basis by the consultants; for example that the T-room and K!New are used frequently by the consultants. However, none of the interviewed consultants or project managers could declare that they actively are using the KM-systems. They explained that these systems were mostly used as reference works or for information storage (not as a tool for knowledge sharing). We were also indicated by many of the interviewees, that the KM-management systems available seldom were up to date, and that it could be a reason for not using them on a regular basis.

Filyo admits that in Sweden for example, the employees seem to have difficulties in sharing information with others through the KM-systems. Not having a direct explanation for this Filyo suggests that the low usage of the KM-systems probably grounds from the lack of education regarding them. She also proposes that spreading more information about the technical components provided in these systems would possibly increase the usage of them. In addition to the KM-systems, Filyo explains that Capgemini also has built competence networks (for project leading, IT-architectures, system engineers et cetera), which is at least one way to administer and spread the information within the company. Filyo then reminds that the consultants are usually busy working with the projects, and there is, in fact, very little time left for documentation and other KM-activities.

5.4.2 From Individual to Organizational Competence

According to Antonsson, knowledge sharing inside the Swedish organization is generally being well-managed, at the same time as the consultants appear to be

generous in sharing their knowledge (both explicit and tacit knowledge). Some of consultants are even documenting their knowledge in form of cribs, but otherwise the knowledge generally is being spread by the word of mouth within the organization.

Regarding the dilemma of sharing tacit knowledge, Antonsson states that tacit knowledge is something that both the Swedish and the Indian consultants possess; it will always exist. An example of tacit knowledge in Capgemini's case, is the *specific knowledge* about the client and *understanding* the client's way of working. This kind of knowledge might be difficult to document and transfer further. In some cases, it might even lead to clients becoming "attached to" a particular consultant, and prefers him/her to perform the desired work for them.

Lundahl explains that in Capgemini, the knowledge and competences are structured in the so called "*pyramid of competences*", which is based on the idea that all of the consultants can
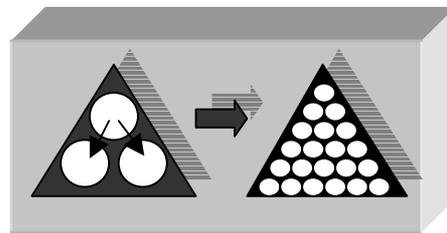
Figure 4: The pyramid of competence

be replaced if they decide to leave the company. A senior consultant should always have at least 1-2 consultants below him/her who has/have the same kind of "competence" within the specific area, and who always should be able to step in as a "back-up" if necessary (or if the senior consultant leaves the company). The pyramid method will ensure that no one's position is vulnerable, in other words, no one will become excessively unique within the company and can always be replaced if necessary. Lundahl admits, though, that the competence pyramids might not be as easy to implement in practice as in theory, but the structure to it is something that the company dynamically is working towards.

5.4.3 Knowledge Integration and Rightshore

The implementation of Rightshore has significantly changed the work processes in the Swedish organization. Sten-Olov Björbrand, a senior consultant in Capgemini Sweden, explains: "*Rightshore changed the work tasks from programming to specifying... It is more necessary [to document the work] now that the work is being done somewhere else. If a developer is sitting close to the customer, maybe he does not do the specifications as carefully. Now that the*

specifications are sent to India they also need to be more accurate..."[25] Other voices being heard from the interviewees, connected to the changed working processes are following:

> *The offshoring strategy adopted by Capgemini naturally affects the knowledge integration between the consultants, even if should not affect it at all. It is obvious that the distance between the countries complicates the communication and affects knowledge sharing negatively. We communicate in terms of video and telephone conferences, but it is still difficult...Again, the documentation is very important regarding knowledge sharing, and it involves two sides, first creating it (writing down what is being done) and secondly reading and making use of it. It takes time to study other's documentation.*[26]

> *I see knowledge integration as a long process and something that Capgemini needs to establish in the long run. We will have to work with this a lot to be able to achieve awareness... It will be a long process and requires some kind of maturity... It requires right kind of tools, processes and awareness from the managers.*[27]

The figure presented below illustrates a simplified model of knowledge transfer in a Rightshore project. As it is shown in the model, the initial knowledge sharing takes place between the front office consultant and the client. Both the company and the client will obtain valuable information, knowledge and experience from each other. The knowledge transfer will then in turn take place from the front office to the back office - a detailed work specification (for instance instructions for a development of a certain program) will be inscribed by the front office and then send further to the back office. The work process will be accomplished in the back office, and the completed product/service process will be send back to the front office.
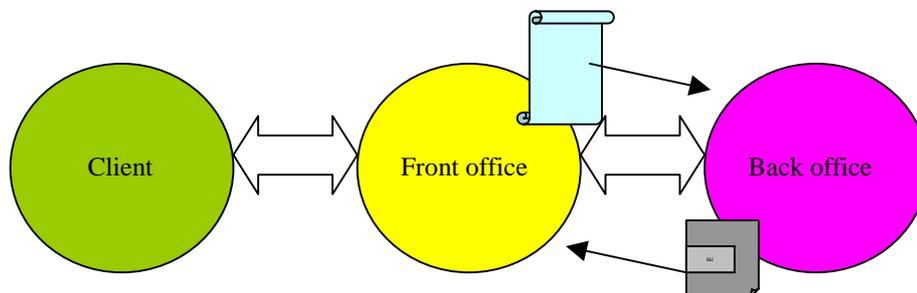

Figure 5: An example of knowledge transfer channels

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[25] Interview with Sten-Olov Björbrand
[26] Interview with Mikael Antonsson
[27] Interview with Anders Halling

As Halling stresses, knowledge integration requires the right kinds of tools. By developing common procedures, models, malls, and routines the work processes can be standardized and simplified. He claims that it needs to be emphasized that a precise documentation is necessary. Some of the interviewees are claiming that there are major differences in how the Swedish consultants, respective the Indian consultants are documenting their work processes. According to the interviewees it is acknowledged that India has well-developed and structured system for documentation, which Sweden might have experienced difficulties to match. The present communication between India and Sweden (in Capgemini), is therefore complicated by the structural differences in the documentation as well as by the working routines. As Antonsson states: "*The Indians are rather accurate in documenting their working tasks and processes compared to the Swedish consultants. Our documentations might be difficult to handle in India. This is also a risk and we cannot shut our eyes from it...*"[28] Since the knowledge between the countries mainly is being transformed in documents, like project specifications, all essential information needs to be described in detail, so that the receiver of these instructions will be able to conduct the working processes without any problems. Norling declares that the company is working towards a more effective documentation, which means a better clearness and structure regarding the specifications being send back and forth.

Halling in turn, states that communication difficulties, caused by technical problems, are something that can be considered as a challenge regarding the Rightshore. He emphasizes that the company must establish a better global system that enables the consultants across the world, getting access to all critical documents and databases in a suitable way. Halling means that the communication between Sweden and India, constantly is facing coordination problems (that has not been considered before), as the systems and business processes at Capgemini from the beginning was not build to fit a global infrastructure.

Kallstenius in turn, highlights the importance of a clear model for the communication and knowledge transformation within the company. He also claims that there today is no such clear plan set up for the company – which is unfortunate. "*There should be a clear model for the offshoring strategy at Capgemini - how to deal with it in practice and that Capgemini do not have this kind of plan/model implemented today. We should work to increase awareness among the workers;*

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[28] Interview with Mikael Antonsson

everyone should know how Rightshore can affect their work and what kind of benefit the strategy will source." [29]

Connected to this, Norling states that a successful Rightshore project needs a well-established communication channel. For instance, a project right now managed by Norling, the communication is pending back and forth through a single channel as illustrated in following communication model. All the information goes through onsite respective offsite coordinators, who are passing the messages further in both ends. Because of this communication structure, none of the official communication will take place between the consultants in Sweden or in India – only between the onsite- and the offsite coordinators.
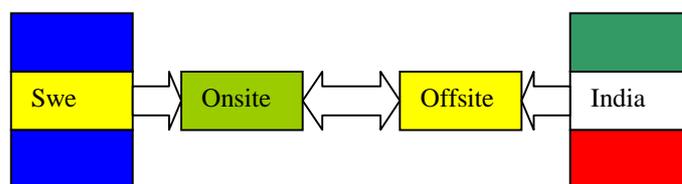
Figure 6: An example of a Rightshore communication channel

5.5 The Future Insight

For Capgemini Rightshore is a long-lasting survival strategy that the company must address, at least in the next 10 years' time. As Halling expresses it: *"The goal is to take a look at all the processes within the company, and to see what processes can be done more effectively. I see this as a long-lasting strategy for the company. It is a top-priority venture for the next 10 years."* [30]

Managers at Capgemini state that the implementation of offshoring definitely will increase, and that a wider range of business processes will be relocated. At the moment most of the processes being offshored are routine-based and so called non-core activities. How much of the core activities that are to be offshored in the future, still seems to be a question mark. However, the principle of the Rightshore strategy relies on the "front office - back office"-set up, and as Norling states:

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[29] Interview with Sven Kallstenius
[30] Interview with Anders Halling

"The kind of processes and activities that require a close cooperation with the customer will be kept here in Sweden, as they require specific knowledge, and a deep understanding of the customer." [31]

