The Clash of Cultures in Information Technology Outsourcing Relationships: An Institutional Logics Perspective

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Abstract. The outsourcing of information technology (IT) to external vendors promises lower delivery cost while attaining higher delivery quality. Despite these positive prospects, many IT outsourcing (ITO) projects still fail. On key aspect for non-working ITO engagements are cultural differences between organizations, teams, and individuals. This study explores the concept of culture in the context of ITO relationships by identifying and explaining particular cultural differences in such relationships. Building upon data from focus group discussions, we identify specific cultural differences in ITO relationships on the level of national culture (macro), organizational culture (meso) as well as team and individual culture (micro). Based on this, we apply the institutional logics perspective as a theoretical lens to derive institutional logics in ITO relationships, which explain and reason the identified cultural differences. With our results, we shed light on the under-researched concept of culture in ITO based on a multi-level analysis approach.

Keywords: IT outsourcing relationships · Culture · Multi-level analysis · Institutional logics perspective

1 Introduction

Information technology outsourcing (ITO) is defined as the subcontracting of an organization's information technology-related tasks such as software development or system monitoring to an external vendor [1]. The partnering of client and vendor organizations in such ITO relationships is an important part of contemporary organizations' IT strategies [2, 3]. However, the failure rate for ITO projects is still surprisingly high [4, 5], and recent studies reveal that 60 % of client organizations involved in ITO are not able to meet their pre-defined targets [6].

From a research perspective, a comprehensive body of knowledge already exists for ITO in general [7–10]. By now IS researchers have, for example, defined decision and governance models [11], identified success factors [12, 13], and made recommendations on how to establish successful relationships [14, 15]. One especially prevailing issue is the effect of *cultural differences* between client and vendor organizations on the ITO client-vendor relationship quality [7, 16, 17]. In this context, prior studies

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identified a positive relationship between ITO project success and cultural compatibility on a macro (country or ethnic groups) as well as on a meso (organization) and micro level (team, individual). Nevertheless, these findings are mostly limited to one specific level and have there-fore not been generalized or investigated on a large scale. Consequently, recent IS research has called for investigating the effect of cultural differences between client and vendor in ITO relationships on a broader level [7, 8, 18–22]. This situation leads to the overarching question guiding our research: *What kind of cultural differences exist in ITO relationships and how can they be explained?*

Past research analysing cultural differences in the context of IS revealed that analysing culture is quite complex due to the lack of a clear definition of culture in general, the multi-dimensional "umbrella" character of culture as well as the lack of suitable frameworks to explain the various layers of culture in the context of IS in general and ITO in particular [23]. To cover this issue, our research applies the *institutional logics perspective* [24] as a theoretical lens, which enables the identification of cultural differences (ex-pressed through differences in institutional logics) between the different groups (institutions) in an ITO relationship on multiple levels.

Our research project is exploratory in nature and builds upon data collected within four focus group discussions [25] with ITO experts from clients, vendors, and consultancy organizations. The discussions focused on (1) the identification of cultural differences in ITO relationships and (2) the development of corresponding institutional logics, which explain the cultural differences. Based on this approach, we were able to either identify or confirm 12 unique institutional logics in the context of ITO relationships, which together were able to explain a set of 14 cultural differences existing in such relationships. Furthermore, by applying the cultural framework of Leidner and Kayworth [23] within the context of our research, we categorized the identified cultural differences and institutional logics based on the macro-, meso- and micro-level of culture.

The remainder of the paper is structured as follows. The next section provides information on the theoretical background in terms of the concept of culture and the institutional logics perspective. Section 3 introduces the research design including a description of the data collection and analysis methods. Section 4 explains the results of our analysis with a specific focus on describing the newly identified institutional logics identified within our research project. Before concluding our work in Sect. 6, Sect. 5 summarizes the contributions of our study for both research and practice as well as provides insights on the limitations of our work.

2 Theoretical Background and Framework Definition

2.1 The Concept of Culture

The concept of culture is complex and hence difficult to define. For example, in their early work Kroeber and Kluckhohn [26] describe culture as "the historically differentiated and variable mass of customary ways of functioning of human societies". Building upon the work of Kroeber and Kluckhohn [26], Hofstede [27] defines the still

widely accepted definition of culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another". However, a challenge that lies in any analysis of culture in any kind of context is that there are several levels that provide different symbols and practices [23]. For example, to explain the behaviour of social actors, you have to keep in mind that there is an interaction of values from different levels of culture, for example, the culture of the organization that the individual is embedded in as well as the individual's own culture based on formal education and upbringing [28]. Therefore, a cultural analysis should always consider these different levels of culture [23].

