KNOWLEDGE MANAGEMENT AND OUTSOURCING: REVIEWING THE UNDERLYING GLOBAL AND CULTURAL ISSUES

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Abstract: It has been past so many years since outsourcing has moved out from the role of body shopping to a more pivotal role of core business enabler. The one thing quintessential for this transformation is the proper conception and execution of knowledge management systems within and outside the organizations. This has inevitably raised the performance of the organizations manifold and has landed as the kingpin facilitator in plugging all the systemic leakages. This study categorically deals with certain core concerns in implementing such an effective knowledge management system in the world of modern outsourcing. The authors strive to address the said concerns by developing Knowledge Management-Outsourcing integration model. The expected outcome of this paper is to assimilate both the good practices and the problematic issues related to outsourcing and to be a vade mecum for all related future troubles.

Keywords: Knowledge Management, Outsourcing, Global Challenges, Systemic Leakage, Tacit Knowledge.

Introduction: The golden period of outsourcing has passed and the area has moved into a more mature phase where the virtual enterprises are running the show. The downside potential of outsourcing as a critical parameter is limited by the extent of the knowledge management the companies involved are undertaking. Any deviation from the effective knowledge management practices will threaten the veracity of the phenomenon known as outsourcing. Many models of knowledge management have been incorporated with the spirit of outsourcing for the eventual success of the firm. This paper attempts to understand the different cardinal parameters of knowledge management that act as

1. Enablers
2. Impediments

Outsourcing has come up as a critical way to restructure and redefine an organization and its strategic intent. It is indeed a cumbersome process to design and establish a successful outsourcing model. In this study, the focus is on deciphering the key enablers and impediments, thereby to establish the more reflective aspect of knowledge management in the field of outsourcing. Therefore, the research questions are: (1) what are the enabling factors of knowledge management that facilitate outsourcing (2) impediments in the area of knowledge management which prevents organization from creating a effective outsourcing model (3) does the former outweigh the latter in establishing an effective outsourcing network

Theoretical Background: Any process which encompasses the transfer of responsibility for a particular business function from an employee group to a non-employee group is known as "outsourcing" (Zhu et al., 2001). According to Blanchard (2004), the process of outsourcing includes different activities such as design, design-production-technical services, warehousing for finished products etc. With the arrival of the new phase of outsourcing it is imperative to try to assess how the outsourcing companies can sharpen their core competence by linking with dedicated offshore and onshore companies without compromising both the vitals and stakeholders of the firm.

The effective creation, interpretation, retention and transfer of knowledge including both the explicit and the tacit ones amount to knowledge management. If used effectively, the field has a scope to enhance the organizational performance. For this to happen both the explicit and the tacit knowledge has to be effectively tapped. Explicit knowledge is generally captured in the form of text, tables and diagrams (Nonaka and Takeuchi 1995). The element of knowledge which cannot be effectively articulated is the tacit one. More of the intuitive dimension is captured in the tacit knowledge. Generally, there exists a tripartite relationship among the parties (both outsourcing and outsourced) and the customer (Zhao et al.,2004). The outsourcing party

specifies on the product, is keen on knowledge transfer, establishes the finance goals and works out on a monitoring system. The outsourced party in return gathers knowledge and gives feedback on the design and development. They also undertake the cost calculation. From the side of the customer the product support and the market surveillance are the key aspects.

Enablers: Birkinshaw (2002) has discussed on such factors which ultimately lands up as enablers and impediments in the knowledge lifecycle. These factors are understood to verify and establish the relationship between knowledge management and outsourcing. According to Nithin Nohria, the distinctive capability in outsourcing is obtained by the effective collaborative learning. Various attributes of both the organizations, if understood and complimented, an effective model of outsourcing can be generated with knowledge management acting as a great facilitator. The enabling factors as:

1. Competitive Imitation
2. Systemic leakage
3. Specific codification

Zhao et al., analyzes these factors with a case study following the embedded design approach, i.e single case having more than one unit is considered. Hence, comparative analysis can be done between the units under the umbrella of one parent entity. To facilitate the knowledge management the firm requests for service documentation and a common database where the all the progress made can be carved out. (Kess et al.,2007). The outsourcing is always initiated after vetting the strengths of the outsourced party. A greater presence across the globe coupled with the specific understanding of the business and led by a strong management team with original design and manufacturing skills categorically qualifies the firm to get the contract. In the quest to acquire more and more contracts the firm should not be myopic and should be promptly aware about their competitors. An efficient knowledge management will always have good connectivity both ways. All the expertise of both the firms will converge if there is an efficient web based knowledge management system where all the business communication is stored for easy retrieval. To ensure topmost transparency, both the companies should effectively chart out a clear memorandum of understanding.