Another discussion is raised on the common debates of the offshoring phenomenon, namely the "Silicon Valley"-effect; the risk that the wage level in India is going to raise in the future, as the Indian IT-competence is getting more and more attractive. Nevertheless, managers in Capgemini seem not to be concerned about this effect. Höstbo states: *"...as it looks like now, the wages in India will raise but not up to the same extent as the wages in Sweden, so there is still a huge marginal between the wage levels... Right now this is not considered as a risk. At the moment it is unsure whether the wages would ever be able to compete with the Swedish wages. The costs that the Indian projects are causing, are paid back with a rather satisfying margin..."*[32] The managers at Capgemini are estimating that India will be in the picture at least for the next 10 years, and even after that, offshoring will continue in new destinations. Kallstenius declares: *"The price level will stay low for a long time, at least 10 years. They **will** rise eventually, but right now I do not see any risk in this. The supply is good and there is an enormous competition in the Indian markets right now, and it will guarantee that the low prices will last over a long period."*[33]

The biggest risk with the Rightshore strategy, according to Kallstenius, is that the company is not acting quickly enough, and that they do not adapt to the strategy as fast as it should be doing it. *"We are not changing as much as we should. The **real** risk is that we are not investing enough! We are talking too much and not acting..."* [34] These risks, as Kallstenius reminds, can be minimized by creating models that both give an indication to and instructions for, how the strategy should be implemented within the organization. *"We should still be more active in this strategy, act quicker and become more effective. Companies like IBM are much better in this, they are offshoring much more than we."*[35]

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[31] Interview with Annica Norling
[32] Interview with Mats Höstbo
[33] Interview with Sven Kallstenius
[34] Ibid
[35] Ibid

6 Discussion

In this section, we will apply aforementioned theoretical framework and empirical analysis of the Capgemini case. The discussion is based on how strategic decisions about offshoring are implemented in Capgemini, to highlight the issues of how the offshoring strategy is linked with knowledge management and core competence within the organization.

As stated in earlier chapters, the offshoring trend is seen (by many) as a long lasting strategy, that is here to stay for a long time, at least a decade. The advantages and disadvantages with the offshoring strategy brought up by authors studying this particular topic are covering economical, cultural, geographical and organizational risks connected to offshoring. As offshoring is quite a new phenomenon, it has been quite challenging for us to find acknowledged models and theories connected to the areas we have chosen to highlight in further detail. Still, by studying lots of different research articles and books within the subject area, as well as collecting essential empirical material (interviews), we have both found interesting angels to bring up for discussion in this chapter, as well as suitable theories connected to it.

6.1 Knowledge Management in Capgemini – in Summary

The concept of knowledge management applied by Capgemini is utilized through the company's collections of knowledge and experiences from numerous projects. According to the managers in Capgemini knowledge management is about finding ways of administrating and integrating knowledge, developing methods and work processes (as well as documenting them). As designated by the interviewees at Capgemini, there are currently several systems and tools available for the consultants/employees to document and share their knowledge and experiences within the organization. However, we still have received contradictionary indications of how these tools and systems actually are being used in the company.

One party is expressing that the KM-systems have an important task in the consultants' daily work, whereas the other party, in turn is questioning the functionality of these systems, and claiming that the systems are not being used on a regular basis. The reasons given by the latter party for not using the systems frequently, seem to substantiate from the way the users *understand the fundamental meaning* of the KM-systems. The consultants and the project managers also point out that the information provided by these systems, usually is not updated as often as it should be. Our apprehension to this, is that the current users of the KM-systems mainly consider them as a reference work or simply, as a place to store information (for example when a project is started or finished) – and are not using it for detailed descriptions, of what is taken place in the ongoing projects. Filyo suggests that reason for the consultants not using the systems (as they are supposed to be used), could be the lack of education regarding the KM-systems, and spreading more information about the technical components of these systems would probably increase the usage of them. Filyo also reminds that the consultants usually are booked in projects up to full time, and it is generally difficult to arrange the time for documentation and other KM-activities.

As mentioned earlier, the interviewees explain that knowledge transfer, at Capgemini, today mainly takes place through personal contacts (word of mouth).

Like clarified by Lundahl, in Capgemini the knowledge and competences are structured according to the principle of "*the pyramid of competence*", which is based on the idea that both tacit and explicit knowledge can be transformed from individual to organizational knowledge.
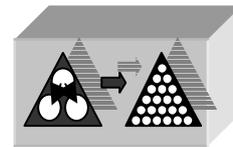
Figure 7: Pyramid of competence

On the other hand, the offshoring strategy has, as described by Norling, significantly changed the way of working in the Swedish organization, as the knowledge transfer in the offshoring projects principally is taken place through documentation, and requires more specific and extensive documentation from the Swedish consultants. In some of the projects for example, as explained by Norling, the communication is pending back and forth through a single channel, so that all of the information goes through coordinators in both ends: the onsite and the offsite office. That way the individual consultants in Sweden and in India do not have any official contact with each other – all the information between the countries goes via the onsite and the offsite coordinator.

6.2 Becoming a Knowledge Management Community

The matrix of "*the typology of management approaches*" (Alvesson & Kärreman, 2001), presented as a part of our theoretical framework, shows the four orientations of knowledge management: knowledge management as a *community* (sharing of ideas), an *extended library* (information exchange), *normative control* (prescribed interpretations) and *enacted blueprints* (templates for action). The type of management approach, is determined by the variation of the two dimensions: the managerial intervention and the standard of interaction. These dimensions are in turn divided into two variables each: the managerial intervention can either be coordinative or control-orientated, whereas the interaction can either be social or technostructural.

Mode of managerial intervention

Co-ordination   Control

	Community (sharing of ideas)	Normative control (prescribed interpretations)
Social	Community (sharing of ideas)	Normative control (prescribed interpretations)
Techno- structural	Externded library (information exchange)	Enacted blueprints (templates for action)

Medium of interaction

Figure 8: A typology of knowledge management approaches (Alvesson & Kärreman, 2001, pp. 1005)

When looking at this model, we are claiming that Capgemini would today not entirely land in *any* of the fields of the matrix. We can identify characters referring to (at least) some of the approaches mentioned above, but it cannot be determined that Capgemini would purely be following any of them. If considering how the interaction in KM-activities is carried out at Capgemini, we can conclude the knowledge capture and knowledge sharing take place in terms of both technostructural (systems/software) and social matters (from an individual to another).

When viewing Capgemini as a knowledge management *community*, there are several features in the company's way of applying knowledge management referring to this particular approach. As stated before, the community approach is based on the interest of being able to share the tacit knowledge among the employees. For instance, the "pyramid of competences"-principle established by Capgemini, according to us, is an example of this kind of knowledge sharing. As we have understood it, the purpose with the pyramid is not to have control over the employees but more or less coordinate and encourage them to take part in the knowledge sharing. (This includes both their explicit and tacit knowledge.) What the company actually wishes to have control over, according to our interpretation, is the *knowledge* and *competences* possessed by the employees, not necessarily the employees themselves. The knowledge management community would also mean an involvement of the managers to encourage their employees to actively take part in the knowledge sharing, but as indicated by the interviewees, these kinds of activities do not visibly take place in the organization. This is why we still cannot determine that Capgemini would purely be a knowledge management community.

On the other hand, if applying the model to the company's offshoring strategy, where the knowledge transfer in most cases is handled in electronic form (i.e. project specifications), and not by personal or social contacts, one could probably claim that this kind of knowledge management reminds an *extended library*. Yes, the numerous knowledge management systems developed and established by Capgemini gives the company's KM-processes also some features of an *extended library*... However, the functionality of these systems today is questioned by the current users (as pointed out earlier) and we doubt that they could be serving purely as an extended library in Capgemini's knowledge management activities. The objective of knowledge management related to offshoring appears to be more so having *control* over the processes. Hence, we believe that the approach of seeing knowledge management as a collection of *enacted blueprints*, would probably match the company's offshoring strategy the best. Just like these kinds of templates, the project specifications include detailed instructions and set of actions, that are to be followed and implemented by the offsite office. Our interpretation is that the more detailed the instructions are, the more control the onsite office will have over the offsite office.

To be able to streamline and restructure the knowledge transfer processes between Sweden and India, we believe that Capgemini needs to utilize its knowledge management systems in a more effective way. Related to the model (Alvesson & Kärreman, 2001), we stress that Capgemini in its offshoring strategy overall

should aim to transform its knowledge management approach from "enacted blueprints" to the "extended library". The extended library would facilitate an open forum for both the Swedish and the Indian consultants in sharing their ideas. It would reorganize the knowledge transfer process, which today seems to be going only in a single direction, from Sweden to India.

The move from a control-oriented to coordinative knowledge management would be a fundamental change of a KM-approach. We mean further that in Capgemini's case it would require more concentrated and extensive KM-systems to serve as a coordinative function. Alvesson & Kärreman express the causal relation between managing knowledge and the meaning of knowledge. They claim that if knowledge is handled and organized in an appropriate and suitable way, there is no need for much of management. Our interpretation of this is that knowledge should not (and cannot) be controlled, but coordinated and facilitated to burst out in expressions and actions.