By building upon the work of Leidner and Kayworth [23], our study conceptualizes culture in ITO based on four different levels of analysis: (1) *national culture* on the macro level, (2) *organizational culture* on the meso level, and (3) *team culture* as well as (4) *individual culture* on the micro level of analysis. A very popular approach towards national culture is given by Hofstede [27]. He describes culture as differences in values in the four dimensions of power distance, uncertainty avoidance, individualism-collectivism and masculinity-feminity [27]. Most of the approaches analysing national culture try to identify values, which appear in every country, but in varying extents [23]. On the lower meso level of analysis is the culture of organizations. The objective of research on organizational culture is the identification of dominant values that influence organizational behaviour in order to distinguish organizations [23]. But similar to national culture, differing concepts and approaches towards organizational culture exist. Researchers are divided about, for example, if organizations have "uniform, homogenous values or, instead, various local cultures, each with their own distinctive values" [29]. Team culture and individual culture are separated on the micro level [23]. Based on the definition of organizational culture from Schein [30] and the corresponding work of Karahanna et al. [31], groups and teams also develop a distinct group or team culture through own rituals, norms, and symbols.

In the light of ITO research, there are several studies that evaluate the concept of culture on various levels. For example, the study of Avison and Banks [32] investigates how national culture-induced differences in communication affect offshore software development teams [32]. Another recent study evaluated how differences in the client's and vendor's national culture affect ITO success and how these cultural differences could be mitigated within such relationships [33]. From an organizational culture perspective, the study of Rai et al. [34] identified, based on a longitudinal field study of 155 offshore IS projects, a relationship between cultural differences at the organizational and team level and ITO project success. In terms of team culture-related research in ITO, there are studies available that evaluated, for example, the positive influence of collaborative team culture ("one team approach") on project performance [35]. In the context of research evaluating culture in ITO relationships on an individual level, there are limited sources available and there are several calls for future research [23]. For example, a recent study evaluated how individual project members in global ITO projects cope with culture-specific behaviour and how the project members' cultural intelligence enables the emergence of negotiated culture [36].

To sum up, due to its "umbrella" character, culture is a difficult concept to analyse, both in general and within the context of ITO in particular. Especially research focussing on a multi-level analysis of culture is still rare and a preceding gap in our knowledge on ITO [23, 36, 37].

2.2 The Institutional Logics Perspective

To enable a multi-level analysis of culture in the context of ITO, our study applies the institutional logics perspective (ILP) as a theoretical lens. The ILP originates from institutional theory and describes organizational forms, managerial practices, and individual actions through institutional logics (IL) [38–40]. An institutional logic is generally defined as a "socially constructed, historical pattern of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences" [24]. The ILP approach presumes that individual actors or organizations are part of an inter-institutional system. Within this system, the actors are surrounded by so called institutional orders, which operate on multiple levels of analysis. These institutional orders mainly shape the behaviour of an actor in the system through symbols, practices, and organizing. For example, the orders of family, state, market or profession are instances of institutional orders. Each of these institutional orders comprises an own institutional logic that determines its organizing principles and provides the actors with a sense of self [41].

We chose ILP as our theoretical lens due to the fact that it is closely tied to culture, and is generally considered as a "new way of looking at culture" [24]. Specifically, ILP reflects normative and symbolic elements of culture for the analysis of organizational or individual behaviour [24]. ILP presumes that institutional logics operate on multiple levels of analysis [24], and these levels generally match the four cultural levels (national culture, organizational culture, team culture and individual culture), which are the baseline for analysing and categorizing cultural differences. The identification of institutional logics that are embedded on these different cultural levels could provide both, a suitable reasoning and categorization of cultural differences in the context of ITO client-vendor relationship, as well as information about what influences the behaviour and the relations between organizational and individual actors in ITO relationships.

Building on ILP, our study adopts the framework of institutional logics proposed by Berente and Yoo [42]. In particular, Berente and Yoo [42] suggest four dimensions to describe institutional logics, which we adopt for the identification of institutional logics within our work. A brief description of the four dimensions, the guiding question in regards to the dimension, and an example based on Berente and Yoo [42] are given in Table 1.

Based on the explanations of the concept of culture and the introduction into ILP as our theoretical lens, Fig. 1 summarizes our research framework, which we used as a sanitizing guideline for our research design and data analysis.

Table 1. Dimensions of an institutional logic (based on Berente and Yoo [42]).