Competitive imitation corresponds to the efforts made by competitors to gain access to the knowledge and decipher the same. This is curtailed by the outsourcing company by establishing optimal restriction whereby the outsourced party is not allowed to make any contact with the competitors of the former and is mandated to not associate with even any related firms of the same genre, as specified till a defined period. Figure 1 proposes the Knowledge Management-Outsourcing integration model which shows the interaction between both enablers and impediments in the outsourcing setup.
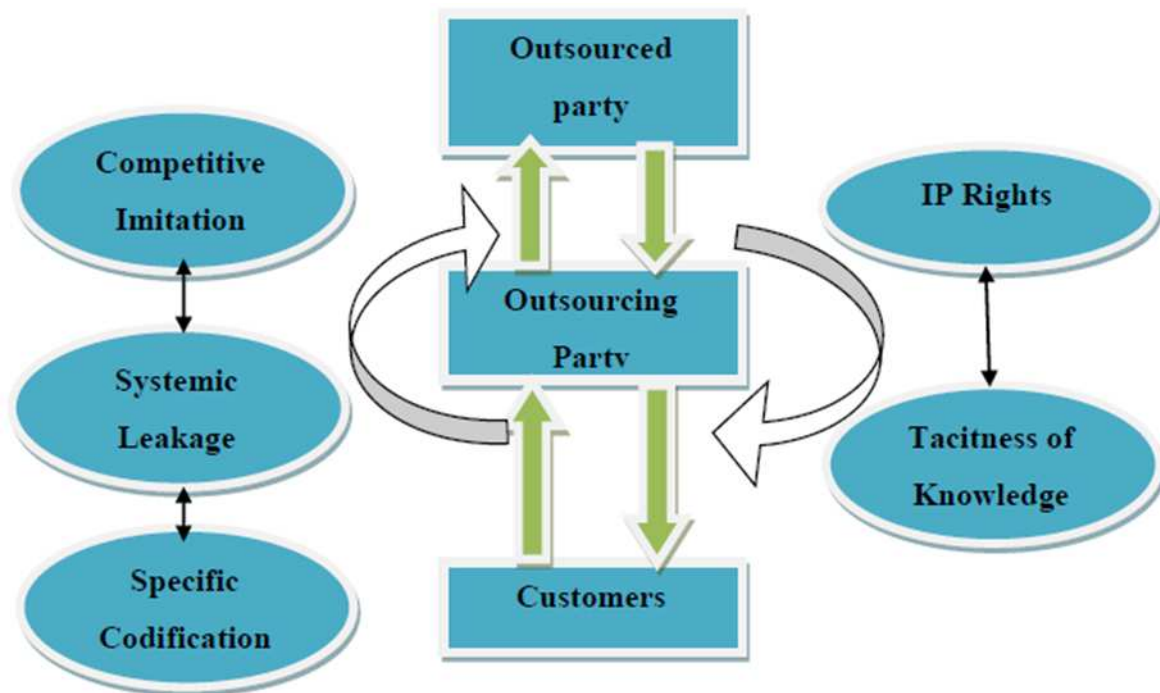

Figure 1: KM-Outsourcing Integration Model

Even after establishing such restrictions, the outsourcing party stays away from giving contract of any of their core designs. This will clinically avoid any attempt of competitive imitation and thus acts as a great enabler in the process of outsourcing. Any negligence from the part of the outsourcing company can leave the core designs in the hand of competitors and inevitably will lead to the deterioration of the outsourcing firm.

Systemic leakage is beneficial for the process and aids the outsourcing, provided every new assignment given is essentially controlled by the outsourcing company. Once the contract is given, the outsourcing party asserts the command over the transfer of knowledge. Here, systematic leakage is encouraged where the outsourcing party transfers the details of the design and defines its ownership and enables the outsourced party to get to the product design. This route clears off many barriers in the knowledge sharing network and establishes a subtle mechanism for the exchange of the knowledge.

Specific codification is yet another enabler since it deals with the level of data which is very difficult to protect especially from the competitors. There will be always information available onan outsourcing platform which can be easily picked up by the competitive intelligence. Such issues are promptly taken care of by the mechanism of specific codifications. Here, both the parties mutually agree to a scheme of codification which can only be understood by them. This is mostly done as a deliberate mechanism to prevent any unintended leak of the vital designs or works.