> *The more the management, the less knowledge to 'manage', and the more*
> *'knowledge' matters, the less space there is for management to make a*
> *difference (Alvesson & Kärreman, 2001, pp. 996).*

According to us, Capgemini has indeed invested a lot of time and resources in implementing many functional (*could have been anyway, if updated frequently*) systems. We still believe that the reason for these systems not being used by the employees at Capgemini on regular basis partly arises from the KM-systems not being *kept up to date* and the users not being provided with enough guidance/education of *how to use* these systems. Our opinion is that there might be *too* many systems available for the users - to actually assemble a logical meaning regarding the use of the systems.

> *Knowledge management is not seen as a matter of building a large*
> *electronic library, but by connecting people so they can think together*
> *(McDermott, 1999, pp. 104).*

McDermott states that the concept of knowledge management involves, the connection of people with people, as well as people with information. According to us, this kind of view does not give the impression to exist in Capgemini, while the managers' view of the KM-systems is not to operate as a virtual meeting place, but instead to function as an administrative module for documentation of

different purposes. While considering these arguments from the managers, we find Capgemini's offshoring strategy more identical with McDermott's theory (1999), than with the way Capgemini today wishes it to function. According to our opinion, the knowledge management methods applied by Capgemini today, for instance the KM-systems, the communication model and the pyramid of competence, do not seem to support the company's offshoring strategy.

If now looking again on the KM approaches-matrix (Alvesson & Kärreman, 2001), we believe that the best solution for Capgemini would be to combine and balance the community-approach with the extended library-approach. We suggest that an *extended library,* if reinforced and modified, could be serving as what we would call an *"electronic community"* (a mixture between a community and an extended library). We strongly believe that a daily communication forum, would suit the knowledge transfer regarding offshoring. That way Capgemini would, through a single system, not only connect people with information, but also connect people with people.

6.3 Reinforcing KM-Culture

As we got the indication out of the interviews, there are major differences between Sweden and India regarding their documentation routines. We believe this could substantiate from cultural differences in the organizations between Capgemini in Sweden and in India.

> *The Indians are rather accurate in documenting their working tasks and processes compared to the Swedish consultants. Our documentations might be difficult to handle in India. This is also a risk and we cannot shut our eyes from it....*[36]

We claim that the obstacle mentioned above only is a matter of changing ways and reinforcing new routines in the organization. As it seems to us, management in Capgemini has recognized the potential power of knowledge management in the Swedish organization, but we cannot clearly see the way the company is utilizing knowledge management in supporting its offshoring strategy. In general, we judge that knowledge management at Capgemini, more or less could be seen

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[36] Interview with Mikael Antonsson

as information management. Thus, we would like to emphasize that knowledge is not information, and that knowledge management is not the same as information management. Again, this leads us back to the fact that the fundamental idea of knowledge management within Capgemini today, is not commonly understood among the consultants, and has really to be widely spread out and communicated in the organization.

We deem that Capgemini might need to focus on fewer KM-systems and methods, as well as to really strengthen their purpose regarding the offshoring strategy among their employees. While interviewing the managers at Capgemini, we reacted to the fact that the managers admitted that they were not using the systems themselves… This is something that we believe would be an important obstacle to tackle, when implementing and applying knowledge management. If not the managers, then who else would be able to make the changes, to reinforce "the new KM-culture", and on that way build a functional knowledge management community within Capgemini?

6.4 Core Competence in Relation to the Offshoring Strategy

6.4.1 The Roots of Core Competence in Capgemini

When interviewing personnel in Capgemini, many of the interviewees expressed that Capgemini has been strategically aiming to develop a set of relevant *competences* and *behaviors* in order to conquer its competitors both locally and globally. As mentioned earlier, according to the managers in Capgemini, there are numbers of competences contributing to the company's business success… These are for instance Capgemini's vast of broadness and depth in business knowledge, its capacity to provide large and complex projects for the clients, its local client knowledge as well as its established collaborative business experiences-approach (which involves close cooperation with the clients and the partners).

According to Prahalad & Hamel (1990), a core competence can be any combination of knowledge, skills and attitudes characterized by features that are rare, unique or hard to imitate. We find this designation in conflict with the kind of characters that were identified as Capgemini's core competences. As expressed

by some of interviewees, if considering the company's strengths and "core competences" mentioned above, Capgemini appears to be nearly identical with its main competitors (Accenture and IBM). This, according to us, confirms that these competences are not unique for Capgemini and therefore, related to Prahalad & Hamel's (1990) theory, cannot be announced as the company's core competences. Thus, if Capgemini's business strength only is leaning on its capacity to provide broad knowledge and complex projects, it cannot necessarily be recognized that Capgemini has an apparent, strong, unique core competence built in its business strategy. We even mean that the company might risk losing its business knowledge to its competitors, if the consultants who possess critical knowledge and competences, leave the company to work for one of the competitors…

On the other hand, as it has been stated by the interviewees, Capgemini's competitive strategy has evidently - in great deal - been built on the client relations, which involves active cooperation with the clients - the approach that the company calls a collaborative business experience (CBE). The CBE-approach is a cornerstone in Capgemini's consulting services, and also implies a strong network with Capgemini's partners, where the skills and experiences are integrated in a way that all members will benefit from it and gain competitive advantage.

Again, if considering Prahalad & Hamel's (1990) definition of core competence, as it should be a feature that is unique, rare and hard to imitate, we cannot necessarily see these characters in Capgemini's collaborative approach. We agree that the company's collaborative business approach might be a rare and unique competence in the short term, but we still believe it could easily be imitated by Capgemini's competitors in the long run, and in that way would not be a waterproof long-term cornerstone in Capgemini's business strategy. We also suggest that the clients relationship and other significant parts of the collaborative network, could easily be lost to the competitors if the consultants in critical positions for example decided to change employer. In other words, if the client relations mainly are based on the personal relationships between the client and the consultant, we mean, that the clients might follow the consultants when they move to a new company.

As we have pointed out so far, related to Prahalad & Hamel's (1990) theory, none of the "core competences" identified above cannot be considered as Capgemini's core competences, as they are not inevitably unique for the company or difficult to imitate. Now if it cannot be confirmed that Capgemini has a pure core competence, which would clearly distinguish it from its competitors and appear as

the company's fundamental business strength, what is it then that makes Capgemini such a successful consultancy firm?

If looking at Capgemini's strengths from a client's perspective, some of the interviewed managers at Capgemini were expressing that Capgemini's business success relies on the consultant's way of *meeting* the client and the consultant's *attitude* showed towards the client. According to the interviewees, Capgemini consultants, in general, were described by the clients as more humble and having a sensitiveness of hearing compared to the consultants coming from the competitors' companies. As it was stated during the interviews, Capgemini's consultants are not (according to the clients) entering the client company as heroes, as truly professionals (which now the clients seems to characterize the consultants at IBM and Accenture), but more or less as coaches, team members or partners to the clients.

As described by our interviewees, the cooperation process is undertaken in a very consistent way through a series of mutually linked activities aimed at influencing client perceptions. It involves an equal knowledge sharing activity between the company and the client, which according to the interviewees would benefit both the client and the company. The interviewees claimed that the kind of humbleness and collaborative attitude showed by the consultants is a part of and genuinely built in Capgemini's business culture.

Bringing in the theoretical perspective, Prahalad & Hamel (1990) state that a core competence refers to a corporate capacity offering competitive advantage over its competitors. Our interpretation of this statement is following: a core competence is a central part of a company's business strategy and an important tool for the company in gaining competitive advantages. Therefore a company highly needs to focus on its core competences, as they are such a great source of its competitive advantage. We agree with Prahalad & Hamel (1990) up to a certain extent, but we believe that in Capgemini's case (and even other consultancy firms), more weight *is* and should be put into engendering, managing and maintaining the client relations. It is the way Capgemini "meats and treats" its clients, that the clients, according to our interviewees, appreciate and highly value. For instance, the consultants' humbleness, and their skill to combine in between being a professional and a team member, are the features that from the client's perspective appear to be valuable. The balancing, for the consultants in Capgemini, in between being a professional and at the same time being team member we believe is critical in managing and maintaining the client relations, just as well as establishing a close cooperation with the clients. According to the interviewees,

their clients prefer Capgemini because they feel like they are being given what they are promised. This is also a matter of building respect and trust between the company and the client, which we believe, is definitely a vital source for Capgemini's success.

The way Capgemini actually is managing and maintaining its client relations (the client network) is a feature which, according to us, best matches Prahalad & Hamel's (1990) description of a core competence; that is what currently distinguishes the company from its competitors, and a core concept we believe would be more difficult to imitate. Capgemini's business success, today, according to our notes, relies on the combination of the strengths identified earlier (such as the capacity to provide broad business knowledge and large projects and Capgemini's collaborative business experience). Our interpretation connected to this is following: the broadness in business knowledge and a company's capacity for large projects are standards that any company in the industry must have to survive the toughening competition. On the other hand, the collaborative business culture such as established by Capgemini, will contribute to the business relations and the partner-client network, as well as providing the company with strengthened position in the market, at least in the short term. Anyhow, we deem that the collaborative approach, by itself, is still not the distinguisher between Capgemini and its competitors. We believe it would be less complicated for Capgemini's competitors to imitate it and establish a similar kind of business approach towards their clients. We mean further that the *real* distinguisher is Capgemini's skill to handle the client relations (i.e. in managing and maintaining the client network), which we believe, is providing the company with a *true* core competence.