Dimension	Guiding Questions	Example *(based on "Logic of Project Management Professionalism", Berente and Yoo [42])*
Principle	What is the guiding principle behind the institutional logic? What are the goals behind the institutional logic?	Deliver space and aeronautics project results
Assumption	What are the assumptions about cause and effect of the institutional logic? How can the principles of the institutional logic be achieved?	Project results through tracking and communicating project progress
Identity	What are the identities of people when they draw on these logics? Why do people act like they do based on the particular institutional logic?	Track and communicate unpredictable activity
Domain	At what time and place (*when*) is the institutional logic applied? Where does the institutional logic exist in particular?	Financial as well as other domains associated with projects

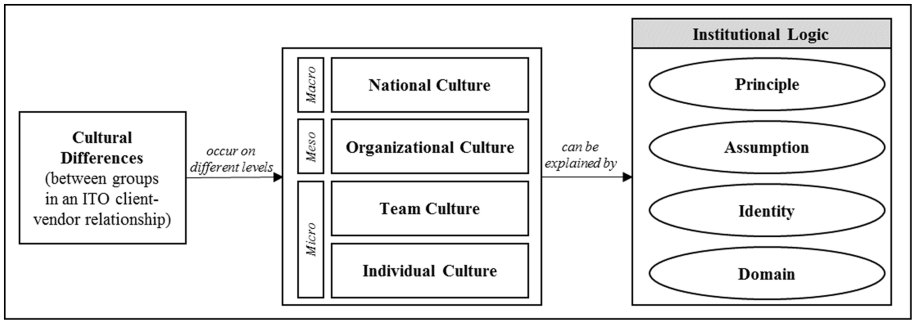

Fig. 1. Research Framework.

3 Research Design

3.1 Research Method Overview

Building upon the type of our research question ("what") and our research framework, our study followed a qualitative, exploratory research design based on focus group discussions. We chose a qualitative design because (1) studies taking into account the multi-dimensional analysis of culture in both IS in general and ITO in particular are still limited [23] as well as (2) this study is, to the best of our knowledge, the first study

which applies the ILP in the context of ITO. A qualitative research approach is best suited to "help researchers under-stand people and the social and cultural contexts within which they live" [43], which relates to the overall goal of our research project.

We used focus group discussions for data collection because focus groups allow the gathering of knowledge on complex problems within a short timeframe [25]. A focus group combines instruments such as interviews and group discussions [44], and especially enables the interaction between experts on the chosen problem, which leads to a deeper understanding as well as the gathering of in-depth knowledge on the problem [25].

We planned and executed our focus groups based on a three step approach [45] including (1) conception, (2) execution, and (3) analysis.

3.2 Data Collection and Analysis

Conception Phase. Within this phase, we defined the underlying problem for the focus group discussions (*cultural differences in ITO client-vendor relationships*), prepared the code of practice, and selected the study participants in terms of organizations and employees. To allow a broad spectre of experience and knowledge, we chose the participating organizations based on role (client, vendor, consultant), branch, size (number of employees and yearly turnover), and experience with ITO. We used direct mailings addressed to the organization's head of IT as well as personal contacts to ensure the organizations' collaboration. Based on an initial set of 23 contacted organizations, we identified 4 organizations who met our selection criteria and agreed to participate in our research project. In terms of focus group participants, we wanted to ensure a preferably diverse set of participants, and therefore asked the organizations to identify participants from different backgrounds in terms of position and experience (overall and ITO). Based on the input from the organizations, 16 employees of the 4 organizations attended our focus groups. An overview about the organizations including branch, size, experience in ITO, and role is provided in Table 2. An overview about the participants within the focus groups is provided in the appendix of this paper.

Table 2. Overview of participating organizations.

ID	Branch	Size		ITO EXP	Role
		EMP	TO		
A	Telecommunications/IT	11–50	<2	100	Vendor
B	Retail	>250	>50	25	Client
C	Telecommunications/IT	11–50	<2	>20	Vendor
D	Various	11–50	≤10	>150	Consultancy

Legend: *ID:* ID of the company for further reference; *Branch:* Branch of the organization; *EMP:* Number of Employees; *TO:* Yearly turnover in Mio. EUR; *ITO EXP*: ITO experience of the company based on number of executed ITO projects; *Role:* Role of the organizations within ITO projects (client, vendor, consultant); *n/a*: In cases of N/A the company decided to provide no information (e.g. due to confidentiality reasons).

Execution Phase. We organized one focus group per participating organization. Due to the organizations' requirements in terms of confidentiality, cross-organizational focus groups were not possible. The focus group discussions took place in April and May 2015 and lasted about two hours each. The spoken language was German. One of the focus group discussions took place at the university, three focus group discussions were organized within the participating organizations' headquarters. All focus groups were attended by two researchers to ensure suitable documentation and moderation capabilities. In addition to detailed write-ups, the researchers video-recorded and transcribed all focus groups. In addition, we provided three brief questionnaires to the participants focussing on information in regards to the organization, the participant's background, and past ITO projects. All focus groups followed a detailed code-of-practice based on the guidelines of Schulz et al. [45] and Liamputtong [25], including the identification of the cultural differences in ITO relationships based on two to four current or past ITO projects.