These enablers always come under the ambit of the effectiveness of the knowledge services monitoring. The perks of outsourcing can be gauged only by understanding the enablers in combination with the monitoring process. An improper mechanism of monitoring may defeat the very purpose of the whole outsourcing and any attempt to obtain the knowledge sharing dividends would be futile. Thus, in each of the enabler, there has to be effective checks kept by the monitoring mechanism. The knowledge services monitoring should ensure that there is no lapse in terms of data security, effective communication networks are established and the entities do not resort to over codification.

Impediments: The way the influx of the knowledge is handled can boomerang and end up as a mishap or turn out to be an impediment which can defeat the very purpose of outsourcing. These factors have the essential capability to put a brake on the intended spirit of outsourcing. Much of the hard work done by the firm is lost in mismanagement of the intellectual property (IP) rights.

Many a time the companies are skeptical about outsourcing because of the IP issues involved. Seldom do companies give away any work related to design as there is fair chance that there indigenous designs or prototypes land up with their competitors which will be highly detrimental for the company. IP rights preserved by patents is a prudent mechanism of holding the 'priced jewels' close to the company's heart. This protection gives the immunity towards the whole life cycle of the product or process, as the case may. For this factor to act not as an impediment and create irreparable loss to the firm, the ownership of the concerned IP has to be clearly noted down in the contract so as to avoid any future ambiguity. Such precautionary actions will enable both the outsourcing and the outsourced party to work with more credibility and trust. It will also prevent the competitors from making undue advantage or stealing away the core designs.

Knowledge as established is always not explicit. There is always a certain element of tacitness involved. Such knowledge is less codifiable and cannot be deciphered always. It certainly dependson the level or degree of tacitness. This invariably can act as impediment to the whole process of outsourcing if not checked properly. For the smaller degree of tacitness observed, a web based knowledge management database comes handy to help store and retrieve such information. Thus, it is evident that more the firm learns from the good management practices in knowledge management; greater is the help for outsourcing.

Both the enablers and impediments show that; effective incorporation of the former and control of the latter will constitute a basic framework for effective knowledge management in outsourcing for almost all the sectors especially the information technology oriented ones.

Conclusion: The regular shifting of employees from one department to another will enhance the cross-functional participation and will ensure that there is proper knowledge transfer across the firm while undertaking a job assignment. Any inherent or prior connections between the service provider's employees and service buyer's employees should be kept at a minimum to ensure that there is formality of request for servicing and related record keeping. Many a time internal meetings and deliberations facilitate the knowledge sharing by transmitting the ever-elusive tacit knowledge as desired.

Such meetings are usually anchored by employees generating the operative tasks. Almost in all sectors, an easy way to convert the tacit knowledge to the explicit one is by constructing functional manuals and process descriptions. Outsourcing involves a reshuffle of lot of manpower which can be effectively channelized and benefitted by proper documentation. The intended study also recognizes the importance of commitment to long term cooperation, circulation of task and communication. The outsourced operation can be clearly defined by cleaning productisation. Also, follow up meetings with the buyers and service providers further underscore the process of knowledge management in outsourcing. This is the prime reason; sometimes the local service providers are selected over the 'branded' ones. Even when there is work transfer happening internally, monitoring and coaching are also very important as they make the knowledge transfer easier.

Therefore, a focused effort of all the enablers and restraint of the impediments will ensure that there is effective knowledge management in the outsourcing process. The problems faced by companies in making outsourcing contract should be carefully analyzed. Responsibilities shouldbe correctly defined as there cannot be any grounds for ambiguity or complacency. All the responsibilities allocated also need to be properly documented. The documentation should be as inclusive as possible. Changes in workforce or timings can create a sense of disorder. This has to be timely mitigated before snowballing into a larger problem. Also, the major concern always has been the cultural differences because of the outsourcing to outside nations. All these impediments if properly addressed as indicated in the study can enable effective knowledge management in the process of outsourcing.

The outcome of this paper is in assimilating both the good practices and the problematic issues related to outsourcing. The incomplete contract has always acted as a main problem in all outsourcing initiatives. This can be aggravated by different data systems maintained by both service buyers and providers. The concern is always related to the amount of focus the top executives pay on collective labour agreements in order to circumvent any negative outlook towards outsourcing. In all these situations the knowledge loss as a result of staff turnover has been a big challenge. The main good practices of knowledge sharing are meetings, related accurate documentation and the systems in place. Along with this, the conventional ways of communication through phone and email are also vital. Having a rapport with the contact persons and the inevitable social intercourse will help the outsourcing ship move in the right direction. Finally, all the success of an outsourcing activity depends upon a clear contract and its proper execution.

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