6.4.2 Turning the Tree Upside-down

Thinking metaphorically, a model representing a company's core competences as a large tree was described in the earlier theory chapter; the limbs of the three were illustrated as the company's core products, the branches as the business units and the flowers and fruits as the end products. When applying the model to Capgemini, we appoint the limbs (being the company's core products) to be the knowledge and the competences possessed by the company. These competences are gained and practiced by the consultants and other employees working at Capgemini; thus, the limbs are actually the competent and skilled consultants/employees. The trunk with its branches, we would set to be the organizational structure; the three disciplines and the business units included in

these business areas. The flowers and the fruits are the products and services the company is offering to its clients.

As we have stressed several times before, the consultants in Capgemini are actively working with the clients in order to create and develop tailor-made solutions for the client. Thus, Capgemini's end products are the results of the cooperation with the client.
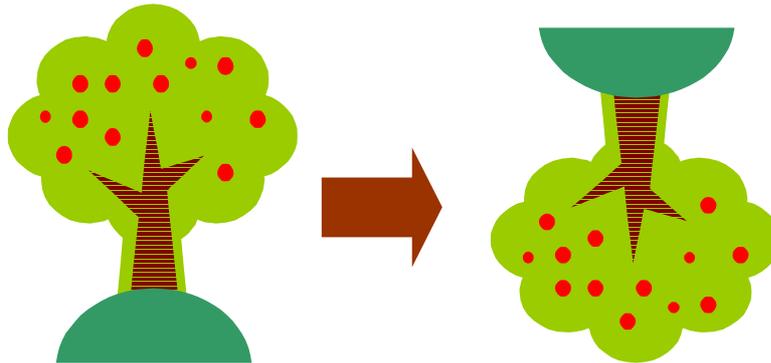

Figure 9: A company as a tree

In fact, we are claiming that in Capgemini's case the company tree is to be lift upside down, since the company's actual business strength relies on the way it is *cooperating* with its clients. As the clients are a part of the service developing process, the roots of the tree should be pointing out and placed closest to the client, not necessarily the fruits and the flowers as in the origin model (end products) - which only are the objects of the cooperation. We mean that the solutions result to this cooperation, and every time a consultant and a client are working closely, an exchange of knowledge and competences will occur. The way the company then is managing this cooperation and knowledge sharing, will according to us, decide how much the both parts gain from the process. As well as being the bees and the birds dependent on the tree with its flowers and fruits, the clients are also the soil and the rain the tree needs, to be able to produce the end products. How well the tree then absorbs the rain and the nurture from the soil, is therefore vital for its survival.

6.4.3 Core Competence and Rightshore

As mentioned by the interviewees, in Capgemini the activities offshored to the back office in India are mainly (more or less routine-based) non-core activities, and the client relations are coordinated and managed locally by the front office. That way the offshored activities and processes do not have a direct affect on the company's client relations, and so forth not Capgemini's core competence.

The idea with the Rightshore is to build a front office for activities and processes that involve a close relationship with the customer. The front office needs to be a local office that has the knowledge of the local customers. The workers in the front office are often located in the customer's locations/offices and work very closely with the customer. The automatic processes and applications are activities that are located in the back office and might as well be done on distance. As the Indian consultants are conducting the back office tasks they usually do not have the main contact with the client.[37]

We were also clearly indicated by the managers in Capgemini, that the offshoring strategy only is implemented for the reason of providing the company a better cost efficiency, which would enable the company to match its prices with the current trend (i.e. price dumping in the market). As Halling states:

The offshoring strategy is adopted because the company aims to achieve cost efficiency, to be able to gain competitive advantage in terms of being able to offer lower prices. I see it as a survivor strategy, and by this I do mean that it was something the company HAD to do, it was not a free choice. This, because we want to stay competitive and maybe even get one step ahead of our competitors, if possible. Companies like IBM and Accenture are already one step ahead of us in offshoring and we really need to keep up with the trend to be able to survive. [38]

Obviously, as the managers are uttering, there are several other benefits with the offshoring strategy which would strengthen the company's capacity for more complex and extensive project offerings. The strategy would even widen the business knowledge, as the competence level in India is claimed to be higher than

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[37] Interview with Mikael Antonsson
[38] Interview with Anders Halling

in Sweden, by some of the interviewees. That way the managers are asserting, that the Rightshore strategy would contribute to the business strengths that earlier were (the analysis chapter) described as the company's "core competencies" (capacity for broad business knowledge and large projects and Capgemini's collaborative approach). As we have showed above, these competences according to the Prahalad & Hamel's (1990) theory, cannot be described as the pure core competences, we find it meaningless to draw a clear causality between the company's core competence and its offshoring strategy. As stated by the interviewees, Rightshore for Capgemini was clearly a survival strategy, "a subject that the company must address". Thereby, we are drawing a conclusion that Rightshore initially does not have to do with the company's core competence. On the other hand, we were several times indicated by the interviewees that Capgemini's offshoring strategy does strengthen the company's core competence, but that is not the case according to our study. We are instead stating that Rightshore *will* contribute to the company's cost efficiency, but does *not necessarily support* the company's core competence, which we consider to be the way Capgemini is managing and maintaining its client relations (the client network). We are to verify this assumption with the following comparisons to the chosen theoretical framework:

Spencer & Spencer (1993) states that when a corporation starts concentrating on its core competences, it has to focus on the competences of their employees and that management has to adapt their work with the company's core competence when engaging in recruitment, selecting people, training programs and courses - and if Capgemini's offshoring strategy was to support the company's core competence, it would have to have a clear focus on human resources. As we were several times indicated by the interviewees, Rightshore most importantly has the cost perspective on focus, and the company has not necessarily concentrated on the recruitment process in India. We were also enlightened about the concern among the Swedish consultants, and some of the managers admitted that Capgemini has not managed to endanger an understanding for the strategy among its employees. That way it cannot be stated that the core competence is on focus regarding Capgemini's offshoring strategy, as it more or less is steered by the cost perspective, whereas the human resource perspective is, at least for the time being, getting less attention.

Prahalad & Hamel (1990) state that core competencies need "long term investment" and "continuous development". We also believe that a long term investment is required in the Rightshore concept regarding to the company's core competence. If Capgemini is not investing in their employees/consultants, we

deem that they might not be comfortable in their positions or satisfied with their work, which in turn could possibly show in their declining work motivation, and so forth hurt the client relations. As we were indicated by the interviewees, a fear of loosing jobs is today existing (up to some extent) among the Swedish consultants, which we believe show that the company has not managed to promote the offshoring strategy throughout the organization. As the top managers claim, the Rightshore gives new possibilities and new work tasks for the Swedish consultants, but we got the indication from the interviews that this is not a general opinion shared by all the actors in the company. A long term investment, according to us, would also mean an investment on the Swedish consultants and the promotion of the Rightshore strategy, which we do not necessarily agree that Capgemini is doing. This could be the factors pointed out by Lundahl:

Looking from a consultant perspective: Rightshoring is important for Capgeminis' consultants to be able to get further in their careers. For them to start working/get educated within other areas, someone else need to take over/do that those consultants did perform before – otherwise they get boxed-in with what they have. This is for example where the Indian labor force can come in... [39]

6.5 Debates and Arguments about the Offshoring Strategy at Capgemini

6.5.1 Offshoring – Seen as a Survival Strategy and Only Option

....companies must treat offshoring as a strategic imperative if they wish to capture all its benefits"...."when offshoring is only about cutting cost, businesses are reluctant to outsource complex processes, even though doing so will have a bigger impact on their bottom lines. (Aron & Singh, 2005, pp. 142.)

Both managers and consultants (the interviewees) within Capgemini that we have interviewed see the offshoring strategy (Rightshore) as a long lasting trend that is

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[39] Interview with Barbro Lundahl

here to stay. They estimate that India will be the destination country for Capgemini regarding offshoring at least in the next 10 years, and that Capgemini as a whole intensively will work with this strategy, and develop the Rightshore concept further for the future.

> *The goal is to take a look at all the processes within the company and to see what processes can be done more effectively. I see this as a long-lasting strategy for the company. It is a top-priority venture for the next 10 years.*[40]

The people we have interviewed at Capgemini all seems to have a very positive attitude towards the implementation of offshoring, as well as the offshoring strategy as a whole. Their outlook on Rightshore seems to be that the strategy did act as a *survival strategy* for Capgemini to take on in the beginning of 2000, and that the take on regarding the offshore strategy was the *only* option for Capgemini to be able to stay competitive in the market at that time, as well as in the future.