Analysis Phase. The data analysis started after conducting all four focus group discussions and built on written transcripts of the video files recorded during the focus group discussions, the written documentation of the focus groups, as well as the visualized results developed during the focus group discussions (e.g., flipchart writings). As a first step of our data analysis, we identified and categorized the cultural differences between the different groups in an ITO relationship based on the interview transcripts. In the second step, we applied the framework of Berente and Yoo [42] (see Sect. 2.2) to identify and describe institutional logics that could explain the specific cultural differences. Within this step, we particularly tried to match the identified cultural difference to an already existing institutional logic. In case we were not able to find a previously identified institutional logic suitably explaining the cultural difference, we developed an explaining institutional logic based on the four dimensions for institutional logics from Berente and Yoo [42].

4 Analysis and Results

Our data analysis resulted in a consolidated list of categorized cultural differences in ITO relationships as well as the corresponding institutional logic, which explains the reason behind the particular cultural difference. In total, we identified 14 cultural differences within the different cultural levels. We were able to match these cultural differences to 12 explaining institutional logics. Out of these 12 institutional logics, 7 were already identified in past research and hence confirmed in the context of ITO relationships based on our research. 5 institutional logics explaining 7 cultural differences were newly developed based on the data derived from the focus group discussions. Table 3 provides an overview of the identified cultural differences, the level of the cultural difference according to the multi-level framework on culture from Leidner and Kayworth [23], and the corresponding institutional logic explaining and reasoning the identified cultural difference. In case the particular institutional logic was already identified and described within past research, corresponding references are provided.

Table 3. Overview of identified cultural differences and corresponding institutional logics.

ID	Cultural Difference	Level of Culture				Corresponding Institutional Logics	Key References
		N	O	T	I		
(A) Cultural Differences on the Organizational Level							
A.1	**Solution-Orientation** (joint vs. pressured)		X			Private-Side Logic vs. Public-Side Logic	Beck, Gregory [46], Currie and Guah [47], Marschollek and Beck [48]
A.2	**Inter-organizational Collaboration** (trust-based vs. contract-based)		X			Private-Side Logic vs. Public-Side Logic	Beck, Gregory [46], Currie and Guah [47], Marschollek and Beck [48]
A.3	**Organizational Attitude** (protection vs. trial & error)		X			Private-Side Logic vs. Public-Side Logic	Beck, Gregory [46], Currie and Guah [47], Marschollek and Beck [48]
A.4	**Organizational Behavior** (hierarchical vs. flat)		X			*Logic of the Enterprise* vs. Entrepreneurial Logic	*new*/Berente, Hansen [49]
A.5	**Negotiation Style** (direct vs. mandated)		X			*Logic of the Enterprise* vs. Entrepreneurial Logic	*new*/Berente, Hansen [49]
A.6	**Management Style** (strong vs. weak)		X			*Logic of the Enterprise* vs. Entrepreneurial Logic	*new*/Berente, Hansen [49]
A.7	**Degree of Standardization** (high vs. low)		X			*Logic of the Enterprise* vs. Entrepreneurial Logic	*new*/Berente, Hansen [49]
A.8	**Organizational Strategy** (short- vs. long-term)		X			Logic of Managerial Rationalism vs. Logic of Organizational Persistence	Berente and Yoo [42]
(B) Cultural Differences on the Team Level							
B.1	**Working Motivation** (protective vs. up-stepping)			X		Logic of Managerial Rationalism vs. Logic of Organizational Persistence	Berente and Yoo [42]
B.2	**Working Attitude** (autonomy vs. heteronomy)			X		Logic of Instruction Dependency vs. Logic of Self-Regulation	Currie and Guah [47]
B.3	**Risk-Orientation** (averse vs. affine)			X		*Logic of Proactivity vs. Logic of Reactivity*	*new*

(*Continued*)

Table 3. (*Continued*)

ID	Cultural Difference	Level of Culture				Corresponding Institutional Logics	Key References
		N	O	T	I		
(C) Cultural Differences on the Individual Level							
C.1	**Commitment Intensity** (low vs. high)				X	*Full-Time Project Employee Logic vs. Part-Time Project Employee Logic*	*new*
(D) Cultural Differences appearing on Different Levels							
D.1	**Project Dedication** (high vs. low)	X	X	X	X	Consulting Profession Logic vs. Logic of Organizational Persistence	Berente, Hansen [49]/ Berente and Yoo [42]
D.2	**Problem-Solving Attitude** (proactive vs. reactive)	X	X	X		*Logic of Proactivity vs. Logic of Reactivity*	*new*

Legend: *ID:* Identification number; *Cultural Difference Description:* Short Description of the identified Cultural Difference including the two extremes (in brackets); *Level of Culture:* Level of Culture the difference has been categorized as by the focus group participants (N = National, O = Organization, T = Team, I = Individual); *Corresponding Institutional Logics:* The institutional logics that give meaning to the identified cultural differences(non-italic: existing IL in literature; *italic: d*erived from collected data); *Reference*: Reference to the literature in case of already existing IL.