> *This is a strategy we had to adopt... All the other companies were doing it, and we needed to follow the trend. Otherwise we would have risked loosing our contracts and affairs...*[41]

> *The offshoring strategy is adopted because Capgemini aims to achieve cost efficiency, which means that we can offer lower prices and in that way gain competitive advantages. I see it as a survivor strategy, and by this I do mean that it was something the company HAD to do: it was not a free choice. We want to stay competitive by being one step ahead of our competitors, if possible. Companies like IBM and Accenture are already one step ahead of us in offshoring and we really need to keep up with the trend to be able to survive.*[42]

No skeptical voices regarding the offshoring concept have been heard from people we have interviewed – and this we see as a problem – no one of the interviewees are actually questioning the offshoring strategy, or the use of it within Capgemini. Why? Our goal with the following discussion about offshoring and with our coming conclusion connected to this is to try to highlight issues that we think could become problematic for Capgemini in a near future, if it is not taking those issues into further considerations. Some researchers (e.g. Vogel & Connelly,

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[40] Interview with Anders Halling
[41] Interview with Mats Höstbo
[42] Interview with Anders Halling

2005; Earl, 1996; Tafti, 2005) are all suggesting that before moving business processes thousands of miles away, a company really should evaluate the risks and the benefits with offshoring. Thus, companies need to carefully consider all of the potential risks and to overall be cautious when undertaking any offshoring tasks. According to Prahalad & Hamel (1994), an offshoring strategy intends to "discover new capabilities" for a company in seeking low costs by moving business processes to an oversea service provider, without loosing any quality in service or suchlike.

The impression that we have got from our interviews at Capgemini, is that the company carefully did evaluate the risks and the benefits connected to offshoring before "going live". The interviewees did all emphasize the risks and benefits brought up by Vogel & Connelly et all, such as the benefits of saving expenditures, obtaining quality services, the improving time to market as well as the risks such as hidden costs, security and backup problems, loss of key employees, communication obstacles et cetera. Thus what we think is missed out regarding the evaluation, connected to theories mentioned above as well as to the current situation at Capgemini, is the lack of evaluating the risks and benefits on an ongoing basis… The "theories" mentioned above are just highlighting the importance for a company to evaluate the risks and benefits before going live with the offshoring concept – although nothing is mentioned about the importance of any ongoing evaluation process after that. Looking at it from this perspective you just must believe that the offshoring business market is a stable world that never changes, but everybody knows that it is not the case. So generally the risks (and benefits) with offshoring seem to be evaluated in a pre-stage – you either go ahead, or you do not – but then on an ongoing basis, you just work out from the offshoring decision taken at the first place without ever questioning it. As the offshoring business market is not a stable world, we find it quite problematic if management decision regarding offshoring (at Capgemini) is taken within "closed frames" or worked with without constantly evaluating the risk and benefits connected to it - especially on an ongoing basis and from time to time…

Our empirical study has showed how Capgemini is anchoring the offshoring concept within the company might affect the way the company as a whole is working with Rightshore, as well as the employee's attitudes towards the business strategy. Examples of how the Rightshore concept permeates the employees and the company, we can see through from above mentioned quotations as well as from following, coming from the Vice President:

*The bottom line is that we **need** to change, there is no other way. ...The whole industry is going global, and in India they have the supply of competence in volumes that we do not have capacity for here in Sweden. Capgemini needs to meet the global competition..." .... "We should work to increase the awareness among our workers; everyone should know how Rightshore can affect their work and what kind of benefits the strategy will source."…. We need to engender a faith for the Rightshore; make people realize that it is vital for the company. The wages in Sweden are rising and the prices are standing still. What do you think happens then? We **need** to do this.*[43]

Our understanding is that the interviewees at Capgemini appear to be rather unanimous in their apprehension regarding that offshoring is an absolutely necessary strategy for Capgemini to work with - for the company to be able to survive both in the short run as well as in the long run. What also came out of our empirical study was that the outsourcing strategy did not seem to meet *any* kind of sympathy among our interviewees as a possible option for the company to work with, compared to the now used Rightshore concept. The messages, pointed out from the interviewees, are that the outsourcing strategy does not support the control, needs, infrastructure and company culture that Capgemini is looking for – and those are the underlying reasons for Capgemini in choosing offshoring preferably to outsourcing.

…You either go in to the battle of moving your resources to low cost countries like India, Thailand, Philippines, Malaysia... or not. There is always a risk in trusting the smaller local companies as it costs more money.[44]

First: It is by far more effective when you do not have to meddle with a third party. It would complicate the process and increase the risk. Second: As we are all Capgemini employees and working within the same company, it is easier to communicate and coordinate the processes. We have the same structure, methods and working habits as we are all part of the same infrastructure. We have the same network which even makes it easier to move from place to place as you get access to the network wherever you might find yourself. [45]

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[43] Interview with Sven Kallstenius
[44] Interview with Sven Kallstenius
[45] Interview with Mats Höstbo

"To remain its control over the whole delivery chain." [46]

Berry (2006) argues that the offshoring strategy generally is taken on by companies not looking to contract a third-party provider based in a foreign country, but instead intend to set up their own business overseas and hire local workers. Berry also points out that the offshoring concept normally is being used by a company as a consequence of some of following drivers: cost savings, other efficiencies such as increased quality, access to qualified and English speaking labor force and other strategic or operational needs that a company seeks to fulfill. According to this particularly statement, Capgemini is acting "according to the book" regarding their move towards offshoring as a business activity, helping them to reach its current and future goals as a consultancy firm.

Aron & Singh (2005) stress the dilemma that most businesses do not consider all options being available and end up using organizational forms that might be inappropriate for their purposes. They also allege that companies tend to analyze processes too narrowly, looking only at *direct costs* and therefore is failing to examine interdependencies that might tip the cost/benefit analysis in favor of keeping services in-house. This specific situation can even be identified in the Capgemini case. As stated before Capgemini's offshoring strategy is mainly a matter of achieving better *cost efficiency* leaving out any other strategic perspective, at the same time as the management excludes and do not take into consideration the outsourcing strategy for their business activities - claiming that the outsourcing strategy does not support the control, needs, infrastructure and company culture that Capgemini is looking for. The indication coming out of the interviews was also that the offshoring strategy is seen as THE only trend to follow – as the market and the competitors is working with the strategy, so is Capgemini as well - and that none of the interviewees is questioning the use or implementation of the Company's offshoring strategy.

Our findings connected to the angles above is that offshoring sure is a good strategy for Capgemini to work with, but that there exists more underlying factors connected to it than just the offshoring strategy itself, that Capgemini according to us has to take into consideration, to be able to survive as a consultancy firm on the market in the long run. We believe that Capgemini's strategic decision about offshoring today is seen rather narrowly, as the only trend to follow in industry, and that they might miss out other solutions that could be more optimal for the organization. Related to the introductory quotation of Aron & Singh, we also

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[46] Interview with Anders Halling

deem that the company's focus on cutting costs is hindering them to really utilize all of the benefits provided by the offshoring concept. Just as mentioned above while discussing core competence, we stress that through Capgemini's present focus on the cost perspective, they risk damaging its core competence while not fully emphasizing the importance in highlighting and supporting its core competence as *top priority* according to the Rightshore strategy, instead of as currently, having a top priority focus in just "cutting costs". If the company's focus fade away from really managing and maintaining its client relations (the client network) – which we have identified as Capgemini's present core competence – and not fully pay regards to the onsite consultants' view (who indirectly affect the relation between Capgemini and its clients) on the Rightshore implementation, they might not be comfortable in their positions and satisfied with their work - which in turn could possibly show in their declining work motivation and hurt the client relations. This, according to our opinion, might then risk damaging the core competence that Capgemini currently possesses…

What we in addition would like to highlight here is that more options actually are available for Capgemini in running their business competitively, such as choosing to outsource instead of offshore some of their business processes (talking about the present offsite activities). As Capgemini is selling a whole business concept to their clients (and not just one task or business process) – i.e. keeping the client contacts as well as the "customization of service" & "design of applications" onsite, and the programming and development processes offsite – an outsourcing strategy would therefore not affect the client relations, any more than the offshoring strategy is doing today. We do not see any problems for Capgemini in loosing clients if taking on the outsourcing strategy for some of its present offsite business activities. The reasons for this are, as Capgemini is selling whole concepts to its clients today (not just one task or so), and that Capgemini's core competence according to us, relies on their relation towards, as well as in their way of "meeting and treating" their clients - the threat that clients will "go direct" to India "factories" for services we find quite small.

Also as stated before, while considering knowledge management connected to offshoring, we even believe that the current problems with knowledge transfer and knowledge sharing between the countries, could be reduced remarkably if Capgemini was to use outsourcing for some of its business processes instead of offshoring.

The offshoring strategy adopted by Capgemini naturally affects the
knowledge integration between the consultants, even if should not affect it at

all. It is obvious that the distance between the countries complicates the communication and affects knowledge sharing negatively. We communicate in terms of video and telephone conferences, but it is still difficult...Again, the documentation is very important regarding knowledge sharing, and it involves two sides, first creating it (writing down what is being done) and secondly reading and making use of it. It takes time to study other's documentation.[47]

I see knowledge integration as a long process and something that Capgemini needs to establish in the long run. We will have to work with this a lot to be able to achieve awareness... It will be a long process and requires some kind of maturity... It requires right kind of tools, processes and awareness from the managers.[48]

As mentioned earlier in this chapter, the knowledge transfer at Capgemini, today mainly takes place through personal contacts (word of mouth), and not via the knowledge management system suggested by different theories et cetera. Also considering the dilemma with tacit knowledge within the organization, and our concern over the knowledge transfer in most cases taking part in electronic form (i.e. project specifications), and not by personal or social contacts – this as well prevent the problems with the KM-systems connected to the offshoring strategy, in not supporting the knowledge integration among the employees (as currently function anyway). Having the discussion above in mind, and since the knowledge management systems are supposed to be used by the consultants both in Sweden and in India (which is not really the case today…), we claim that the use of outsourcing could minimize some of the present problems at Capgemini; with sharing the same information system, the arrangement of training and education of how and when the knowledge management systems are to be used, the coordination of internal communication et cetera – if now some of the offsite activities were to be outsourced instead.