Due to space restrictions, we are not able to provide detailed descriptions and explanations for all identified cultural differences and the corresponding institutional logics. Hence, the remainder of this section includes details on interesting findings as well as examples in terms of matchings between cultural differences and corresponding institutional logics.

Organizational Level. On the *organizational level*, we identified 8 cultural differences, which are explained by 6 corresponding institutional logics. One of these institutional logics ("logic of the enterprise") was developed by the authors based on the findings from the focus group discussions.

The cultural differences on the organization level generally evolved around the overarching attributes and mindsets of the client and vendor organizations engaged in an ITO client-vendor relationship. In general, most of the identified cultural differences on the organizational level (*solution-oriented attitude (A.1)*, *inter-organizational collaboration (A.2)*, *working attitude (A.3)* and *organizational strategy (A.8)*) can be thoroughly explained by the previously identified private- and public-side institutional logic [46–48] as well as the Logic of Managerial Rationalism and the Logic of Organizational Persistence [42]. Additionally, the focus group discussions revealed further cultural differences (*organizational structure (A.4)*, *negotiation style (A.5)*, *management style (A.6)*, and *degree of standardization (A.7)*), which cannot be fully

explained by already existing institutional logics. For example, one participant described cultural differences in terms of negotiation style based on the client's and vendor's company size and type, which seriously affect the length of negotiations within ITO relationships:

> *"There is always a difference [in the negotiation style] based on the company size. A small company does not have its own legal department. In case of negotiations, they engage an independent lawyer. In such cases, the lawyer is often not directly involved in the negotiations and you negotiate directly with the management of the company. This makes negotiation different from negotiations with a large provider. In this case, you negotiate with the vendor's own lawyer, who gets the mandate by the board. After the negotiation, he needs to discuss the changes with his management."* (adopted from Focus Group 4, translated from German)

Another participant from the same focus group discussion explained cultural differences concerning the management style based on the involved organization's size, separating large enterprises from small ownerled, organizations:

> *"In smaller organizations [...] the management function is more involved in the project. This is leading to faster processes and results. On the other hand, in bigger organizations, there is less involvement from the management. In this case, departments act independently, which is allowed."* (adopted from Focus Group 4, translated from German)

Building upon the participants' explanations of the cultural differences, we identified the institutional "logic of the enterprise" and the "entrepreneurial logic" as a suitable explanation for the identified cultural differences. Within many ITO relationships, large enterprises outsource software development or maintenance tasks to smaller software development startups, for example, the development and maintenance of mobile applications. The enterprises on the client side hereby follow the principle of standardization (e.g., by implementing hierarchies and distinct delegations). In contrast, smaller software development startups follow the entrepreneurial institutional logic [49], which allows for "leanness, informality, bricolage, and adaptability associated with entrepreneurial scripts for practice" [49]. A description of the newly identified "logic of the enterprise" based on the framework of Berente and Yoo [42] is provided in Table 4 below.

Table 4. Logic of the enterprise – description.

Inst. logic dimension	Characterization of the logic of the enterprise	Representative quotations
Principle	Focus on Standardization	*"The larger the organization, the higher the degree of standardization"* (Focus Group 4)
Assumption	Standardization through hierarchies, distinct delegation and overarching rulesets	*"There are always hierarchies [in enterprises]. For example, there is someone who has a general overview, and another one responsible for the details."* (Focus Group 3)

(*Continued*)

Table 4. (*Continued*)

Inst. logic dimension	Characterization of the logic of the enterprise	Representative quotations
		"Within negotiations, the lawyer is delegated by the management. After the negotiations, he needs to clarify all changes with the management" (Focus Group 4)
Identity	A Standardized, hierarchical structure with distinct delegations implies a certain degree of inflexibility and the definition of independent departments and centres	*"An issue within the ongoing ITO client-vendor relationship is the degree of inflexibility"* (Focus Group 4) *"Within large organizations [...] the different departments work independently, which is accepted by the management"* (Focus Group 4)
Domain	Large, multi-national organizations involved in ITO relationships	*"In general, you could say we are a multi-national organization from a structural point of view"* (Focus Group 2)

Team Level. On the team level, we identified three cultural differences, which can be explained by six corresponding institutional logics. The cultural differences of *working motivation (B.1)* and *working attitude (B.2)* hereby explain differences in the type of motivation by the different teams involved in an ITO relationship (e.g., team member level vs. management level). Our research hence confirms the existence of the already identified logics of "managerial rationalism" and "organizational persistence" [42] in the context of ITO. These logics describe different mindsets of management and employees in largescale IT projects, for example, based on the job role (e.g., project managers and software developers).

In addition, our study revealed the cultural difference of *risk-orientation (B.3)* as important when managing interorganizational teams within an ITO relationship. Different participants mentioned that, especially in large-scale organizations, there are always teams involved in ITO relationships, which are either risk-averse (e.g., the legal department) or risk-affine (e.g., the client's IT management):

> *"Within a large organization, the legal department is generally interested in minimizing the risk potential, this includes the minimization of all risks"* (adopted from Focus Group 4, translated from German)

> *"The IT management generally says, I need this and the cost and risk are not important"* (adopted from Focus Group 3, translated from German)

This cultural differences goes hand in hand with the cultural difference concerning the *problem-solving attitude (D.2)*, which we identified on different cultural levels (national culture/organizational culture/team culture). We identified differences in the problem-solving attitude based on differences in the national culture of the resources

(e.g., India vs. Germany), the organizational culture (private vs. public organization), and the team culture (team members vs. management). For example, one participant explained the more reactive problem-solving attitude of software developers from India compared to German software developers:

> *"They have a different culture when it comes to problems. They won't come to you directly and say, that they are either overstrained or that the timeframe is not sufficient."* (adopted from Focus Group 2, translated from German)

In summary, these two cultural differences (B.3; D.2) can be explained by the newly defined, general institutional *logics of proactivity and reactivity*. We identified that organizations and teams engaged in ITO relationships act either proactive or reactive based on their overarching mindset and beliefs, which are derived from their cultural backgrounds. The details of the two institutional logics are described in Tables 5 and 6.

Table 5. Logic of proactivity – description.

Inst. logic dimension	Characterization of the logic of proactivity	Representative quotations
Principle	Appreciating change	*"When working with private organizations […], you always get direct feedback [on problems]"* (Focus Group 4)
Assumption	Appreciating change through proactive management, risk-affinity, trust and general ITO affinity	*"Within our ITO relationship, the underlying product allows the [clients] management function to directly manage and control the operational ranks of the organization."* (Focus Group 1) *"The client's IT management within our ITO relationship just provide a general frame and afterwards trust us to deliver within this frame"* (Focus Group 2) *"The idea of outsourcing is accepted within the [client's] management"* (Focus Group 2)
Identity	A behaviour which appreciates change implies a certain degree of management skills, trust towards the vendor organization, ITO experience and service orientation	*"Even if [the client's IT management] needs to report the status to his management on a weekly basis, he leaves us alone. It's like 'you provided me with a plan for two weeks, so just do it'"* (Focus Group 2)

(*Continued*)

Table 5. (*Continued*)

Inst. logic dimension	Characterization of the logic of proactivity	Representative quotations
		"On the [client's] management level, you find people who are similar to yourself, who have experience and a certain level of education". (Focus Group 1) *(FG1)* *"The client [management] in the ITO relationship needs to be service oriented"* (Focus Group 4)
Domain	Client top management function (within private organizations); Client IT management function;	No specific quotation, reasoning for domain based on context

Table 6. Logic of reactivity – description.

Inst. logic dimension	Characterization of the logic of reactivity	Representative quotations
Principle	Minimizing change	*"When you are working with departments on the client's side, I think their overarching goal is to change as less as possible" (FG4)*
Assumption	Minimizing change through reactive and risk-obverse behaviour, prevention activities and passivity	*"Teams or employees who seek topics like data security or legal issues to prevent the engagement." (FG1)* *"The legal department's main focus is the minimization of all risks associated to the ITO engagement." (FG4)*
Identity	Focussed on minimizing change due to inexperience, passivity and inflexibility	*"Internal teams [from the client] are often working on one topic or one product and they don't really know what else is going on. Hence there is not that much experience [...] and when it comes to change, this is an issue" (FG3)*
Domain	Client teams or individual employees from lower ranks engaged in ITO relationships; Client legal department; Vendor employees from particular cultural backgrounds (e.g. India)	*"When ITO engagements and corresponding decisions are blocked, it originates nearly always from hierarchically low ranks within the [client] organization" (FG1)* *"Software developers from India have a different culture when it comes to problems" (FG2)*

Individual Level. On the *individual level* we identified one cultural difference, which is explained by two institutional logics. The cultural difference arose from the intensity of the commitment for the ITO relationship based on the participant's individual cultural background. We especially identified differences in the ITO relationship commitment between client employees fully staffed to the project on the one hand and project employees, for example, freelancers or client subject matter experts, who are not fully staffed to the project, on the other hand:

> *"We have employees, who are traditionally, permanently hired [internal]. They have a completely different focus. They want to have a secure job. […]. The freelancer generally has a contract for the specific project. He/She is already looking for a follow-up project as soon as he started on our project."* (adopted from Focus Group 2, translated from German)

Building upon the data from our focus group discussions, we defined the *fulltime project employee logic* and the *parttime project employee logic* as suitable logics for explaining the particular cultural difference of ITO relationship commitment. Hereby, the most vivid difference between individuals acting based on either the internal employee logic and the external employee logic is the security-focus versus the shortterm focus of the individual's behaviour and actions. A detailed description of the institutional logics is provided in Tables 7 and 8.