6.5.2 Different Opinions Regarding Rightshore within Capgemini

Connected to the Rightshore strategy at Capgemini we have found an interesting angle that we wish to highlight some more: the existence of different opinions (rather conflicting to each other) within the same organization of *how* to work

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[47] Interview with Mikael Antonsson
[48] Interview with Anders Halling

with Rightshore. Among our interviews we have noticed two different opinions to various parties regarding strategic offshoring decisions. One opinion coming from Lundahl, asserting that it is difficult for some of the managers responsible to judge whether certain tasks or projects should be send off to India (offsite) from project to project, or if it should be taken care of onsite. According to Lundahl, all projects and tasks need to be evaluated in advance from case to case (i.e. what is the best solution for a particular project/task) – to be most efficient (time and costs) for the organization as a whole.

> *Some people involved/being responsible might sometimes be thinking "within too closed frames" so to speak... – this task is about development, so we should offshore it to India (when it actually can both be more time consuming or not being the most cost effective solution in doing so...). You always have to ask yourself – when is a project/working task that big that the best solution for the company and for the client is to offshore it to India?* [49]

According to Lundahl, a problem existing regarding how to always work with Rightshore at Capgemini today, connected to the quotation above, is that both projects and tasks actually "being too small" to offshore are being offshored anyway (which then take up more resources, time and money, than from the beginning expected), while other tasks and projects actually being too big to keep onsite - anyway are kept onsite. Those projects/tasks might have gained better performance, if they now had been evaluated in the "right way" from the beginning. Lundahl is hereby highlighting the risk with using the Rightshore strategy without thinking, evaluate and being flexible from project to project on a continuously basis. Best solution for the company and the clients should make the foundation for each project.

The other opinion regarding Rightshore within Capgemini coming from Kallstenius, expresses that the biggest risk regarding the Rightshore strategy, is that the company is not acting quickly enough or that they do not adapt to the offshoring strategy as fast as they should be doing.

> *We are not changing as much as we should. The **real** risk is that we are not investing enough! We are talking too much and not acting...* [50]

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[49] Interview with Barbro Lundahl
[50] Interview with Sven Kallstenius

One party highly expresses the importance in evaluating each project very carefully from project to project (to be most cost and time efficient), while the other party expresses the importance in acting more quickly and not to spend time slowing the Rightshore process down by evaluating each project from case to case (the set model for Rightshore should be the leading star regarding Capgemini's business processes according to the Vice President). Connected to this Kallstenius also expresses that the risks with Rightshore for Capgemini can be minimized by creating models that both give an indication to and instructions for how the Rightshore strategy actually should be implemented and handled on a daily basis.

Aron & Singh (2005) highlight that many companies do not really spend time evaluating which processes they should offshore vs. which they should not, as well as to really differentiate the processes – from the core processes to the most critical processes. Based on the different opinions of the two mentioned parties, we can clarify that the lack of a clear and established framework of how to work with Rightshore strategy even applies to Capgemini. For Capgemini to overcome this barrier we state the urgency for the company to manifest ONE commandment of how to work with Rightshore – a clear model with a flexible outline, bringing no confusions among the management and the employees of how to deal with the stategy on a daily basis.

6.5.3 Looking For a Clear Offshoring Model

…there should be a clear model for the offshoring strategy (within Capgemini) - how to deal with it in practice (and that Capgemini do not have this kind of plan/model implemented today... [51]

Looking at the "value hierarchy model" (Aron & Singh, 2005), this model might explain the kind of a model Kallstenius is looking for regarding the Rightshore strategy at Capgemini – a clear model explaining how to deal with and when to implement Rightshore in practice (a model giving the company as a whole and the employees (involved in the projects) an indication of and instruction for of how to deal with Rightshore continuously. Aron & Singh state that by ranking all of a company's processes, executives can create a value hierarchy (like below model shows). The higher a process is being ranked in the hierarchy, the more crucial this process is to the company's strategy, and the less the organization should

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[51] Interview with Sven Kallstenius

think about moving it offshore, or to outsource it. The less a process is being ranked, the more the company could think about offshoring or even outsourcing it to gain best efficiency.

	Value-creation Ranking	Value-capture Ranking	Total Ranking	*Processes the company should not offshore*
* Client contact	1	1	2	
* "Customization of service" & "Design of application"	2	3	5	
* Programming	3	4	7	*Processes the company might offshore*
* Development	4	5	9	

Figure 10: An example of how a value ranking hierarchy could look like at Capgemini – looking at their present business activities.

Even if the ranking model in a pre-stage does exhort companies to evaluate what business processes that would be expedient for the company to offshore, it does not say anything about having a continuously evaluation process (from project to project/task to task) – which we believe is quite highly relevant for a company to reach a winning concept regarding offshoring in the long run (connected to the problem mentioned above regarding the two different parties within Capgemini of how to work with Rightshore and the business processes in each project). For Capgemini to overcome this rather problematic issue existing within the company, we think that it would be necessary for them to adopt a model like the "value hierarchy model", but preferable a variant of this model that is more adjusted towards a continuously evaluation process - giving Capgemini a guidance about how the organization (internally) on a continuously basis should work with Rightshore as a company concept – and a winning such...

Berry (2006) mean, that an offshoring strategy - a set of principles and guidelines aligned with critical business goals – indicates for a company which business processes that make sense to offshore, as well as suggests the kind of relationship that should be developed to offshore and to set the direction for the ongoing management of that offshoring relationship. Even Berry's statement of offshoring we think is a good example of a little too narrow thinking of a winning concept regarding offshoring in the long run – neither is here anything mentioned about how to deal with offshoring continuously. In summary, you make a decision and then stick to that. The problem we see connected to this, is the static decision made ones about what should be offshored and what should be kept onsite

regarding the business processes – our opinion is that more attention must be put in here, especially from the individuals creating the frames of the offshoring strategy.

Our comprehension of how the strategic decisions, regarding what to offshore (keeping onsite and sending offsite), are taken within Capgemini today, is that an introductory strategic decision is taken ones, and then worked out from without ever questioning the opening decisions taken thereafter... No particular follow up/changes connected to this seems to take part after the first determined offshoring decision. From what the "value hierarchy model" points out, that a company suggests to offshore under these and those circumstances, and how the practical offshoring strategy today is set/working at Capgemini, we definitely think that it might be problematic for a company like Capgemini to think within too closed frames regarding the offshore strategy. Our opinion is that more underlying factors exist to it and need to be evaluated from case to case, and definitely on an ongoing basis. Best solution both looking at the time consumption, the costs, the time spend on documentation, the time set off for knowledge integration/to educate the involved team members, as well as the set expectations from the company and the clients, we think needs to be considered before each offshoring project. The discussion above is also leading us to the question if you, as the "value hierarchy model" shows, or the wish for a clear model implemented at Capgemini that Kallstenius is talking about, really can think of a clear and static offshoring model? We *do not* think so, but instead of a company working with offshoring, to implement an offshore model with some kind of a flexibility build into it (to get the most out of the strategy as a whole), for an optimal use. We strongly believe in the importance for a company to evaluate if a project or a task should be offshored from case to case (and not just only in a introductory stage...). We also mean that the company should not be looking at the offshoring strategy within too closed frames, or working automatically with the offshoring concept without questioning it, but instead to evaluate what the best solution is from case to case – both for the client and the company as a whole.

7 Conclusions

In our research/thesis we have tried to find an explanation of why Capgemini adopts the Rightshore strategy, how they implement this strategy and how it affects Capgemini's core competence. We have also tried to look at how the company's knowledge management is supporting the offshoring strategy, in addition to how Capgemini "keeps control of" its core competence in following the trend of offshoring to India?

Our findings have been very interesting and have resulted in that we actually are questioning the offshoring strategy to be the *only,* and the *most optimal* for Capgemini to implement regarding all of their business activities, while taking the company's core competence and knowledge management into further consideration…

As we have discussed earlier, knowledge management many times is an exceptional tool to use regarding implementation of strategies that involve knowledge transfer processes. As stated before, offshoring at Capgemini engage a great deal of knowledge transfer between India and Sweden, which today, mainly takes place in terms of documentation (specifications). Today there are several systems and tools available at Capgemini for knowledge management purpose, but as we were indicated by the interviewees, these systems are not used by the employees in a way the company wishes them to be used. Even though Capgemini is investing large amounts in the KM-systems, these systems seem not to have achieved the kind of popularity among the consultants that would utilize the KM-systems in an optimal way. On the contrary, some of the systems were unknown to persons that the company would count into the category of "regular users". We believe that knowledge management ought to be more than a suitable instrument for a company's offshoring strategy, and should be utilized in Rightshore at Capgemini. But as we were indicated by some of the interviewees, the KM-systems have not attained a fundamental function in the Rightshore projects.