Table 7. Internal project employee logic – description.

Inst. Logic Dimension	Characterization of the full-time project employee logic	Representative quotations
Principle	(Job) security focus; high, long-term commitment	*"We have employees, who are traditionally, permanently hired [internal]. They have a completely different focus. They want to have a secure job"* (Focus Group 2)
Assumption	Individual's focus on job security through risk-averse, slow-moving behaviour and working within known boundaries	*"Especially when there are difficult topics like the transfer of employees to the external provider. In this case, you won't get the acceptance of the internal employees [technical staff]"* (Focus Group 4) *"It looks like that the internal teams are working slower when it comes to deadlines"* (Focus Group 2)
Identity	Focus on job-security due to fear, inexperience and partially autistic behaviour on the one hand and a high degree of technical know-how	*"He [the particular employee]is driven by fear" (FG1)* *"I think all [internal] IT guys are autistic by nature"* (Focus Group 4)

(*Continued*)

Table 7. (*Continued*)

Inst. Logic Dimension	Characterization of the full-time project employee logic	Representative quotations
		"I think our internal IT has a higher degree of technical know-how compared to the vendor" (Focus Group 2)
Domain	Internal employees from the client's side (e.g. software developers)	No specific quotation, reasoning for domain based on context

Table 8. External project employee logic – description.

Inst. Logic Dimension	Characterization of the part-time project employee logic	Representative quotations
Principle	Short-term focus/low commitment	*"The freelancer generally has a contract for the specific project. He/She is already looking for a follow-up project as soon as he started on our project."* (Focus Group 2) *"He [the expert] is not committed to the project"* (Focus Group 3)
Assumption	Short-term focus as well as low commitment due to the overarching agreement (e.g. contract) for the individual as well as the opposing responsibilities (e.g. line-work vs. project-work)	*"In case an SME is not available anymore and his successor is not interested in the project, then he de-prioritizes the project work"* (Focus Group 3) *"When you ask [the SME], you never get at response, because he is also involved in his line-work. And with the project he is not really engaged"* (Focus Group 3)
Identity	Short-term focus and low commitment is leading to passive working behaviour and limited availability	*"For some resources it is not relevant to speak up on Tuesday that there is something wrong with the requirement and that they need to correct this. Because in this case they need to correct this and then there will be no deliverable on Friday"* (Focus Group 2) *"The experts are not really available, because they are involved in several projects"* (Focus Group 3)

(*Continued*)

Table 8. (*Continued*)

Inst. Logic Dimension	Characterization of the part-time project employee logic	Representative quotations
Domain	Freelancers engaged by the client to support the ITO engagement; Subject Matter Experts involved in the ITO engagement based on a part-time contract	No specific quotation, reasoning for domain based on context (see especially principle quotations)

5 Discussion

Based on our research question and our exploratory research design, the major outcome of our study is the identification and explanation of cultural differences in ITO relationships. Explicitly, we identified and confirmed overarching institutional logics for explaining particular cultural differences between individuals, teams, and organizations involved in ITO relationships. Based on this result, our study contributed to IS research in general and ITO-related research in particular by several means:

First, by providing further insights into the concept of culture in ITO-related research, we allow for a more detailed explanation. As described in Sects. 1 and 2, past research evaluating culture in the context of ITO focused mostly on one or two particular levels, for example, national culture [50] or organizational and individual culture [34]. Research using multi-level approaches to analyse the concept of culture in the context of ITO relationships is limited. Our research particularly contributes to this gap in our knowledge by applying the multi-level cultural framework of Leidner and Kayworth [23]. We were able to identify 14 cultural differences vivid in ITO relationships on different levels. Hereby it is important to note that we identified particular cultural differences on the organizational level (e.g., different types of *interorganizational collaboration (A.2)*), the team level (differences in *risk-attitudes (B.3)*) and the individual level (differences in the *ITO engagement commitment (B.1)*). Furthermore, we identified two cultural differences, which occurred on different cultural levels (e.g., different *problem-solving attitudes (D.2)*). Based on this result, our research indicates that cultural differences can occur on different levels simultaneously within an ITO relationship, and that future research is required to evaluate these cultural differences and their interactions on a larger scale. Furthermore, our results indicate, that cultural differences occur, to a large extent, on the organizational level. Hence, we suggest for future research to evaluate the organizational level to understand the relationship between cultural differences on this level and ITO success in detail.

Second, by applying the ILP for explaining the identified cultural differences within ITO relationships, we offer a novel perspective on culture in ITO. As described in Sect. 2.1, the concept of culture is generally difficult to describe and explain due to its "umbrella" character. We used ILP for explaining and reasoning particular cultural differences within the context of ITO. Specifically, by applying the categorical framework of Berente and Yoo [42], we were able to confirm, enhance, as well as define new institutional logics, which shape and form the interaction of organizations,

teams, and individuals within ITO relationships. Our research, on the one hand, confirmed and enhanced several logics, already mentioned in the context of IS by previous research (see Table 3). Furthermore, we developed 5 previously unknown logics in the context of ITO. This result of our exploratory research could be used as a baseline for both validating the existence of the particular institutional logics in different types of ITO relationships (e.g., onsite IT infrastructure maintenance vs. offshore software development projects) as well as evaluating the effect of these logics (and the corresponding cultural differences) on the quality of the ITO relationship and the overall ITO project success.

As regards to limitations of our study, *first*, we need to take into account the limitations of focus group discussions as a data collection method in qualitative, exploratory research. Although focus group discussions allow the gathering of knowledge on complex problems within a short timeframe [25], we cannot argue for generalizability and comprehensiveness based on purely qualitative data collection. We tried to cover this limitation by choosing a diverse set of organizations for our focus groups including clients, vendors and consultants with experience in ITO relationships. Nevertheless, we would strongly recommend other researchers to continue this research endeavour by applying, for example, methods like case study research and surveys to further evaluate the concept of culture in the context of ITO based on a multi-level approach.

Second, we need to recognize our limited set of organizations involved in our data collection. Although we tried to cover different aspects of an ITO relationship by involving client, vendor and consultancy organizations into our focus group discussions, all these organizations and the discussed projects focussed on relationships between clients in Germany and vendors in India. To get a more diverse view of culture in the context of ITO relationships, especially in terms of differences on the national culture level, we would strongly recommend future research evaluating culture in ITO relationships based on a more diverse set of organizations and ITO projects, for example, comparing projects with vendor organizations in India, South America and Eastern Europe.

6 Conclusion

For the very first time, our study applied ILP as a theoretical lens to evaluate the concept of culture in the context of ITO. By confirming, enhancing, as well as identifying new institutional logics, explaining particular institutional logics in the context of ITO, we enhanced our understanding of culture in ITO. Our exploratory research is usable as a suitable starting point for an indepth, multi-level evaluation of culture in ITO relationships, which is currently a gap in our knowledge on information technology outsourcing relationships. Further studies on how cultural differences, as espoused by different institutional logics, affect client-vendor relationships and ITO success will offer valuable insights.

Appendix: Overview of Focus Group Participants

ID	Position & Role	Working Experience	ITO Projects	Project Lead	Project Figures		
					TM	DUR	VEN
1	Software Developer	8	*n.i.*	*n.i.*	*n.i.*	*n.i.*	*n.i.*
2	CEO & Founder	11	50	40	5–15	6–24	1–3
3	CEO & Founder	10	40	30	5–15	6–24	1–3
4	Software Architect	20	6	5	5–15	3–24	1–2
5	Head of Business Intelligence and Product Development	10	>10	2	15–20	9–30	1–3
6	Software Developer	13	20	8	2–5	6–50	1
7	Software Architect	19	20	10	2–5	6–50	1
8	CEO & Founder	25	50	50	30–100	6–12	2–14
9	Managing Director	29	>53	26	2–50	3–36	2–10
10	Senior Consultant	18	15	0	10–15	13–24	10–20
11	Principal Consultant	15	42	40	5–27	9–18	10–20
12	Senior Consultant	7	3	0	20–50	17–30	5–8
13	Senior Consultant	6	2	0		3–12	1
14	Senior Consultant	5	8	4	3–5	6–12	2–3
15	Senior Consultant	>20	6	2	5–20	3–9	1–12
16	Senior Consultant	22	4	2	8–12	17–24	6–7

Legend: *Position & Role:* Description of the research participant's level, organization (V = Vendor; C = Client) and role; *Working Experience:* Research participant's working experience in years; *ITO projects:* Number of ITO projects, the research participant was assigned to (overall); *Project Lead:* Number of ITO projects, the research participant was assigned to (as project lead); *Project Figures:* TM = no. of team members/DUR = Duration (in month)/ VEN = number of involved vendors (all project figures listed as min to max (e.g. TM = 1–20 > min. 1 team member/max. 20 team members)

n.i. = no information provided due to personal reasons.

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