Why would Capgemini then not utilize its knowledge management systems and methods in its offshoring strategy, although it has invested much time and resources in developing and establishing them? The managers at Capgemini explain that the consultants usually are booked in projects up to full time, and it is

generally difficult to arrange the time for documentation and other KM-activities. We stress that most importantly, in order to exploit the benefits of the KM-systems, the management needs to *arrange* the time for the KM-activities as well as *enhance the education process* of the systems. As it was stated by several managers, not just the time issue was causing the lack of usage of the KM-systems, there were also other significant reasons for it. We were pointed that the organizational culture at Capgemini in Sweden, if for example compared to Capgemini in India, could appear as unbefitting for the kind of knowledge management activities the company is providing. The Swedes are not used to specify and document their work processes in a way that, for example the Indians are. As stated before, (related to Alvesson and Kärreman) if the knowledge is handled and organized in an appropriate and suitable way, there is no need for much management. When applying this to Capgemini, our conclusion is that it is not the case right now at Capgemini. The company, according to us, has not managed to create the kind of systems that would support their strategic decisions.

McDermott warns companies for building massive electronic libraries and calling them "knowledge management"; he means that knowledge is to be managed and not just organized in documents and files. We have, indeed, got the indication that Capgemini has more or less landed in the trap McDermott is warning companies about. There are several functional systems available at Capgemini, whose existence some consultants are not even aware of… As some interviewees are claiming that these systems are seldom up-to-date, plus that the managers admit that there is definitely a lack of education causing the low user percentage - the consultants have lost their interest for these systems. Our interpretation is that there are perhaps too *many* systems available at Capgemini, and that the company might need to concentrate on fewer systems, and also to encourage the consultants to use them. We believe that this would be beneficial, and even claim that it would be vital for the company in making their communication channels and knowledge transfer processes, more effective in the Rightshore projects. With guidance of the typology of KM-approaches created by Alvensson & Kärreman (2001), we also suggest that Capgemini should move from the "electronic library"–trap, by reinforcing the fundamental meaning of the KM-systems in the organization. Connected to the company's offshoring strategy we believe the communication channels should be altered in a way that knowledge transfer is possible in both directions. What we called an "electronic community" (a combination between electronic/extended library and a knowledge management community), could serve as a solid foundation for knowledge sharing between the Swedish and the Indian consultants. We are also stressing that it is important to encourage the consultants/employees to use the systems by making sure that they

understand the purpose of them. Connected to this, we believe it is essential that the managers and the projects managers themselves, use these systems actively to persuade their team members/employees in doing the same.

As we have stated earlier in our analysis and discussion, Capgemini has several strengths and competences contributing to the company's business success, but we have also being claiming that Capgemini, related to Prahalad & Hamel's theory, does not have an apparent core competence, which would represent Capgemini's uniqueness and rareness, and therefore would be hard for the competitors to imitate. The managers at Capgemini believe that Capgemini's business strengths rely on their capacity to provide large projects and the depth and broadness in their business knowledge (as a result to the long experience in the industry), as well as their collaborative business experience; partnerships and network and the client relations. We pointed that these strengths could easily be reached or imitated by Capgemini's competitors. Comparing this to what the clients (according to the interviewees) think are the features characterized by Capgemini that distinguishes it from its main competitors (Accenture and IBM), the clients in turn, consider the Capgemini consultants as professional, but still humble and having sensitiveness and respect for the client. We were indicated during the interviews that these values are built into Capgemini's corporate culture, and in that way, are, according to us, permanent elements in Capgemini's business strategy.

Obviously Capgemini's business success is a result of the combination of all the strengths and competencies it possesses. Without being able to offer the kind of broad business knowledge and large projects, which the company can supply today, it would not be able to stay competitive in the market. We mean that these strengths are the standard values for every larger, global consultancy firm in the IT-industry. At the same time, we believe Capgemini should emphasize and strengthen the kind of characters which are valuable for the client. In the discussion part we pointed these to be the way Capgemini is meeting and treating its clients. This is something, what we believe will build a core competence for the company if managed and promoted carefully.

Connecting this to the company's offshoring strategy, we do not consider Rightshore will give Capgemini the kind of competitive advantage that the managers are expecting to get in the market, at least in the long run, as the Rightshore strategy does not support Capgemini's core competences and without a core competence in the long run – you are just a company as any other. Nothing makes you special or highlights you to stand out in the industry and among the

competitors. Naturally Capgemini gains cost efficiency from the Rightshore strategy, which will make the company competitive in the market as we speak – but in the long run when every company can offer the same price for their services to their clients something must differ between them for the clients being able to choose the "right service provider". As we have found out that Capgemini have not got any unique core competence built into its business strategy, and that Capgemini's strength relies in the way they are engaging and managing their client relations, their goal to just think within closed frames about the Rightshore concept could lead the company on the wrong track for future business and positioning. Rightshore does contribute to Capgemini's strengths in terms of the capacity and cost efficiency, but will not, according to us, in any way, support the company's core competence.

What about if the Swedish consultants do not agree with Rightshore being a beneficial strategy for the company (which not all of them do today) - causing dissatisfaction and affects the consultants motivation and enthusiasm negatively? Will it even affect the client relations? Is this something that the company has given any thoughts about? We have clearly been indicated that not all of the consultants are pleased with the Rightshore strategy, and are feeling quite insecure about it. Capgemini, according to our interpretation, do not spend much time taking care of this issue internally. Rightshore, for the management, is mainly a matter of cost reductions, which again clearly undertakes the fact that Capgemini indirectly might fail to look under the surface, considering the sources of its core competence.

Capgemini has according to us, maybe failed in actually spreading out the *true* Rightshore "message" throughout the organization – its benefits and its risks, as well as how this business strategy actually can support the employees' own development and career at the company. One way for Capgemini to overcome the insecurity existing among the employees regarding Rightshore, according to us, could be to firstly manifest only one commandment of how to work with Rightshore, and secondly to not be looking at the offshoring strategy within restricted frames (working with the offshoring concept automatically without questioning it now and then), but instead evaluating what the best solution is from case to case – both for the client, the employees and the company as a whole.

Our conclusion is that the offshoring strategy (within Capgemini) is seen, as THE only trend for Capgemini to follow today – as the market and the competitors are going with the offshoring trend, so is Capgemini. We argue that Capgemini's strategic decision about offshoring is observed somewhat narrowly, and that way

the company might fail to spot other solutions that could be more optimal for the organization in the long run. We believe that the company's focus on cutting costs in fact is hindering them to truly utilize all of the benefits provided by the offshoring concept, and by mainly focusing on the cost perspective, Capgemini also risks hurting their core competence. As mentioned earlier, we believe that Capgemini's "cost-cutting-priority" regarding the offshoring strategy, might disguise the company's important task in truly taking care of and support its core competence. What we want to point out here is that, if Capgemini's focus fade away from, really managing and maintaining its client relations (the client network) – *identified as Capgemini's present core competence* – this might put the company's future success and survival in jeopardy…

As the offshoring markets are not (and will hardly ever be) stabilized, we find it problematical in Capgemini's case, that decisions regarding offshoring (i.e. what activities and processes are to be offshored) are taken within relatively restricted frames. As we were indicated by the interviewees, the offshoring decisions for each project are today taken without the management constantly evaluating the risk and benefits connected to it. We strongly believe it is critical for Capgemini to evaluate if a project or a task should be offshored from case to case, and not just making general decisions to be applied to every case. By this we mean that the company should constantly evaluate the offshoring possibilities despite the decisions made initially, and be more flexible as the project is actually going on. The company, according to us, continually needs to question the offshoring strategy from case to case (not looking at the offshoring strategy within a narrowly sight, or worked with by automatic), and to evaluate what the best solution for each case – both for the client and the company as a whole.

Connected to the offshoring strategy, and the existence of the two different opinions of *how* to work with Rightshore, we also believe in the importance for Capgemini to immediately implement a clear model with a flexible outline, bringing no confusions among the management and the employees of how to deal with the strategy on a daily basis. In summary: Capgemini has to manifest ONE commandment of how to work with Rightshore – the same goal for the whole company - otherwise the mixed messages might both raise debates, confusions and problems associated with the management decision-makings regarding the offshoring strategic decisions.

Our impression is that the offshoring strategy mainly is a matter of achieving better *cost efficiency* at Capgemini today (them leaving out any other strategic perspectives), and that the company is choosing not to take the outsourcing

strategy into further consideration for any of their business activities (claiming that the outsourcing strategy do not support the control, needs, infrastructure and company culture that Capgemini is looking for) - we think might be an irrational idea. We believe that it could be more optimal for Capgemini to at least consider the use of outsourcing, instead of offshoring in the future for some of their business activities (talking about the offsite business activities) - as this strategy maybe will serve the company better regarding some business activities, and might even help them to reduce some of the current problems connected to their knowledge management. As mentioned before, the fact that Capgemini is selling whole business concepts to their clients (and not just one task or business process), we assert that the outsourcing strategy would not affect Capgemini's client relations, any more than the offshoring strategy is doing today. We therefore do not see any problems for the company with loosing clients, if taking on the outsourcing strategy for some of its present offsite business activities. Our closing remark to this is, as Capgemini is selling whole business concepts to its clients today (not just one task or so), and that Capgemini's core competence according to us, relies on in their relation towards, as well as in their way of "meeting and treating" their clients – we believe that the threat in Capgemini's clients to "go directly" to India for services needed, as quite small.

Even if the market seems to be "screaming out" that offshoring is THE trend to follow to stay competitive in the market, we do not see that all the companies are necessarily forced to follow the offshoring strategy step by step, to stay competitive in the market. We are arguing that Capgemini should dare going their own and optimal way, looking at what is best for the company's future survival – and should not only let the trend and the competitors forming their strategic decisions. Capgemini needs to choose a business strategy (or a suitable mix of business strategies) supporting its own core competence, as well as a business strategy that is fulfilling its clients needs. In summary, Capgemini has to take on THE business strategy for them to be able to stay competitive in the market, and to survive in the long run – looking at all important and underlying factors connected to it...

7.1 Suggestion for Further Research

The trend that companies taking on and implementing offshoring as a strategic business activity, seems to be a constantly growing concept in our society and economy. Research articles and debates regarding offshoring illustrate offshoring as a hot and growing trend, that is here to stay, even looking in a future perspective. As offshoring is quite a new phenomena – not being used and implemented for such a long time for companies knowing its final results – we assert that it is highly relevant to make further research within the subject area, to learn more about how the offshoring strategy affects the companies taking on the business concept. Our research study has been limited to one specific company, Capgemini, as well as restricted to interviews with employees only in Sweden. Our suggestion for future research is therefore to study the offshoring concept in more detail - for example to study a couple of different companies (using the offshoring strategy) with each other, to find out if their experiences regarding the offshoring strategy are the same or heterogeneous. An interesting angle connected to this, could be to compare the mentioned competitors in our study – Capgemini, Accenture and IBM with each other. Even to take on a clients' point of view regarding the offshoring concept, could be highly interesting to research further.

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8.3 Verbal Sources

*Mikael Antonsson: S*ervice Delivery Manager *(Telephone interview 2005-11-23)*

Sten-Olov Björbrand, Senior IT-consultant (*Telephone interview 2005-12-16)*

Andrea Filyo, Knowledge Manager (Telephone interview 2005-12-06)

Anders Halling, Project Manager *(Telephone interview 2005-11-15 and 2005-11-16 and 2005-12-08)*

Mats Höstbo, Delivery Director *(Telephone interview 2005-11-17 and 2005-12-0)*

Sven Kallstenius, Vice President *(Telephone interview 2005-11-23)*

Barbro Lundahl, Resource and Delivery Manager *(Personal interview 2005-12-02)*

Annica Norling, Project Manager *(Personal interview 2005-11-25)*

Prashant Upadhye, Senior Consultant, Capgemini India (*Telephone interview 2005-12-06*)

Appendix 1 – List of Figures

<u>Appendix 2 – Interview guide</u>   (a collection of questions for top/middle management and project leaders)

<u>Background:</u>

- ➢ Tell us briefly about your position in Capgemini?
    - o What are your work tasks?
    - o How long have you been working at Capgemini?

<u>"Rightshore" (the strategy/project):</u>

- ➢ Can you please tell us a little bit about the Rightshore strategy at Capgemini?
    - o When did you start the preparations regarding offshoring within Capgemini?
    - o When did you start offshoring projects to India?
    - o What kind of activities are offshored to India?

- ➢ Why have you adopted the offshoring strategy?

- ➢ Why did Capgemini adopt offshoring instead of outsourcing?
- ➢ Why have you chosen to focus on IT–consultancy in your offshoring strategy?

- ➢ What are your offshore destination countries? Why have you chosen these countries?

- ➢ What are the advantages you have gained from the offshoring activities?

- ➢ What are the risk factors associated with the offshoring strategy connected to Capgemini?

- ➢ What are the affects and the negative impacts of the risk factors for the company?

- ➢ How are these risk factors being managed/minimized in Capgemini?

- ➢ Did you experience problems while implementing the offshoring strategy, and what kind of problems were they in that case? (managing problems/ decision making problems)

Capgeminis Core Competences

- ➢ According to you what are the strengths of Capgemini today?

- ➢ Capgeminis competitive advantages?

- ➢ How can you say that Capgemini is different from its competitors?

- ➢ How do you think the offshoring strategy support Capgeminis' competitiveness in the market?

- ➢ If we were to interview the customers of Capgemini, what do you think they would tell us that Capgemini is good at?

- ➢ What are Capgeminis strengths according to the customers?

- ➢ What Capgemini can offer the customers, compared to your competitors in the market?

- ➢ How does Capgemini look after to keep and develop it is important industry- and customer knowledge?

- ➢ How does the company look after that the new employees coming to the company get integrated (becomes one with) the company culture regarding above cornerstones?

- ➢ How does the transfer regarding knowledge/education, earlier experiences regarding the customers (customer experiences, how the customer is, how to handle the customer etc) between the consultants?

Knowledge Management

- ➢ What kind of systems does Capgemini use within Knowledge Management today?

- ➢ How well do the systems work (the opinion within the company). Is it a usable system and do the consultants use is on a regular basis?

- ➢ Who has access? Can anyone update the system by themselves?

- ➢ How is information being "spread out"/shared within the company regarding new and existing knowledge?

- ➢ How does the personal knowledge being transformed to an existing organizational knowledge within the company (What about the tacit knowledge – any risks/action taking place here?)

- Are the Swedish and the Indian consultants using the KM-systems in the same way? If not, what differs?

- Do you think that the knowledge integration has been affected in any way regarding the rightshoring strategy/after the implementation of this strategy?

- (In what way in that case?) How has the company been handling this issue?

- How do you experience that the communication between the consultants in India and in Sweden is working on an overall level? (Any communication problems? How to handle those problems in that case?)

- Connected to this, how does the company handle the tacit knowledge issue regarding this information being shared among the consultants? That you do not lose this kind of information if somebody quit working at Capgemini?

- How does Capgemini secure that the knowledge integration is not negatively affected by the offshoring projects according to geographic and cultural differences? (Time zone, language, cultural misunderstandings, different understanding regarding the work tasks, customers, and services)

- From your perspective what do you think the major differences are between the Indian and the Swedish consultants in terms of norms, values and ability of creativity? Is Capgemini/the management actively working to integrate the Swedish norms and the Swedish culture among the Indian consultants? (How?/ Why not?)

Reflections

- From your point of view, what are the reasons leading to the success of offshored activities?

- Does Capgemini (and how in that case) actively work to create a good integration between the IT –consultants?

- Have you experienced any competition between the Swedish and the Indian consultants?
  (Are they working in harmony? Attitude problems? Do you think that the process of hiring Indian consultants is seen as a threat for the Swedish consultants?)

- Do you believe that the offshore strategy will be a long lasting competitive strategy in the market for Capgemini in the future? (Are you going to

continue offshoring to India in the future? And will the offshoring increase?)

➢ Has Capgemini considered the risk that wages for Indian consultants are going to raise in the future? (Silicon Valley, they know that they are attractive and hot). Do you think Capgemini's rightshoring strategy in the case will change in the future and how?

Appendix 3 – Interview guide   (consultants)

Background:

- Tell us briefly about your position in Capgemini?

  - What are your work tasks?
  - How long have you been working at Capgemini?
  - How long have you been working at Capgemini (in Sweden and in India)? How did you get recruited? Are you hired on a project basis or on an ongoing basis? What do you feel about that?
  - How are you involved in the Rightshore project/projects? What is your role in the projects and what are your work tasks?

"Rightshore" (the strategy/project):

- What Do You think the advantages are regarding the offshoring activities that Capgemini have implemented between India and Sweden?

- How do you think the overall communication between the Indian and the Swedish consultants are working today? Within the project and between the countries? What is negative/positive according to you?

Knowledge Management

- What kind of system/tools/routines/manuals do you/the company use to secure the information transfer between Sweden and India regarding the projects/working experiences within other projects etc?

- Are you using the system on a regular basis? (How often?)

- What is god/bad regarding the system?

- What kind of information can you find in the system?

- Can you update the system with complementary information yourself? (If not, is this something you would prefer/wish to do?)

- How usable is the system? Does it provide information that you need in your daily work? (If not, in what way?)

➢ How did you learn your work tasks in the Swedish project you are working with? Has it been easy/difficult to learn the new work tasks? Did you get enough information from your colleagues and managers from the beginning?

➢ Are you working individually or are you working in a team? What do you personally prefer?

Reflections

➢ Can you feel/see any direct differences between the Indian and the Swedish consultants? What kind of differences in that case? (As individuals and in the way of working)

➢ Do you see any difficulties between the Indian and the Swedish consultants in "understanding each other" regarding language, cultural differences that the company should be aware of, the way of working (in groups vs. individually), norms etc?

➢ How do the managers at Capgemini coordinate the work between India and Sweden today? Is it working satisfied, or should anything be changed regarding this according to your opinion?

➢ Have you experienced any communication attritions/conflicts between the onshore teams and the offshore teams? (What kind of attritions/conflicts are there in that case? Why do you think they have appeared?)

➢ Have you experienced any competition between the Swedish and the Indian consultants?

➢ Do you think that the process of hiring Indian consultants is seen as a threat for the Swedish consultants?